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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 DISPOSAL OF THE ENTIRE INTEREST IN SMART TACTIC LIMITED

Financial Adviser



禹銘投資管理有限公司
YU MING INVESTMENT MANAGEMENT LIMITED

On 29th August 2013 (after trading hours), the Vendor and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Share and the Shareholder's Loan at the Consideration of US\$2 million (equivalent to approximately HK\$15.6 million). The Sale Share represents the entire issued share capital of Smart Tactic. The Shareholder's Loan represents total outstanding amount due from Smart Tactic to the Vendor as at Completion.

As all applicable percentage ratios (calculated according to the GEM Listing Rules) of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to reporting and announcement requirements under the GEM Listing Rules.

On 29th August 2013 (after trading hours), the Vendor and the Purchaser entered into the Sale and Purchase Agreement, principal terms of which are set out below.

THE SALE AND PURCHASE AGREEMENT

Date: 29th August 2013 (after trading hours)

Parties:

Vendor: Nation Zone Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company

Purchaser: Mr. An Hui Jian

* For identification purpose only

To the best knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Purchaser is an Independent Third Party.

The disposal asset and the Consideration

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Share and the Shareholder's Loan at the Consideration of US\$2 million (equivalent to approximately HK\$15.6 million), which shall be payable by the Purchaser to the Vendor in cash upon Completion.

The Sale Share represents the entire issued share capital of Smart Tactic. The Shareholder's Loan represents total outstanding amount due from Smart Tactic to the Vendor as at Completion.

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor after taking into account (i) carrying value of the Smart Tactic Group as at 30th June 2013 of the net liabilities of approximately HK\$244.0 million; (ii) the net losses of the Smart Tactic Group during the past 6 years since its business commencement in December 2007 up to the latest financial year ended 31st March 2013 (the "Relevant Period"); and (iii) the continuous financial support and investment by the Group to the Smart Tactic Group in the range from approximately HK\$17.5 million to HK\$41.8 million per annum during the Relevant Period totalling approximately HK\$215.7 million (inclusive of the interest accrued), being the outstanding amount of the Shareholder's Loan, in comparison to the loss making performance of the Smart Tactic Group during the Relevant Period.

Conditions

Completion is conditional upon the following:

- (i) the lenders of the Smart Tactic Group having consented to the disposal by the Company of its entire interest in Smart Tactic where such consent is required under the relevant banking facilities of the Smart Tactic Group;
- (ii) the Company being satisfied that all guarantees and/or indemnities provided by the Company in favour of the lenders of any member of the Smart Tactic Group will be fully released and discharged on or before Completion;
- (iii) the Company being satisfied that all the Other Guarantees will be fully released and discharged on or before Completion; and
- (iv) the Vendor having received the Consent Agreement duly executed by BKAP.

All the conditions above can be waived by the Vendor in writing. If any of the conditions above have not been fulfilled or waived on or before 30th November 2013 (or such later date as the Vendor and Purchaser may agree in writing), the Sale and Purchase Agreement shall lapse immediately thereafter and be of no further effect and neither party to the Sale and Purchase Agreement shall have any claim against or liability or obligation to other party thereunder.

Covenant

The Vendor agreed that it would not prior to Completion carry out certain actions, otherwise than in the ordinary course of business of the Smart Tactic Group, which may affect the interest of the Purchaser, including but not limit to issue shares, disposal assets, or change of constitutional document or declare dividends, without prior written consent of the Purchaser.

Termination

The Sale and Purchase Agreement may be terminated at any time before Completion by the Purchaser if:

- (i) there is any material breach of representations, warranties and undertaking provided by the Vendor or material breach of obligations of the Vendor in the Sale and Purchase Agreement which is incapable of being remedied, or where that breach is capable of being remedied, is not remedied to the reasonable satisfaction of the Purchaser within 30 days after a written notice is served on the Vendor; or
- (ii) anything occurs which constitute, or is likely to constitute, a Material Adverse Change, including any of the following: (a) any litigation or arbitration proceedings being instituted or threatened by or against any member of the Smart Tactic Group; or (b) any significant fixed asset of any member of the Smart Tactic Group being destroyed or damaged.

Completion

Completion shall take place on the fifth Business Day next following the date of fulfillment of the conditions precedent as set out above or otherwise waived by the Vendor where applicable, or such other date as the Vendor and the Purchaser may agree in writing.

INFORMATION ON THE SMART TACTIC GROUP

Smart Tactic is a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Vendor, which in turn is a wholly-owned subsidiary of the Company. The Smart Tactic Group is engaged in the branded food business of the Group. Currently, the Smart Tactic Group entered into franchise agreements with BKAP to operate 10 fast food restaurants under the brand name of Burger King in Hong Kong.

The unaudited consolidated financial information of the Smart Tactic Group for the years ended 31st March 2012 and 2013 are set out as follows:

	For the year ended	
	31st March	
	2013	2012
	HK\$'000	HK\$'000
Revenue	120,368	143,006
Net loss before tax and extraordinary items	(25,719)	(31,828)
Net loss after tax and extraordinary items	(6,145)	(134,820)
	<i>(Note 1)</i>	<i>(Note 2)</i>
Net liabilities	(244,829)	(238,684)

Notes:

1. The net loss after tax and extraordinary items of the Smart Tactic Group for 2013 of approximately HK\$6.1 million was as a result of net decrease of provision for lease obligations of approximately HK\$19.6 million.
2. The net loss after tax and extraordinary items of the Smart Tactic Group for 2012 of approximately HK\$134.8 million was as a result of provision for tax expense, provision for lease obligations, impairment of unamortised franchise fee, impairment of market development fee and impairment of assets totalling approximately HK\$103.0 million.

FINANCIAL EFFECT ON THE DISPOSAL

Upon Completion, the Company will not hold any interest in Smart Tactic, which will cease to be a subsidiary of the Company. The financial results of the Smart Tactic Group will not be consolidated into the consolidated financial statements of the Group. The Group will discontinue its business in the operation of fast food restaurants under the brand name of Burger King in Hong Kong. It is expected that the Company will record an unaudited gain on disposal (before deducting the related transaction costs) of approximately HK\$43.9 million which is calculated based on the Consideration of approximately HK\$15.6 million, the net liabilities of the Smart Tactic Group of approximately HK\$244.0 million as at 30th June 2013 and the Shareholder's Loan of approximately HK\$215.7 million as at 30th June 2013. The cash proceeds from the Disposal are intended to be used for general working capital of the Group.

REASONS FOR THE DISPOSAL

The Group is principally engaged in (i) hi-tech distribution and services: trading of surface mount technology assembly equipment and provision of related services; (ii) branded food: operating of fast food restaurants under the brand name of Burger King in Hong Kong through the Smart Tactic Group; and (iii) refining and sale of fish oil, processing and sale of fishmeal and manufacturing and sale of aquatic feed products through Coland Group Limited and its subsidiaries (the “Coland Group”).

The Group announced that it entered into the sale and purchase agreement to dispose of the Group’s interest in the Coland Group to Mr. Wong Chun on 8th July 2013. The circular containing details of the disposal was despatched to the Shareholders on 12th August 2013.

The operating results of the Smart Tactic Group has been disappointing in the past 6 years since its commencement of business in December 2007 and recorded net losses after tax and extraordinary items from the lowest of approximately HK\$6.1 million to the highest of HK\$134.8 million. As at 30th June 2013, the net liabilities of the Smart Tactic Group was approximately HK\$244.0 million which included the Shareholder’s Loan of approximately HK\$215.7 million. Without taking into account the Shareholder’s Loan, the carrying value of the Smart Tactic Group is net liabilities of approximately HK\$28.3 million as at 30th June 2013. As at the date of this announcement, the Shareholder’s Loan amounts to approximately HK\$215.7 million.

After the change in the substantial Shareholder and the Board in December 2012 and February 2013, the current Board has conducted a strategic review on the business operations of the Group in order to identify new business opportunities for future expansions and consider if streamlining non-core business of the Group is necessary. In light of the continued unsatisfactory operating results, the net liabilities and continued financial drain of the Smart Tactic Group, the Directors consider the Disposal a good opportunity for the Group to divest its investment in the Smart Tactic Group which enables the Group to reserve more resources to focus on its existing business and explore future investments to enhance Shareholders’ value.

Having considered the factors above, the Board is of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and the entering into of the Sale and Purchase Agreement is in the interest of the Company and Shareholders as a whole.

GEM LISTING RULES IMPLICATION

As all applicable percentage ratios (calculated according to the GEM Listing Rules) of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to reporting and announcement requirements under the GEM Listing Rules.

DEFINITIONS

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

“BKAP”	BK Asiapac, PTE. Ltd., a company incorporated in Singapore, being the franchisor of 10 Burger King fast food restaurants in Hong Kong operated by the Smart Tactic Group as at the date of this announcement
“Board”	the board of Directors of the Company
“Business Day”	a day (other than a Saturday, a Sunday, a public holiday or a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.), on which banks are generally open for general banking business in Hong Kong
“Company”	North Asia Strategic Holdings Limited, a company incorporated in Bermuda with limited liability whose issued Shares are listed on GEM (stock code: 8080)
“Completion”	completion of the Sale and Purchase Agreement
“Consent Agreement”	the consent agreement to be entered into, amongst others, BKAP, Smart Tactic, the Company and the Purchaser on or before Completion relating to, amongst others, BKAP’s waiver of any claim or right they may have against the Company under the Burger King franchising agreements with the Smart Tactic Group arising from the transactions contemplated under the Sale and Purchase Agreement
“Consideration”	the total consideration of US\$2 million (equivalent to approximately HK\$15.6 million) payable by the Purchaser for acquiring the Sale Share and the Shareholder’s Loan
“Director(s)”	director(s) of the Company from time to time
“Disposal”	proposed disposal of the Sale Share and the Shareholder’s Loan pursuant to the terms and conditions of the Sale and Purchase Agreement
“GEM”	the Growth Enterprise Market of the Stock Exchange

“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	person or company together with his/its/their beneficial owner who or which is/are, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquires, not connected person(s) (as defined in the GEM Listing Rules) to the Company
“Material Adverse Change”	means any change, event, circumstance or other matter that has, or would reasonably be expected to have, either individually or in the aggregate, a material adverse change on: (i) the ability of the Vendor to perform its obligations under the Sale and Purchase Agreement or any other documents entered into pursuant to or in relation to the Sale and Purchase Agreement; or (ii) the business, assets and liabilities, condition (financial or otherwise), results of operations or prospects of the Smart Tactic Group as a whole
“Other Guarantees”	the guarantees in lieu of cash deposits given by DBS Bank (Hong Kong) Limited in relation to the utilities and rental deposits of the Burger King restaurants in Hong Kong in an aggregate amount of approximately HK\$1.5 million
“PRC”	the People’s Republic of China
“Purchaser”	Mr. An Hui Jian
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 29th August 2013 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Sale Share and the Shareholder’s Loan
“Sale Share”	being 1 ordinary share of US\$1.00 each of Smart Tactic, representing the entire issued share capital of Smart Tactic
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Shareholder’s Loan”	the total amount outstanding and owing by Smart Tactic to the Vendor as at Completion which shall be no less than HK\$215,677,404.86 (inclusive of interest accrued)
“Smart Tactic”	Smart Tactic Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Vendor
“Smart Tactic Group”	Smart Tactic and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Nation Zone Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“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.

(The exchange rate used for the purpose of this announcement is at US\$1 = HK\$7.8)

By Order of the Board
NORTH ASIA STRATEGIC HOLDINGS LIMITED
Ding Yi
Chairman and Executive Director

Hong Kong, 29th August 2013

As at the date of this announcement, the Board comprises Mr. Ding Yi (Chairman and Executive Director); Mr. James Tsiolis (Deputy Chairman and Non-Executive Director) and Mr. Joseph Chan Nap Kee (Non-Executive Director); and Mr. Stephen Luk Kai Ming, Mr. Kenneth Kon Hiu King and Mr. Joseph Liang Hsien Tse (being Independent Non-Executive Directors).

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in the 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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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