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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)**

### **DISCLOSEABLE TRANSACTION**

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



The Company, the Developer, Smart Tactic and BKAP have on 15th March 2007 entered into the Development Agreement in relation to the exclusive grant by BKAP of the Operation Right relating to Burger King Restaurants in Hong Kong and Macau to the Developer. Pursuant to the Development Agreement, the Developer shall open and operate Burger King Restaurants during the ten-year term of the Development Agreement, subject to the terms of the Agreements.

The transactions contemplated under the Agreements constitute a discloseable transaction of the Company under the GEM Listing Rules. A circular containing details of the Agreements and information on the Group will be despatched to the Shareholders as soon as practicable.

The Board is pleased to announce that the Company, the Developer, Smart Tactic and BKAP have on 15th March 2007 entered into the Development Agreement in relation to the exclusive grant by BKAP of the Operation Right relating to Burger King Restaurants in Hong Kong and Macau to the Developer. Details of the Development Agreement are set out below.

#### **THE DEVELOPMENT AGREEMENT**

**Date:** 15th March 2007

**Parties:**

**Developer:** Glory Ally Limited, an indirect wholly-owned subsidiary of the Company;

**Grantor:** BKAP; and

**Guarantors:** the Company and Smart Tactic, as guarantors for the obligations of the Developer under the Development Agreement.

\* For identification purpose only

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, BKAP and its associates are Independent Third Parties. BKAP is a subsidiary of Burger King Holdings which is a company listed on the New York Stock Exchange. As stated in the 2006 annual report of Burger King Holdings, Burger King Holdings is the world's second largest fast food hamburger restaurant chain measured by the number of Burger King restaurants and system-wide sales.

**Operation Right:**

Pursuant to the Development Agreement, BKAP grants and the Developer accepts the grant of the exclusive Operation Right to develop and to operate Burger King Restaurants in Hong Kong and Macau. The Developer may nominate its wholly-owned subsidiaries as may be approved by BKAP in its discretion to operate Restaurants as Franchisees subject to the terms of the Development Agreement. With respect to each Restaurant to be developed pursuant to the Development Agreement, the Developer must apply for and obtain franchise approval from BKAP and enter into a Franchise Agreement on terms described in the paragraph headed "The Franchise Agreement" below. The Developer shall develop, open for business and keep open a certain number of Restaurants within Hong Kong and Macau each year during the term of the Development Agreement.

The following three locations in Hong Kong are excluded from the Operation Right granted under the Development Agreement - Hong Kong International Airport, the Peak Tower and Hong Kong International Trade and Exhibition Centre. At present, there are three restaurants in the name of Burger King existing in the aforesaid locations.

**Term:**

The term of the Development Agreement shall be a period of ten years from the first day of the month following the date on which the Company notifies BKAP immediately upon the fulfilment of the condition precedent to the Development Agreement (as stated below), and may be extended subject to agreement between the Developer and BKAP.

**Market development fee:**

The Developer has paid a one-off non-refundable market development fee of US\$250,000 (equivalent to approximately HK\$1,950,000) to BKAP on the date of the Development Agreement in consideration for the Operation Right. Such market development fee was determined after arm's length negotiations between the Company and BKAP, taking into account the prospects of quick service restaurant industry in Hong Kong and Macau in the next ten years, the performance and popularity of fast food restaurants of similar type, the established brand name of Burger King and the costs incurred or to be incurred by BKAP for the market development in Hong Kong and Macau. The Group financed the payment of such market development fee by its internal resources.

**Condition precedent:**

Completion of the Development Agreement is subject to all necessary approvals for the transactions contemplated under the Development Agreement required by the GEM Listing Rules having been obtained by the Company within 75 days from the date of the Development Agreement (or such other date as the parties may agree in writing).

If the above condition cannot be fulfilled, BKAP or the Developer may terminate the Development Agreement and none of the parties shall have any further liability to the others.

**Termination:**

BKAP shall be entitled to terminate the Agreements with 60 days notice in the event that any competitors of BKAP become beneficially interested in more than 29% of the shares of the Developer. BKAP shall also be entitled to terminate the Development Agreement if the Developer shall be in default of the Development Agreement.

**THE FRANCHISE AGREEMENT(S)**

**Parties:**

The parties to the Development Agreement and the Franchisee shall enter into a Franchise Agreement, each in identical form, in respect of each Restaurant to be opened by the Franchisee.

**Subject matters:**

Pursuant to the Franchise Agreements, BKAP shall grant the Franchisees the licenses to use the unique system developed by the Burger King Group for the operation of the Restaurants, which includes proprietary designs for restaurant buildings, equipment and decor, a proprietary service format, standardised product and quality specifications; as well as trademarks, domain names, service marks and other marks for use in connection with the operation of Burger King Restaurants.

The grant of the licenses under the Franchise Agreements shall be subject to the compliance by the Franchisees of the operational and other requirements of BKAP set out in the Franchise Agreements on, among other things, construction and fitting out, equipment and machines used, menu and services, and the management and crew of the Restaurants. BKAP or its affiliates shall periodically advise and consult with the Franchisees in connection with the operation of the Restaurants and shall provide advice and assistance to the Franchisees on pre-opening training, marketing and advertising research, accounting, cost control and inventory control systems, and other techniques in food preparation, packaging and restaurant management which are relevant to the operation of Burger King Restaurants.

**Franchise term:**

The franchise granted under each of the Franchise Agreements shall be of a 10-year term and shall commence on the Commencement Date.

**Franchise fees, royalties and advertising expenditure:**

Pursuant to the terms of the Franchise Agreements, in respect of each Restaurant to be opened by the Franchisees, the Franchisees will pay to BKAP a one-off non-refundable initial franchise fee of US\$25,000 (equivalent to approximately HK\$195,000) at least seven days before the Commencement Date.

During the term of the Franchise Agreements, the Franchisees shall also pay BKAP Royalties and spend certain levels of direct expenditure upon advertising and promotional activities for the Restaurants. The amount of Royalties to be paid to BKAP and the amount of Planned Advertising Expenditure to be spent by the Franchisees are to be determined based on the gross sales of each of the relevant Restaurants. If the Planned Advertising Expenditure is not eventually spent by a Franchisee in a year, such Franchisee is required to remit the shortfall to BKAP as additional Royalties. Under the Franchise Agreements, BKAP has the discretion to take over promotional activities for the Restaurants and require the Franchisees to pay the Planned Advertising Expenditure directly to BKAP.

The amount of the one-off franchise fee for each of the Restaurants and the terms relating to the Royalties and Planned Advertising Expenditure are reached based on arm's length negotiations between the Company and BKAP, taking into account the industry practice of quick service restaurants operating under franchise arrangements. It is expected that the amount of Royalties and Planned Advertising Expenditure will vary according to the gross sales of each of the relevant Restaurants. Save for the one-off non-refundable initial franchise fee to be paid by the Franchisees for each of the Restaurants to be opened, the Group has not committed to pay any fixed, pre-determined sums to BKAP under the Franchise Agreements. The Group intends to fund the payment of franchise fee and other costs relating to the development of the Operation Right by internal resources of the Group.

## **REASONS FOR THE AGREEMENTS**

The Group is principally engaged in (i) the trading of surface mount technology ("SMT") assembly equipments, machinery and spare parts and provision of related installation, training, repair and maintenance services for SMT assembly equipments; (ii) processing and sale of fishmeal, refining and sale of fish oil, manufacturing and sale of aquatic feed products and trading of other raw materials relating to aquatic feeds; (iii) trading of steel products, provision of procurement services for steel products and provision of procurement services for steel productions (including the operation of an e-commerce vertical portal for the provision of online steel trading services and ancillary services); and (iv) investment holding.

According to statistics released by the Census and Statistics Department in Hong Kong, the value of restaurant receipts in Hong Kong grew from approximately HK\$53.0 billion in 2004 to approximately HK\$61.6 billion in 2006, representing a compound annual growth of about 7.8% in terms of value and 6.6% in terms of volume. In particular, total receipts of fast food shops in 2006 increased by 7.1% in value or 5.5% in volume over 2005. A recent survey by ACNielsen also revealed that Hong Kong ranks the world's No. 1 in terms of frequency of fast food restaurant visits and fast food shops account for about 20% of Hong Kong's total out of home dining market. Having considered the prevailing culture for fast food consumption in Hong Kong and that the consumer public is in general receptive to Western food, the Directors are positive about the prospects of the quick service restaurant industry in Hong Kong and Macau and believe that Burger King Restaurants are in a unique position to capture the market potentials. It is expected that the Burger King Restaurants to be opened and operated by the Group through the Franchisees in accordance with the Agreements would generate revenues and cash flows and broaden the earnings base of the Group. The Board considers that the entering into of the Agreements are in the interests of the Company and the Shareholders as a whole and the terms of the Agreements are fair and reasonable.

The Group intends to open at least four Restaurants in the first year of the Development Agreement, primarily in the business districts, shopping areas and tourist spots in Hong Kong and Macau. It is expected that the Group will open the first Restaurant by December 2007. Currently, the Group's core management team for the business of the Restaurants is being led by a veteran with over 25 years of experience in the quick service restaurant industry, who is responsible for overseeing and managing the operations of Burger King Restaurants. The Group will continue to employ more appropriate store personnel and provide trainings for them in accordance with the training standards and procedures prescribed by BKAP and shall staff the Restaurants with a sufficient number of trained employees and store managers to ensure that the operation of the Restaurants will be up to the standard of the unique system of operation developed by the Burger King Group. Subject to the consent of BKAP, the Group may also consider inviting strategic or financial investors to co-invest in the Developer if such alliances would bring synergies and add value to the development of the Operation Right. In such event, the Company shall comply with relevant GEM Listing Rules disclosure and, where necessary, shareholders' approval requirements.

## **GEM LISTING RULES IMPLICATION**

The transactions contemplated under the Agreements constitute a discloseable transaction of the Company under the GEM Listing Rules. A circular containing details of the Agreements and information on the Group will be despatched to the Shareholders as soon as practicable.

## **DEFINITIONS**

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

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|------------------------|--|
| “associates”           | has the meaning ascribed to it under the GEM Listing Rules   |
| “Agreements”           | collectively, the Development Agreement and the Franchise Agreement(s)   |
| “Burger King Holdings” | Burger King Holdings, Inc., a US-headquartered company listed on the New York Stock Exchange   |
| “Burger King Group”    | Burger King Holdings and its subsidiaries  |
| “BKAP”                 | BK ASIAPAC, PTE. LTD., a company incorporated in Singapore and a subsidiary of Burger King Holdings  |
| “Board”                | board of the Directors   |
| “Commencement Date”    | the earlier of the date of the execution of the relevant Franchise Agreement or the first date the relevant Restaurant opens for business      |
| “Company”              | North Asia Strategic Holdings Limited, a company incorporated in Bermuda with limited liability whose issued ordinary shares are listed on GEM |

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| “Developer”                                       | Glory Ally Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of Smart Tactic and an indirect wholly-owned subsidiary of the Company                              |
| “Development Agreement”                           | the agreement dated 15th March 2007 entered into among Smart Tactic, the Developer, the Company and BKAP in relation to the grant of the exclusive Operation Right   |
| “Director(s)”                                     | director(s) of the Company   |
| “Franchise Agreement(s)”                          | the agreement(s) to be entered into among the Developer, Smart Tactic, the Company, BKAP and the Franchisee in respect of each of the Restaurants to be opened by a Franchisee in accordance with the terms of the Development Agreement |
| “Franchisee(s)”                                   | wholly-owned subsidiary(ies) of the Developer as approved by BKAP  |
| “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 PRC   |
| “Independent Third Parties”                       | third parties independent of the Company and its connected persons (which term has the meaning ascribed to it under the GEM Listing Rules)   |
| “Macau”   | the Macao Special Administrative Region of the PRC   |
| “Operation Right”                                 | the right to develop and operate Burger King Restaurants in Hong Kong and Macau subject to the terms and conditions of the Development Agreement and the Franchise Agreement(s)  |
| “Planned Advertising Expenditure”                 | the amount that the Franchisees shall spend on advertising and promotional activities for the Restaurants during the term of the Franchise Agreements  |
| “PRC”   | the People’s Republic of China   |
| “Restaurant(s)” or<br>“Burger King Restaurant(s)” | quick service restaurant(s) to be developed by the Developer pursuant to the Development Agreement and the Franchise Agreement(s)  |



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| “Royalty(ies)”   | the royalty(ies) to be paid by the Franchisee(s) to BKAP in respect of each of the relevant Restaurants during the term of the relevant Franchise Agreements |
| “Shareholder(s)” | the holder(s) of the share(s) of the Company   |
| “Smart Tactic”   | Smart Tactic Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company     |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited  |
| “USA” or “US”    | the United States of America   |
| “HK\$”           | Hong Kong dollars, the lawful currency of Hong Kong  |
| “US\$”           | United States dollars, the lawful currency of the USA  |
| “%”              | per cent.  |

*For illustration only, amounts in US\$ in this announcement have been translated into HK\$ at the rate of US\$1 to HK\$7.8.*

By Order of the Board  
**North Asia Strategic Holdings Limited**  
**Savio Chow Sing Nam**

*Executive Director and Chief Executive Officer*

Hong Kong, 22nd March 2007

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

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

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