

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

## **NORTH ASIA STRATEGIC HOLDINGS LIMITED**

**北亞策略控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 8080)**

### **COMPLETION OF THE VERY SUBSTANTIAL ACQUISITION; POSSIBLE MAJOR TRANSACTION AND POSSIBLE VERY SUBSTANTIAL DISPOSALS RELATING TO THE SIGNING OF THE SHAREHOLDERS' AGREEMENT; AND RESUMPTION OF TRADING**

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



The Board is pleased to announce that Completion of the acquisition by NASS of the Sale Shares, representing 33.74% of the total issued share capital of TKC, has taken place on 30th June 2008 in accordance with the terms of the Agreement.

As stated in the First Announcement and the Second Announcement relating to the Acquisition, it is one of the conditions precedent to Completion that SMG and NASS shall enter into the Shareholders' Agreement on or before Completion to regulate the respective shareholders' rights of NASS and SMG in TKC with certain preliminary major terms stated in the First Announcement and the Second Announcement. The Directors are pleased to announce that the Shareholders' Agreement has been entered into by SMG and NASS on 26th June 2008.

The grant of the SMG Call Option and the exercise of the rights under the Non-conversion Put, the Non-listing Redemption, the NASS Put Options and the TKC Breach Redemption each constitutes a possible very substantial disposal for the Company under the GEM Listing Rules. The exercise of the right under the Refinancing Option also constitutes a possible major transaction for the Company under the GEM Listing Rules. All the aforesaid transactions require the approval of the Shareholders.

A circular containing, among other things, details of the Shareholders' Agreement and the TKC Preferred Shares, the financial information of the Group and a notice of the special general meeting will be despatched to the Shareholders as soon as practicable.

\* For identification purpose only

Trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on Friday, 27th June 2008 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 Wednesday, 2nd July 2008.

Reference is made to the announcements of the Company dated 21st May 2008 (the “First Announcement”), 3rd June 2008 (the “Second Announcement”) and 13th June 2008 in relation to, among other things, the proposed acquisition by NASS of the Sale Shares, representing 33.74% of the total issued share capital of TKC. Terms used herein shall have the same meanings as those defined in the First Announcement unless the context otherwise requires.

The Board is pleased to announce that Completion of the acquisition by NASS of the Sale Shares, representing 33.74% of the total issued share capital of TKC, has taken place on 30th June 2008 in accordance with the terms of the Agreement. Following Completion, TKC has become a jointly-controlled entity of the Group.

## **THE SHAREHOLDERS’ AGREEMENT**

As mentioned in the First Announcement and the Second Announcement, SMG and NASS shall enter into the Shareholders’ Agreement on or before Completion to regulate the respective shareholders’ rights of NASS and SMG in TKC, with certain preliminary major terms stated in the First Announcement and the Second Announcement. The Directors are pleased to announce that the Shareholders’ Agreement has been entered into between SMG and NASS on 26th June 2008.

### **Parties**

SMG and NASS

SMG comprises SMT and TKCH. As advised by SMG, both SMT and TKCH are investment holding companies and have not engaged in any business prior to the SMG Acquisition. To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, SMG and their respective ultimate beneficial owners are Independent Third Parties. Apart from the Acquisition, the Company has not engaged in any previous transactions with SMG or their respective ultimate beneficial owners in the last 12 months.

### **Non-conversion Put**

As disclosed in the First Announcement and the Second Announcement, NASS shall be granted the Non-conversion Put such that in the event the conversion of its TKC Common Shares into TKC Preferred Shares does not occur within 30 days of the Closing Date (the “Conversion Deadline”) due to SMG’s default or due to the applicable laws or regulations, NASS shall have the right to require SMG to purchase all of the TKC Common Shares held by NASS.

It is now agreed in the Shareholders’ Agreement that NASS’ rights under the Non-conversion Put shall be exercisable for a period of 120 days from the Conversion Deadline. All the other terms of the Non-conversion Put as disclosed in the First Announcement and the Second Announcement remain unchanged.

As disclosed in the Second Announcement, if the Non-conversion Put is exercised due to SMG's default, the purchase price shall be calculated as the original purchase price paid by NASS for the TKC Shares (being KRW18,523 per TKC Share) plus a yield of 30% compound per annum accrued for a period of 36 months from the Closing Date. If the Non-conversion Put is exercised due to applicable laws or regulations, the purchase price shall be calculated as the original purchase price paid by NASS for the TKC Shares (being KRW18,523 per TKC Share) plus a yield of 30% compound per annum accrued from the Closing Date to the closing of the sale and purchase of the TKC Common Shares pursuant to the Non-conversion Put together with relevant expenses incurred by NASS or the Company. Accordingly, the maximum price receivable by NASS upon the exercise of the Non-conversion Put shall be approximately KRW109.85 billion (equivalent to approximately HK\$856.83 million). Based on such maximum price and the original purchase price paid by NASS for the Sale Shares (i.e. KRW50 billion), the Group will realise a gain of approximately KRW59.85 billion (equivalent to approximately HK\$466.83 million) for the exercise of the Non-conversion Put. The actual amount of gain would depend on the book value of the Group's investment in the TKC Shares at the time of the exercise of the Non-conversion Put.

### **SMG Call Option**

As disclosed in the First Announcement and the Second Announcement, NASS shall grant to SMG the SMG Call Option pursuant to which SMG shall have the right but not the obligation to purchase up to 50% of the TKC Shares held by NASS after receipt of the approval from the relevant stock exchange for the Qualified Offering or in the event that Qualified Offering does not occur within 36 months from the issue of the TKC Preferred Shares.

It is clarified in the Shareholders' Agreement that if the rights under the SMG Call Option are exercised by SMG, the SMG Call Option Exercise Price receivable by NASS shall equal to the original purchase price for each TKC Share (i.e. KRW18,523 per TKC Share for NASS) plus a yield of 30% compound per annum (inclusive of dividends which, if received, will be included in the calculation of the 30% yield). Accordingly, the maximum SMG Call Option Exercise Price receivable by NASS shall be approximately KRW54.93 billion (equivalent to approximately HK\$428.45 million) inclusive of all dividend entitlements. Based on such maximum price and the original purchase price paid by NASS for 50% of the Sale Shares (i.e. KRW25 billion), the Group will realise a maximum gain of approximately KRW29.93 billion (equivalent to approximately HK\$233.45 million) for the exercise of the SMG Call Option. The actual amount of gain would depend on the book value of the Group's investment in the TKC Shares at the time of the exercise of the SMG Call Option and the timing of the exercise of such option.

Save for the aforesaid clarifications, there has been no change in the terms of the SMG Call Option as agreed in the Shareholders' Agreement from those disclosed in the First Announcement and the Second Announcement.

### **TKC Breach Redemption**

As disclosed in the Second Announcement, it is a term of the Shareholders' Agreement that upon the written request of NASS, SMG shall cause TKC to accede to the Shareholders' Agreement and abide by the terms thereof. If NASS exercises such right and in the event that the Shareholders' Agreement is terminated due to a breach by TKC, NASS shall have the right to require TKC to redeem all the TKC Shares held by NASS.

It is clarified in the Shareholders' Agreement that if the rights under the TKC Breach Redemption are exercised by NASS, the price receivable by NASS shall equal to the original purchase price for each TKC Share (i.e. KRW18,523 per TKC Share for NASS) plus a yield of 30% compound per annum (inclusive of dividends which, if received, will be included in the calculation of the 30% yield). Accordingly, the maximum consideration receivable by NASS shall be approximately KRW109.85 billion (equivalent to approximately HK\$856.83 million) inclusive of all dividend entitlements. Based on such maximum price and the original purchase price paid by NASS for the Sale Shares (i.e. KRW50 billion), the Group will realise a maximum gain of approximately KRW59.85 billion (equivalent to approximately HK\$466.83 million) for the exercise of the TKC Breach Redemption. The actual amount of gain would depend on the book value of the Group's investment in the TKC Shares at the time of the exercise of the TKC Breach Redemption and the timing of the exercise of such option.

Save for the aforesaid clarifications, there has been no change in the terms of the TKC Breach Redemption as agreed in the Shareholders' Agreement from those disclosed in the First Announcement and the Second Announcement.

### **NASS Put Options**

As disclosed in the Second Announcement, NASS shall be granted the NASS Put Options to dispose of all its TKC Shares exercisable in the event that the Shareholders' Agreement is terminable due to a breach by SMG of certain material terms of the Shareholders' Agreement. It is now agreed in the Shareholders' Agreement that the NASS Put Options may also be exercisable if the Shareholders' Agreement is terminable if SMG or TKC or their creditors or any other eligible party files for SMG or TKC's dissolution and liquidation, or if SMG has entered into bankruptcy, reorganisation or compulsory composition. It is also clarified in the Shareholders' Agreement that if the rights under the NASS Put Options are exercised, the purchase price receivable by NASS shall equal to the original purchase price for each TKC Share (i.e. KRW18,523 per TKC Share for NASS) plus a yield of 30% compound per annum (inclusive of dividends which, if received, will be included in the calculation of the 30% yield). Accordingly, the maximum consideration receivable by NASS shall be approximately KRW109.85 billion (equivalent to approximately HK\$856.83 million) inclusive of all dividend entitlements. Based on such maximum price and the original purchase price paid by NASS for the Sale Shares (i.e. KRW50 billion), the Group will realise a maximum gain of approximately KRW59.85 billion (equivalent to approximately HK\$466.83 million) for the exercise of the NASS Put Options. The actual amount of gain would depend on the book value of the Group's investment in the TKC Shares at the time of the exercise of the NASS Put Options and the timing of the exercise of such option.

Save as disclosed above, all other terms of the NASS Put Options as disclosed in the Second Announcement remain unchanged.

### **Non-listing Redemption**

As disclosed in the First Announcement and the Second Announcement, in the event that the Qualified Offering does not occur within 36 months from the date of the purchase of the TKC Preferred Shares (the "IPO Deadline"), the holders of the then outstanding TKC Preferred Shares may exercise the rights under the Non-listing Redemption and require TKC to redeem all or part of the outstanding TKC Preferred Shares on the date of the IPO Deadline at a redemption price equal to the original purchase

price for each TKC Preferred Share (being KRW18,523 per TKC Share for NASS) plus a yield of 20.5% compound per annum accrued from the date of purchase of the TKC Preferred Shares up to and including the redemption date. It is now clarified in the Shareholders' Agreement that the redemption price together with dividends declared and accrued but unpaid as of the redemption date shall be no more than the original purchase price of the TKC Preferred Shares plus a yield of 30% compound per annum (inclusive of dividends which, if received, will be included in the calculation of the 30% yield). Accordingly, the maximum redemption price of the TKC Preferred Shares receivable by NASS including all dividend entitlements shall be approximately KRW109.85 billion (equivalent to approximately HK\$856.83 million). Based on such maximum price and the original purchase price paid by NASS for the Sale Shares (i.e. KRW50 billion), the Group will realise a maximum gain of approximately KRW59.85 billion (equivalent to approximately HK\$466.83 million) for the exercise of the Non-listing Redemption. The actual amount of gain would depend on the book value of the Group's investment in the TKC Shares at the time of the exercise of the Non-listing Redemption and the timing of the exercise of such option.

### **Refinancing Option**

SMG has obtained financing from its banks and other lenders to finance the purchase of its TKC Shares (the "SMG Loans"). In case SMG goes into default or becomes aware of or is likely to be in default under its agreement with the financiers, it is a term of the Shareholders' Agreement that SMT and/or TKCH shall notify NASS as soon as possible and NASS (or its designee) shall have the right, but not the obligation, to refinance all or part of such SMG Loans (the "Refinancing Option") at a rate equal to NASS' cost of funding plus 10% per annum.

As at the date of the Shareholders' Agreement, the principal amount of the SMG Loans amounted to KRW60 billion (equivalent to approximately HK\$468 million) and bear interest at the prevailing rate of certificate of deposit plus 3.9% per annum. The maximum principal amount of SMG Loans to be refinanced by the Group under the Refinancing Option would be KRW60 billion (equivalent to approximately HK\$468 million) together with the accrued and unpaid interest. The Company intends to fund the refinancing by the proceeds raised from the placement of the Preference Shares if the Refinancing Option is exercised.

The exercise of the right under the Refinancing Option constitutes a possible major transaction for the Company under the GEM Listing Rules and requires the approval of the Shareholders. If the SMG Loans refinanced by the Group under the Refinancing Option exceeds 8% under the assets ratio as defined under rule 19.07(1) of the GEM Listing Rules, the Company will make further announcement(s) pursuant to rule 17.15 of the GEM Listing Rules.

### **Condition**

The grant of the SMG Call Option and the exercise of each of the rights under the Non-conversion Put, the Non-listing Redemption, the NASS Put Options, the TKC Breach Redemption and the Refinancing Option are subject to the obtaining of all necessary governmental approvals and/or approval of the Shareholders in a general meeting in accordance with the GEM Listing Rules.

## **Basis of determination of consideration**

The respective percentage yield used in the calculation of the consideration under each of the Non-conversion Put, the Non-listing Redemption, the NASS Put Options, the TKC Breach Redemption, the SMG Call Option and the Refinancing Option was determined based on arm's length negotiations among the parties taking into account the return on investments required by the Group. The Directors consider the terms of the Non-conversion Put, the Non-listing Redemption, the NASS Put Options, the TKC Breach Redemption, the SMG Call Option and the Refinancing Option are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Should the aforementioned options be exercised, the net proceeds receivable by the Group are intended to be used for future investments and working capital purposes.

## **INFORMATION ON TKC**

TKC is principally engaged in the business of manufacturing of polyester fabrics, spandex and PET resin, which are materials widely used in the manufacturing of synthetic fabrics, yarns and plastic bottles.

According to the accountants' report of TKC as contained in the circular of the Company dated 13th June 2008, the combined net liabilities of TKC as at 31st December 2007 amounted to approximately HK\$690.5 million. During the year ended 31st December 2006 and 2007, TKC incurred combined net loss before and after tax of approximately HK\$76.2 million and combined net profit before and after tax of approximately HK\$428.8 million respectively.

## **REASONS FOR THE SHAREHOLDERS' AGREEMENT**

The Group is principally engaged in (i) trading of surface mount technology assembly equipment, machinery and spare parts and provision of related installation, training, repair and maintenance services; (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) developing and operating Burger King restaurants in Hong Kong and Macau; and (iv) investment holding.

Following Completion, TKC has become a jointly-controlled entity of the Group. The purpose of the Shareholders' Agreement is to regulate the respective shareholders' rights of NASS and SMG in TKC. The Group will also be given various exit opportunities under the Shareholders' Agreement to secure a return on its investment in the shares of TKC. The grant of the Refinancing Option also allows the Group to continue its cooperation with SMG and utilise SMG's local Korean contacts and relationships in co-managing the investment in TKC in the event that SMG faces financial difficulty.

## **GEM LISTING RULES IMPLICATIONS**

The exercise of the Refinancing Option by NASS would result in NASS providing a financial assistance to SMG and therefore constitutes a possible major transaction for the Company under the GEM Listing Rules. As disclosed in the First Announcement and the Second Announcement, the grant of the SMG Call Option and the exercise of each of the rights under the Non-conversion Put, the Non-listing Redemption, the NASS Put Options and the TKC Breach Redemption constitutes a possible

very substantial disposal of the Company under the GEM Listing Rules and requires approval of the Shareholders. A special general meeting of the Company shall be convened to consider and approve the aforesaid possible transactions.

## **GENERAL**

A circular containing, among other things, details of the Shareholders' Agreement and the TKC Preferred Shares, the financial information of the Group 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 Friday, 27th June 2008 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 Wednesday, 2nd July 2008.

By Order of the Board  
**North Asia Strategic Holdings Limited**  
**Henry Kim Cho**  
*Deputy Chairman and Executive Director*

Hong Kong, 30th June 2008

*For illustration only, amounts in KRW have been translated into HK\$ at the exchange rate of KRW1,000 = HK\$7.8 and amounts in US\$ have been translated into HK\$ at the exchange rate of US\$1.0 = HK\$7.8.*

*As at the date of this announcement, the Board comprises three Executive Directors, namely Mr. Göran Sture Malm (Chairman), Mr. Henry Kim Cho (Deputy Chairman) and Mr. Savio Chow Sing Nam (Chief Executive Officer); two Non-executive Directors, namely Mr. Andrew Yao Cho Fai and Mr. Takeshi Kadota; and four Independent Non-executive Directors, namely Mr. Philip Ma King Huen, Mr. Kenny Tam King Ching, Mr. Edgar Kwan Chi Ping and Mr. Yu Wang Tak.*

*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 "Latest Company Announcements" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) 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).*