

North Asia Strategic Holdings Limited

北亞策略控股有限公司*

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

(Stock Code 股份代號：8080)



NORTH ASIA STRATEGIC

2006/07

Third Quarterly Report
第三季度業績報告

* For identification purpose only
僅供識別

THIRD QUARTERLY REPORT FOR THE NINE MONTHS ENDED 31ST DECEMBER 2006

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, 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 report.

This report, for which the directors of North Asia Strategic Holdings Limited (the “Directors” or the “Board”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to North Asia Strategic Holdings Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Total unaudited consolidated revenue for the three months ended 31st December 2006 was approximately HK\$204,512,000, representing an increase of approximately 94.9% from the same period last year. Total unaudited consolidated revenue for the nine months ended 31st December 2006 was approximately HK\$290,943,000, representing a decrease of approximately 10.4% from the same period last year.
- Revenue from steel trading operation for the third quarter was approximately HK\$8,147,000, representing a decrease of approximately 92.2% from the same period last year - due to continued high volatility of steel price and changing government policies with respects to the PRC steel sector. Profit recorded by this operation during the quarter was approximately HK\$171,000, a decrease of approximately 86.6% from the same period last year. Revenue and loss attributable to equity holders of the steel trading operation for the nine months ended 31st December 2006 were approximately HK\$59,944,000 and HK\$503,000 respectively, versus revenue of HK\$324,786,000 and profit of HK\$1,281,000 for the same period last year.
- During the quarter, post-acquisition turnover and net profit generated from the surface mount technology equipments trading operation acquired by the Company on 3rd November 2006 were approximately HK\$175,816,000 and HK\$14,503,000 respectively.
- During the quarter, the Company shared 40% of the post-acquisition turnover and net profit of the fishmeal, fish oil and aquatic feeds processing and sale operation invested by the Company on 7th December 2006 of approximately HK\$20,549,000 and HK\$1,447,000 respectively.
- Total unaudited consolidated net profit attributable to equity holders for the quarter was approximately HK\$43,156,000, an increase of 772.5% from the same period last year. Total unaudited consolidated profit attributable to equity holders for the nine months ended 31st December 2006 was approximately HK\$68,367,000, representing an increase of approximately 774.1% from the same period last year.

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RESULTS

The followings are the unaudited consolidated results of North Asia Strategic Holdings Limited (the “Company” or the “North Asia Strategic”) and its subsidiaries (collectively the “Group” or “North Asia Strategic Group”) for the nine months and three months ended 31st December 2006 together with the comparative unaudited figures for the corresponding periods in 2005:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	For the nine months ended		For the three months ended	
		31st December		31st December	
		2006	2005	2006	2005
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue					
— Turnover	3	290,433	321,800	204,002	104,686
— Commission		510	2,987	510	265
		<u>290,943</u>	<u>324,787</u>	<u>204,512</u>	<u>104,951</u>
Cost of sales		(255,109)	(322,120)	(169,131)	(106,037)
Gross profit/(loss)		35,834	2,667	35,381	(1,086)
Other gains — net	4	84,661	3,475	40,176	289
Selling and distribution expenses		(6,790)	(1,945)	(6,692)	(576)
General and administration expenses		(39,429)	(16,509)	(20,677)	(8,540)
Operating profit/(loss)		74,276	(12,312)	48,188	(9,913)
Finance costs		(2,657)	(2,837)	(1,660)	(926)
Profit/(Loss) before income tax		71,619	(15,149)	46,528	(10,839)
Income tax (expense)/credit	5	(3,252)	5,007	(3,372)	4,422
Profit/(Loss) attributable to equity holders of the Company for the period		<u>68,367</u>	<u>(10,142)</u>	<u>43,156</u>	<u>(6,417)</u>
Profit/(Loss) per share attributable to equity holders of the Company for the period					
— Basic	6	<u>HK71.37 cents</u>	HK(17.38) cents	<u>HK45.05 cents</u>	HK(6.70) cents
— Diluted	6	<u>HK0.82 cents</u>	N/A	<u>HK0.52 cents</u>	N/A

The notes are an integral part of this unaudited condensed consolidated financial information.

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Notes:

1. General Information

North Asia Strategic Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) are principally engaged in trading of steel products and provision of procurement services for steel products (including the operation of an e-commerce vertical portal for the provision of online steel trading services and ancillary services); 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; 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; and investment holding.

The Company is a limited liability company incorporated in Bermuda as an exempted company under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and of its principal place of business is 78th Floor, The Center, 99 Queen’s Road Central, Hong Kong.

The Company’s ordinary shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

This unaudited condensed consolidated financial information is presented in HK dollars, unless otherwise stated.

This unaudited condensed consolidated financial information has been approved for issue by the Company’s Board of Directors on 14th February 2007.

2. Basis of preparation and accounting policies

The unaudited condensed consolidated financial information have been prepared to comply with the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”).

The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial information are consistent with those used in the annual accounts for the year ended 31st March 2006.

The Group has not early adopted the following new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standard (“HKAS”, collectively “HKFRS”) that have been issued but are not effective. The Company’s Directors and the Group’s management anticipate that the adoption of these HKFRSs in future periods will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital disclosures ⁽ⁱ⁾
HKFRS 7	Financial Instruments: Disclosures ⁽ⁱ⁾

⁽ⁱ⁾ Effective for annual periods beginning on or after 1st January 2007.

3. Turnover

Turnover represents the net invoiced value of merchandise sold after allowances for returns and discounts.

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4. Other gains — net

	For the nine months ended 31st December		For the three months ended 31st December	
	2006 <i>HK\$'000</i> (Unaudited)	2005 <i>HK\$'000</i> (Unaudited)	2006 <i>HK\$'000</i> (Unaudited)	2005 <i>HK\$'000</i> (Unaudited)
Interest income from bank deposits	8,945	498	3,211	289
Amortised interest income from subscription receivables	68,969	—	32,740	—
Write-back of provision for claim	—	2,977	—	—
Others	6,747	—	4,225	—
	<u>84,661</u>	<u>3,475</u>	<u>40,176</u>	<u>289</u>

5. Income tax expense/(credit)

Income tax expense/(credit) consisted of:

	For the nine months ended 31st December		For the three months ended 31st December	
	2006 <i>HK\$'000</i> (Unaudited)	2005 <i>HK\$'000</i> (Unaudited)	2006 <i>HK\$'000</i> (Unaudited)	2005 <i>HK\$'000</i> (Unaudited)
Mainland China enterprise income tax:				
— Provision/(Write-back)	3,481	(4,178)	3,481	(4,413)
— Tax refund	(229)	(829)	(109)	(9)
	<u>3,252</u>	<u>(5,007)</u>	<u>3,372</u>	<u>(4,422)</u>

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 17.5% (2005: Nil) on the estimated assessable profits for the period. Subsidiaries established in Mainland China are subject to Mainland China enterprise income tax at rates ranging from 15% to 33% (2005: 15% to 33%). Taxation on overseas (other than Hong Kong and Mainland China) profits has been calculated on the estimated assessable profits for the period at the applicable rates of taxation prevailing in the countries in which the Group operates.

6. Profit/(Loss) per share

The calculations of basic profit per share for the nine months and three months ended 31st December 2006 were based on the unaudited consolidated profit attributable to equity holders of approximately HK\$68,367,000 (2005: loss of approximately HK\$10,142,000) and approximately HK\$43,156,000 (2005: loss of approximately HK\$6,417,000) and on the weighted average number of approximately 95,795,000 (2005 : approximately 58,348,000 — after reflecting the consolidation of 100 shares into 1 share) and approximately 95,795,000 (2005: approximately 95,795,000 — after reflecting the consolidation of 100 shares into 1 share) ordinary shares in issue during the nine months and three months ended 31st December 2006 respectively.

The calculations of diluted profit per share for the nine months and three months ended 31st December 2006 were based on the unaudited adjusted consolidated profit attributable to equity holders of approximately HK\$69,122,000 and approximately HK\$43,478,000, respectively, and on the weighted average number of approximately 8,399,523,000 ordinary shares outstanding to assume conversion of all potential dilutive shares. The Company's dilutive potential ordinary shares are convertible bonds and preference shares (2005: no diluted profit per share was presented as the outstanding share options were anti-dilutive).

	For the nine months ended 31st December 2006 HK\$'000 (Unaudited)	For the three months ended 31st December 2006 HK\$'000 (Unaudited)
Profit attributable to equity holders of the Company	68,367	43,156
Adjustment for convertible bonds accrued interest expense	755	322
	69,122	43,478
	'000 (Unaudited)	'000 (Unaudited)
Weighted average number of ordinary shares in issue	95,795	95,795
Adjustment for convertible bonds	127,714	127,714
Adjustment for preference shares	8,176,014	8,176,014
	8,399,523	8,399,523

7. Dividend

The Directors do not recommend the payment of an interim dividend for the nine months and three months ended 31st December 2006 (2005: Nil).

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8. Movements in share capital and reserves

For the nine months ended 31st December 2006, movements in share capital and reserves are as follows:

	Attributable to equity holders of the Company				Total HK\$'000 (Unaudited)
	Ordinary share capital HK\$'000 (Unaudited)	Preference share capital HK\$'000 (Unaudited)	Other reserves HK\$'000 (Unaudited)	(Accumulated losses)/ Retained earnings HK\$'000 (Unaudited)	
Balance, 1st April 2005	159,659	—	13,818	(171,340)	2,137
Loss for the period	—	—	—	(10,142)	(10,142)
Capital reorganisation	(159,529)	—	159,529	—	—
Elimination of accumulated losses	—	—	(161,644)	161,644	—
Issuance of ordinary shares					
— upon exercise of warrants	30	—	—	—	30
— under a subscription agreement	639	—	9,361	—	10,000
— under an open offer	159	—	2,341	—	2,500
Share issue expenses					
— ordinary shares	—	—	(2,186)	—	(2,186)
— preference shares	—	—	(3,241)	—	(3,241)
Convertible bonds — equity component (Note 9)	—	—	6,388	—	6,388
Translation adjustments	—	—	390	—	390
Balance, 31st December 2005	958	—	24,756	(19,838)	5,876
Loss for the period	—	—	—	(1,846)	(1,846)
Issuance of preference shares	—	73,832	980,764	—	1,054,596
Share issue expenses					
— preference shares	—	—	(8,932)	—	(8,932)
Translation adjustments	—	—	(99)	—	(99)
Balance, 31st March 2006	958	73,832	996,489	(21,684)	1,049,595
Profit for the period	—	—	—	68,367	68,367
Issuance of preference shares	—	7,928	106,267	—	114,195
Share issue expenses					
— preference shares	—	—	(731)	—	(731)
Translation adjustments	—	—	755	—	755
Balance, 31st December 2006	958	81,760	1,102,780	46,683	1,232,181

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Movements in other reserves

	Contributed surplus <i>HK\$'000</i> (Unaudited)	Share premium <i>HK\$'000</i> (Unaudited)	Convertible bonds <i>HK\$'000</i> (Unaudited)	Capital reserve <i>HK\$'000</i> (Unaudited)	Cumulative translation adjustments <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Balance, 1st April 2005	—	11,099	—	2,700	19	13,818
Capital reorganisation	170,628	(11,099)	—	—	—	159,529
Elimination of accumulated losses	(161,644)	—	—	—	—	(161,644)
Issuance of ordinary shares						
— under a subscription agreement	—	9,361	—	—	—	9,361
— under an open offer	—	2,341	—	—	—	2,341
Share issue expenses						
— ordinary shares	—	(2,186)	—	—	—	(2,186)
— preference shares	—	(3,241)	—	—	—	(3,241)
Convertible bonds — equity component (<i>Note 9</i>)	—	—	6,388	—	—	6,388
Translation adjustments	—	—	—	—	390	390
Balance, 31st December 2005	8,984	6,275	6,388	2,700	409	24,756
Issuance of preference shares	—	980,764	—	—	—	980,764
Share issue expenses						
— preference shares	—	(8,932)	—	—	—	(8,932)
Translation adjustments	—	—	—	—	(99)	(99)
Balance, 31st March 2006	8,984	978,107	6,388	2,700	310	996,489
Issuance of preference shares	—	106,267	—	—	—	106,267
Share issue expenses						
— preference shares	—	(731)	—	—	—	(731)
Translation adjustments	—	—	—	—	755	755
Balance, 31st December 2006	8,984	1,083,643	6,388	2,700	1,065	1,102,780

9. Convertible bonds

On 8th August 2005, the Company issued convertible bonds at par value of HK\$20.0 million.

The bonds will mature in August 2010 or can be converted into a total of 127,713,920 ordinary shares at the holders' option of HK\$0.1566 per share. In addition, the holders will have the right to request the Group to redeem in whole or in part the outstanding bonds on a date which is five business days after 30th November 2007.

The fair values of the liability component and the equity conversion component were determined at issuance of the bonds.

The fair value of the liability component, included in long-term borrowings, was calculated using a market interest rate for a term loan offered to the Group. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity as other reserves (*Note 8*).

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The convertible bonds recognised in the balance sheet is calculated as follows:

	31st December	As at
	2006	31st March
	HK\$'000	2006
	(Unaudited)	HK\$'000
		(Audited)
Face value of convertible bonds issued on 8th August 2005	20,000	20,000
Equity component	(6,388)	(6,388)
Liability component on initial recognition at 8th August 2005	13,612	13,612
Accrued interest expense	1,785	1,030
Liability component at 31st December 2006	15,397	14,642

Interest expense on the bonds is calculated using the effective interest method by applying the effective interest rate of 8% to the liability component.

10. Preference shares

On 20th February 2006, the Company approved an increase in its authorised share capital by HK\$300,000,000, by the creation of 30,000,000,000 preference shares of HK\$0.01 each.

In February, March and September 2006, the Company issued a total of approximately 8,176,014,000 non-redeemable preference shares, with a par value of HK\$0.01 each, at a subscription price of HK\$0.1566 each through placements, for an aggregated amount of approximately HK\$1,280,364,000 (the "Placement").

The preference shares are non-redeemable and are convertible into ordinary shares in the Company at a conversion ratio of one preference share into one ordinary share (subject to customary anti-dilution adjustments). The preference shares rank *pari passu* with the ordinary shares with regards to dividends.

The subscription price is payable in cash by the subscribers in four equal instalments. The first was received by the Company in February, March and September 2006, upon completion of the subscription. The remaining three instalments are receivable approximately 12 months, 24 months and 36 months, respectively, after 28th February 2006. In the event that by the first anniversary (28th February 2007) or the second anniversary (28th February 2008), the Company is unable to utilise at least 75% of the subscription monies previously received for investments, the Company will not be entitled to receive the instalments which would otherwise be due on such anniversaries. However, even if the Company is not entitled to receive the instalments on the first and second anniversaries, the remaining unpaid balance will be receivable by the third anniversary (28th February 2009) or, if earlier, upon the conversion of the preference shares into ordinary shares.

On the other hand, in the event that the subscription monies previously paid to the Company from time to time for the preference shares are insufficient to make any potential investments approved by the board of directors of the Company and/or pay fees or expenses which are payable by the Company under the services agreement signed between the Company and North Asia Strategic Advisors on 26th September 2005 (as amended and restated on 30th December 2005), the Company shall be entitled to require the relevant amount of instalment to be paid on a date specified by the Company but not earlier than 45 days from the date serving the payment notice by the Company. The second instalment and third instalment of the subscription price have been received by the Company in October and December 2006 respectively to finance the NAS Group's acquisition of American Tec Company Limited ("Amtec") and American Tec Electronic India Private Limited ("Amtec India", formerly known as Autron India Private Limited) (Note 11) and subscription in Coland Group Limited (Note 12).

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The preference shares will be automatically converted into ordinary shares upon the listing of the ordinary shares on the Main Board of the Stock Exchange, or on the fourth anniversary (28th February 2010), whichever is earlier.

The subscription receivables recognised in the balance sheet is calculated as follows:

	As at	
	31st December 2006 HK\$'000 (Unaudited)	31st March 2006 HK\$'000 (Audited)
Subscription receivables	320,091	867,153
Less: Future interest	(55,104)	(101,608)
Add: Amortised interest income	12,501	—
	<u>277,488</u>	<u>765,545</u>
Subscription receivables	277,488	765,545
Less: Non-current portion	(277,488)	(494,135)
	<u>—</u>	<u>271,410</u>
Current portion	—	271,410

Interest income on the subscription receivables is calculated using the effective interest method by applying the effective interest rate of 6.5% per annum.

11. Business Combination

On 3rd November 2006, the Group successfully acquired the entire issued share capital of Amtec and Amtec India (collectively the "Amtec Group") at a total consideration of US\$60.0 million (equivalent to approximately HK\$466.8 million). The Amtec Group is principally engaged in trading of SMT equipments, machinery and spare parts and provision of related installation, training, repair and maintenance services in the PRC and India. Amtec is the only distributor processing a nationwide coverage in the industry with subsidiaries and representative offices in seven major cities in the PRC. The electronic business in the PRC has experienced significant growth in the past few years and such growth is expected to continue into the next few years. The local demand for consumer electronics, mobile phone products and other peripheral products in the PRC remains strong. Multi-national corporations and leading electronic manufacturing services companies continue to shift their manufacturing base to the PRC and India to reduce cost. It is expected that the Amtec Group is well positioned to capture the growth momentum and increasing demand for quality manufacturing equipment in the next few years both in the PRC and India. Moreover, it also has good scalability to enable future entry into upstream, downstream and adjacent markets.

This acquisition has been accounted for using the purchase method of accounting and the results of operation of the Amtec Group have been included in the Group's consolidated financial statements from the acquisition date of 3rd November 2006.

The fair value of net assets acquired could only be determined on a provisional basis pending completion of the fair value appraisal process. The Group is still in the process of identifying any intangible assets that can be recognised separately from goodwill.

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Details of acquisition are as follows:

	<i>HK\$'000</i> (Unaudited)
Purchase consideration:	
Cash consideration	466,818
Direct expenses relating to the acquisition	11,376
	<hr/>
	478,194
<i>Less: fair value of net assets acquired and determined on a provisional basis</i>	<i>(67,985)</i>
	<hr/>
Goodwill and other Intangible Assets	<u>410,209</u>

The excess of the initial acquisition cost (comprising the initial consideration and the professional cost) over the fair values of identifiable assets acquired and liabilities assumed was recorded as goodwill.

12. Investment in a Jointly Controlled Entity

On 7th December 2006, the Group successfully completed its subscription of 100,000,000 non-redeemable convertible preferred shares issued by Coland Group Limited ("Coland") at an aggregate subscription price of approximately HK\$143.3 million (the "Subscription"). Coland and its subsidiaries (the "Coland Group") are principally engaged in 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 in the PRC. Its production base is located in Fuzhou of the PRC with capability to process a diversified range of fishmeal products and refine fish oil with raw materials mainly imported from overseas countries. Its products are sold primarily to aquatic feed distributors, feed manufacturers and aquaculture farms in the PRC through its distribution network comprising eight branch offices in the PRC. Given Coland's established position as one of the largest fishmeal importer in the PRC and the experience of the management team, it is believed that it has a competitive niche to capture the growth potential in the PRC aquatic feed industry.

Upon full conversion of the preferred shares into common shares at the initial conversion ratio of one to one, the Group will become interested in 40% of the enlarged issued common share capital of Coland assuming that no additional common shares have been further issued prior to such conversion. As the Group has started to share joint control with the other existing shareholders of Coland over the strategic financial and operating decisions of the Coland Group after completion of the Subscription on 7th December 2006, Coland Group is accounted for as a jointly controlled entity by the Group and thus 40% of its income, expenses, assets and liabilities are consolidated into the NAS Group's financial statements.

The fair value of net assets acquired could only be determined on a provisional basis pending completion of the fair value appraisal process. The Group is still in the process of identifying any intangible assets that can be recognised separately from goodwill.

Details of acquisition are as follows:

	<i>HK\$'000</i> (Unaudited)
Purchase consideration:	
Cash consideration	143,333
Direct expenses relating to the acquisition	6,255
Present value of the subscription payable	(4,056)
	<hr/>
	145,532
<i>Less: fair value of net assets acquired and determined on a provisional basis</i>	<i>(116,992)</i>
	<hr/>
Goodwill and other Intangible Assets	<u>28,540</u>

The excess of the initial subscription price (comprising the initial consideration and the professional cost) over 40% of the fair values of identifiable assets acquired and liabilities assumed was recorded as goodwill.

BUSINESS REVIEW

Finance and Business Performance

Unlike the corresponding periods in 2005, the Group's turnover of approximately HK\$204,512,000 and HK\$290,943,000 for the three months and nine months ended 31st December 2006 respectively, were not all generated from its steel trading activities. Due to the completion of the Group's investments in American Tec Company Limited ("Amtec") and American Tec Electronic India Private Limited (formerly known as Autron India Private Limited) (collectively the "Amtec Group") and Coland Group Limited ("Coland") in early November and December 2006 respectively, their post-acquisition operating results were consolidated into the Group's accounts in the third quarter. During the nine months ended 31st December 2006, the Group recorded turnover of approximately HK\$210,449,000 from its electronics equipment trading operation, of which approximately HK\$175,816,000 was generated by Amtec Group after its acquisition on 3rd November 2006. During the quarter, Amtec Group recorded a net profit of approximately HK\$14,503,000. The Group also recorded a net profit of approximately HK\$1,447,000 on turnover of approximately HK\$20,549,000 from its 40% jointly-controlled investment in Coland since early December 2006. During the three months and nine months ended 31st December 2006, the Group's steel trading operation recorded turnover of approximately HK\$8,147,000 and HK\$59,944,000 respectively. These turnover figures were both less than that of the corresponding periods in 2005 by approximately 92% and 82%. Such decrease was mainly due to the continued fluctuation in steel price from first quarter to second quarter and continuous deployment of macro-economic management policies by the PRC government to limit excessive investments in several overheated industries including steel and real estate sector.

For the three months and nine months ended 31st December 2006, the Group recorded a net profit attributable to equity holders of approximately HK\$43,156,000 and HK\$68,367,000 respectively, versus net loss of approximately HK\$6,417,000 and HK\$10,142,000 for the corresponding periods in 2005. The significant increase in net profit for the nine months ended 31st December 2006 was mainly due to the net effect of net profit totaling approximately HK\$15,950,000 contributed by the Company's wholly-owned Amtec Group and its 40% jointly-controlled investment in Coland in the third quarter, an interest income of approximately HK\$68,969,000 (including approximately HK\$32,740,000 recorded in the third quarter) related to the subscription receivables from the Company's preference shareholders, a service fee of approximately HK\$15,238,000 (including approximately HK\$5,037,000 recorded in the third quarter) paid by the Company to North Asia Strategic Advisors ("NASA") pursuant to a service agreement dated 26th September 2005 (as amended and restated on 30th December 2005) entered into between the Company and NASA. Although the steel trading division recorded a small net profit of approximately HK\$171,000 during the quarter due to slight pick-up of steel price for stocks sold during this quarter, the steel trading division recorded a net loss of approximately HK\$503,000 for the nine months ended 31st December 2006, versus net loss of approximately HK\$3,132,000 (before write-back of overprovided taxation of approximately HK\$4,413,000 in the three months ended 31st December 2005) for the corresponding period in 2005.

OUTLOOK

Although we have managed the steel trading operation with a very cautious approach and recorded a small profit from sale of stocks in the third quarter, this operation is still subject to the impact of steel price volatility and unfavourable market environment. We will continue to monitor the inventory level cautiously to reduce holding costs, consider measures to minimise the adverse impact of the unfavourable market environment and assess critically the continuous contribution of this operation to the Group.

As previously reported, the Company has since February 2006, completed raising a total of approximately HK\$1,266.9 million (net of expenses) from 20 institutional and professional investors for future expansion and diversification plans. Since then, we have actively explored sizable investment opportunities in the acquisition of strategic, possible controlling, stakes in profitable companies in North Asia with strong cash flow in growth sectors such as the consumer, industrial, technology, media and telecommunications businesses, with a view to diversifying the Group's operation from its cyclical steel trading operation and bringing greater return to our shareholders. On 3rd November 2006, we successfully completed our first investment by acquiring the Amtec Group at a total consideration of US\$60.0 million (equivalent to approximately HK\$466.8 million). The Amtec Group is operating in the electronic manufacturing business in the PRC and India and its principal activities including trading in surface mount technology ("SMT") equipments, machinery and spare parts and provision of related installation, training, repair and maintenance services. Riding on the fast growing economics in the PRC and India and strong local demand for consumer electronics products, it is expected that the Amtec Group can enjoy a continuous growth in revenue from sales of products as well as providing ancillary services such as leasing and installing of machinery. Moreover, based on the competitive advantages of lower labour cost and operating cost in the PRC and India, it is believed that the Amtec Group can, on one hand, implemented an effective cost control and, on the other hand, continue to attract sales orders from multi-national and large-scale customers. We also believe that this business investment platform has good scalability to enable future entry into upstream, downstream and adjacent markets.

On 7th December 2006, we successfully completed our second investment in Coland by subscription of its non-redeemable convertible preferred shares at an aggregate subscription price of approximately HK\$143.3 million and since then, the Group has held in effect 40% interest in Coland. Coland and its subsidiaries (the "Coland Group") are principally engaged in 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 in the PRC. Riding on the rapid growth of the economy and the aquaculture industry in the PRC, it is expected that the Coland Group can enjoy a continuous growth in revenue. It is planning to expand its production scale, develop new marketing strategies, and explore opportunities to expand further downstream, including the seafood processing business. Based on the above, it is expected that the business of the Coland Group would be strengthened.

The two investments described above are in line with the diversification strategy of the Group. Given the historical profitability of the Amtec Group and the Coland Group, it is expected that they will enhance the Group's earning base. We will continue to seek new investment opportunities in the operation platforms that have solid growth potentials. At the same time, we have considered further fund raising exercise to raise up to US\$350.0 million (equivalent to approximately HK\$2,716.0 million) in 2007 in form of non-redeemable convertible preference shares similar to last placement mentioned above to increase the Group's financial capability to pursue new investment opportunities. As of the date of this report, there are no definitive agreements relating to this fund raising exercise.

NORTH ASIA STRATEGIC

On behalf of the Board, I would like to express my sincere gratitude to our worldwide suppliers and customers for their trusts and support in our products and services throughout the period. I also wish to take this opportunity to express my sincere appreciation to our shareholders for their confidence in North Asia Strategic, as well as our staff for their dedication and continuous commitment to excellence. From such overwhelming commitment, we will continue to pace our efforts towards the long-term development of our Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December 2006, the Directors and chief executive of the Company and their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by Directors.

Long positions in the shares and underlying shares^(a) of the Company

- (a) The underlying shares referred to in note 2 arise as a result of the conversion rights attaching to the preference shares ("Preference Shares") issued by the Company under the placements as disclosed in the circulars to shareholders dated 24th January 2006 and 17th August 2006 (the "Placements"). The Preference Shares shall be automatically converted into ordinary shares, credited as fully paid, at the conversion ratio of one Preference Share for one ordinary share in accordance with the terms of the Preference Shares.
- (b) The approximate percentage of shareholdings set out below is based on 95,794,716 ordinary shares (each the "share" or "ordinary share") in issue as at 31st December 2006, not on the total number of issued shares upon full conversion of the Preference Shares and the convertible bonds as set out in the circular to shareholders dated 20th June 2005 (the "Convertible Bonds").

Name of Director	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate % of shareholdings ^(b)	Note
Mr. Andrew Yao Cho Fai ("Mr. Yao")	Interest of controlled Corporation	10,592,098	—	10,592,098	11.06%	1
Mr. Henry Cho Kim ("Mr. Cho")	Interest of controlled Corporation	—	99,106,003	99,106,003	103.46%	2

Notes:

1. These interests represented:
 - (i) a deemed interest in 1,598,113 shares of the Company owned by Huge Top Industrial Ltd. ("Huge Top"). Mr. Yao directly holds approximately 11.91% and indirectly through Perfect Capital International Corp. ("Perfect Capital") owns approximately 42.86% of the issued share capital of Huge Top. Mr. Yao owns the entire issued share capital of Perfect Capital and is one of the two directors of Huge Top. Accordingly, Mr. Yao was deemed, under the SFO, to have an interest in these shares of the Company held by Huge Top;
 - (ii) a deemed interest in 6,336,309 shares of the Company owned by Van Shung Chong (B.V.I.) Limited ("VSC BVI"), a wholly-owned subsidiary of Van Shung Chong Holdings Limited ("VSC"). Huge Top owns approximately 47.05% of the issued share capital of VSC. Mr. Yao is one of the two directors of VSC BVI. Accordingly, Mr. Yao was deemed, under the SFO, to have an interest in these shares of the Company held by VSC BVI. These shares were the same 6,336,309 shares referred to in note 23 under the section "Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO" below;
 - (iii) a deemed interest in 1,633,676 shares of the Company owned by TN Development Limited ("TN"). VSC BVI owns 54% of the issued share capital of TN and Mr. Yao owns 10% of the issued share capital of TN. Mr. Yao is one of the two directors of TN. Accordingly, Mr. Yao was deemed, under the SFO, to have an interest in these shares of the Company held by TN. These shares were the same 1,633,676 shares referred to in note 23 under the section "Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO" below; and
 - (iv) an interest in 1,024,000 shares of the Company owned by Right Action Offshore Inc. ("Right Action"). Mr. Yao owns the entire issued share capital of Right Action and is also the sole director of that company.
2. These underlying shares were held by Timeless Enterprises Limited ("Timeless"), a company controlled by Mr. Cho through Kenthomas Company Limited. Accordingly, Mr. Cho was taken to be interested in these underlying shares under the SFO by virtue of his interests in Timeless which was interested in 99,106,003 underlying shares. These underlying shares were the same underlying shares referred to in note 18 under section "Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO" below.

Save as disclosed above, as at 31st December 2006, none of the Directors and the chief executive of the Company or their respective associates had any interests or short positions in the securities of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which they were deemed or taken to have under such provisions of the SFO, or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to the Rule 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors of listed companies to be notified to the Company and the Stock Exchange.

NORTH ASIA STRATEGIC

PERSONS WHO HAVE INTERESTS OR SHORT POSITIONS WHICH ARE DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

As at 31st December 2006, so far as is known to the Directors and chief executive of the Company, the following persons (other than the Directors and chief executive of the Company whose interests were disclosed above) had interests or short positions in the shares and/or underlying shares of the Company which fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and/or were directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group together with particulars of any options in respect of such capital:

Long positions in the shares and underlying shares^(c) of the Company

- (c) The underlying shares referred to in the following table (other than those referred to in notes 1 and 4 below) arise as a result of the conversion rights attaching to the Preference Shares issued by the Company under the Placements. The Preference Shares shall be automatically converted into ordinary shares, credited as fully paid, at the conversion ratio of one Preference Share for one ordinary share in accordance with the terms of the Preference Shares. Those underlying shares referred in notes 1 and 4 below arise as a result of the conversion of the Convertible Bonds.
- (d) The approximate percentage of shareholdings set out below is based on 95,794,716 ordinary shares in issue as at 31st December 2006, not on the total number of issued shares upon full conversion of the Preference Shares and the Convertible Bonds.

Substantial shareholders (interests related to ordinary shareholders)

Name	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate % of shareholdings ^(d)	Note
Mr. Moses Tsang Kwok Tai ("Mr. Tsang")	Beneficial owner	19,693,486	39,386,973	59,080,459	61.68%	1
	Interest of controlled corporation	509,400	—	509,400	0.53%	2
	Interest of a discretionary trust	—	148,659,004	148,659,004	155.18%	3
				208,248,863	217.39%	
North Asia Strategic Acquisition Corp. ("NASAC")	Beneficial owner	44,163,474	88,326,947	132,490,421	138.31%	4
North Asia Strategic Advisors ("NASA")	Interest of controlled corporation	44,163,474	88,326,947	132,490,421	138.31%	4 & 5
Ajia Partners Inc. ("API")	Interest of controlled corporation	44,163,474	88,326,947	132,490,421	138.31%	4 to 6

NORTH ASIA STRATEGIC

Substantial shareholders (interests related to preference shareholders)

Name	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate % of shareholdings ^(d)	Note
The Goldman Sachs Group, Inc. ("Goldman")	Interest of controlled corporation	—	2,477,650,064	2,477,650,064	2,586.42%	7
ABN AMRO Asset Management Holding N.V.	Beneficial owner	—	1,238,825,032	1,238,825,032	1,293.21%	
Woori Bank ("Woori")	Beneficial owner	—	792,848,020	792,848,020	827.65%	8
Woori Finance Holdings Co., Ltd.	Interest of controlled corporation	—	792,848,020	792,848,020	827.65%	8
United Overseas Bank Limited	Beneficial owner	—	743,295,019	743,295,019	775.92%	
Oikos Asia Fund ("Oikos")	Beneficial owner	—	495,530,013	495,530,013	517.28%	9
Tiger International Management Inc. ("Tiger")	Beneficial owner	—	297,318,008	297,318,008	310.37%	10
Mr. Chen Jong-Tai	Interest of controlled corporation	—	297,318,008	297,318,008	310.37%	10
Ms. Chen Wu, Feng-Tsai	Interest of controlled corporation	—	297,318,008	297,318,008	310.37%	10
Banca Monte Dei Paschi Di Siena Spa	Beneficial owner	—	247,765,006	247,765,006	258.64%	
Grand Loyal (China) Limited ("Grand Loyal")	Nominee	—	247,765,006	247,765,006	258.64%	11

NORTH ASIA STRATEGIC

Name	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate % of shareholdings ^(d)	Note
Mr. Ho Yiu Wing	Interest of controlled corporation	—	247,765,006	247,765,006	258.64%	11
Grand Partners Group Limited (“Grand Partner”)	Nominee	—	247,765,006	247,765,006	258.64%	12
Mr. William Doo Wai Hoi	Interest of controlled corporation	—	247,765,006	247,765,006	258.64%	12
Fubon Bank (Hong Kong) Limited	Beneficial owner	—	199,233,717	199,233,717	207.98%	
Chevalier International Holdings Limited (“Chevalier”)	Beneficial owner	—	198,212,005	198,212,005	206.91%	13
Mr. Chow Yei Ching	Interest of controlled corporation	—	198,212,005	198,212,005	206.91%	13
Ms. Miyakawa Michiko	Family interest	—	198,212,005	198,212,005	206.91%	13
Asia Internet Capital Ventures LP (“AICV”)	Beneficial owner	—	148,659,004	148,659,004	155.18%	14
Asia Internet Capital Management LLC	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	14
EC.com Inc.	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	14
Smart Channel Investments Inc.	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	14

NORTH ASIA STRATEGIC

Name	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate % of shareholdings ^(d)	Note
MKT Holdings (Cayman Islands) LLC	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	14
HSBC International Trustee Limited	Trustee	—	148,659,004	148,659,004	155.18%	14
Gentfull Investment Limited (“Gentfull”)	Beneficial owner	—	148,659,004	148,659,004	155.18%	15
Ms. Vivien Chen Wai Wai	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	15
Doutdes S.P.A. (“Doutdes”)	Beneficial owner	—	148,659,004	148,659,004	155.18%	16
UFI Filters SPA	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	16
GGG SPA	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	16
G.G.G. S.A.	Beneficial owner	—	99,106,003	99,106,003	103.46%	17
Mr. Giorgio Girondi	Interest of controlled corporation	—	247,765,007	247,765,007	258.64%	16 & 17
Timeless	Beneficial owner	—	99,106,003	99,106,003	103.46%	18
Kenthomas Company Limited	Nominee	—	99,106,003	99,106,003	103.46%	18
KKR Group Investments II LLC (“KKR”)	Beneficial owner	—	89,080,460	89,080,460	92.99%	19

NORTH ASIA STRATEGIC

Name	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate % of shareholdings ^(d)	Note
Mr. George Rosenberg Roberts	Interest of controlled corporation	—	89,080,460	89,080,460	92.99%	19
Mr. Henry Roberts Kravis	Interest of controlled corporation	—	89,080,460	89,080,460	92.99%	19
Glint Delta II NV (“Glint”)	Nominee	—	78,544,061	78,544,061	81.99%	20
Mr. Fentener Van Vlissingen Harold (“Mr. Van Vlissingen”)	Beneficial owner	—	78,544,061	78,544,061	81.99%	20
Rawlco Capital Ltd. (“Rawlco”)	Beneficial owner	—	49,553,001	49,553,001	51.73%	21
Mr. Gordon Stanley Rawlinson	Interests of controlled corporation	—	49,553,001	49,553,001	51.73%	21
UBS España, S.A. (“UBS”)	Nominee	—	128,441,377	128,441,377	134.08%	22
Ms. Angeles González Garcia	Interest of controlled corporation	—	49,553,001	49,553,001	51.73%	22
Mr. Jorge Garcia González	Interest of controlled corporation	—	49,553,001	49,553,001	51.73%	22
Sphirantes	Nominee	—	49,553,001	49,553,001	51.73%	22
Mr. Cesar Molinas Sanz	Beneficial owner	—	17,343,550	17,343,550	18.10%	22
Kobrither, S.A.	Nominee	—	14,865,900	14,865,900	15.52%	22

NORTH ASIA STRATEGIC

Name	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate % of shareholdings ^(d)	Note
Mr. Antonio Del Cano Barbón	Interest of controlled corporation	—	14,865,900	14,865,900	15.52%	22
Mr. Ramón Suarez Beltrán	Beneficial owner	—	9,910,600	9,910,600	10.35%	22
Mr. Ricardo Sanz Ferrer	Beneficial owner	—	9,910,600	9,910,600	10.35%	22
Mr. Miguel Orúe-Echeverria	Beneficial owner	—	9,910,600	9,910,600	10.35%	22

Other persons (interests related to preference shareholders)

Name	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate % of shareholdings ^(d)	Note
Arcosilo, S.L.	Nominee	—	7,432,950	7,432,950	7.76%	22
Mr. Blanca Rueda Sabater	Interest of controlled corporation	—	7,432,950	7,432,950	7.76%	22
Mr. Fernando Rueda Sabater	Interest of controlled corporation	—	7,432,950	7,432,950	7.76%	22
Mr. Richardo de Ponga Bianco	Beneficial owner	—	5,946,360	5,946,360	6.21%	22

NORTH ASIA STRATEGIC

Other persons (interests related to ordinary shareholders)

Name	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate % of shareholdings ^(d)	Note
VSC BVI	Beneficial owner	6,336,309	—	6,336,309	6.61%	23
	Interest of controlled corporation	1,633,676	—	1,633,676	1.71%	23
				<u>7,969,985</u>	<u>8.32%</u>	
VSC	Interest of controlled corporation	6,336,309	—	6,336,309	6.61%	
	Interest of controlled corporation	1,633,676	—	1,633,676	1.71%	
				<u>7,969,985</u>	<u>8.32%</u>	23 & 24
Huge Top	Beneficial owner	1,598,113	—	1,598,113	1.67%	
	Interest of controlled corporation	6,336,309	—	6,336,309	6.61%	
	Interest of controlled corporation	1,633,676	—	1,633,676	1.71%	
			<u>9,568,098</u>	<u>9.99%</u>	23 to 25	
Perfect Capital	Interest of controlled corporation	1,598,113	—	1,598,113	1.67%	
	Interest of controlled corporation	6,336,309	—	6,336,309	6.61%	
	Interest of controlled corporation	1,633,676	—	1,633,676	1.71%	
			<u>9,568,098</u>	<u>9.99%</u>	23 to 25	

NORTH ASIA STRATEGIC

Name	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate % of shareholdings ^(d)	Note
Ms. Miriam Yao Che Li ("Ms. Yao")	Interest of controlled corporation	1,598,113	—	1,598,113	1.67%	
	Interest of controlled corporation	6,336,309	—	6,336,309	6.61%	
	Interest of controlled corporation	1,633,676	—	1,633,676	1.71%	
				9,568,098	9.99%	23 to 26

Notes:

- Mr. Tsang was directly interested in 19,693,486 shares and a further 39,386,973 underlying shares which may fall to be issued if the Convertible Bonds are converted at the initial conversion price of HK\$0.1566.
- These 509,400 shares were directly held by Oboe Development Trading Limited, which was wholly owned by Mr. Tsang.
- Mr. Tsang was deemed to be interested in 148,659,004 underlying shares by virtue of his being a founder of a discretionary trust, the trustee of which was HSBC International Trustee Limited ("HSBC Trustee"). HSBC Trustee, through its controlling interests in Asia Internet Capital Management LLC which acted as the investment manager of AICV, was deemed to be interested in 148,659,004 underlying shares. These 148,659,004 underlying shares are the same underlying shares referred to in note 14 below. Mr. Tsang was therefore deemed, under the SFO, to be interested in an aggregate of 208,248,863 shares.
- NASAC was directly interested in 44,163,474 shares and a further 88,326,947 underlying shares which may fall to be issued if the Convertible Bonds are converted at an initial conversion price of HK\$0.1566. Accordingly, NASAC was deemed to be interested in a total of 132,490,421 shares.
- NASA held the single voting participating share of NASAC and was therefore deemed to be interested in 132,490,421 shares.
- API is the controlling company of NASA which in turn controls 100% voting capital of NASAC. API was therefore deemed to be interested in 132,490,421 shares.
- These underlying shares were held by Goldman Sachs (Asia) Finance, a company controlled by The Goldman Sachs (Asia) Finance Holdings L.L.C.. The Goldman Sachs Group, Inc. was deemed to have interests in these underlying shares through its direct subsidiary, The Goldman Sachs Global Holdings L.L.C., and its indirect subsidiary, The Goldman Sachs & Co., which was in turn the controlling company of The Goldman Sachs (Asia) Finance Holdings L.L.C.. Accordingly, all these parties were deemed, under the SFO, to have an interest in these underlying shares by virtue of their respective corporate interests in Goldman Sachs (Asia) Finance.
- These underlying shares were held by Woori, a company controlled by Woori Finance Holdings Co., Ltd..
- These underlying shares were held by Oikos, a company controlled by Walkers SPV Limited.

NORTH ASIA STRATEGIC

10. These underlying shares were held by Tiger, a company controlled by Mr. Chen Jong-Tai and Ms. Chen Wu, Feng-Tsai. Accordingly, both were taken to be interested in these underlying shares under the SFO by virtue of their interests in Tiger.
11. These underlying shares were held by Grand Loyal, a company controlled by Mr. Ho Yiu Wing. Accordingly, Mr. Ho was taken to be interested in these underlying shares under the SFO by virtue of his interests in Grand Loyal.
12. These underlying shares were held by Grand Partners, a company controlled by Mr. William Doo Wai Hoi. Accordingly, Mr. Doo was taken to be interested in these underlying shares under the SFO by virtue of his interests in Grand Partners.
13. These underlying shares were held by Chevalier, a company 52.5% controlled by Mr. Chow Yei Ching and Ms. Miyakawa Michiko. Accordingly, both were taken to be interested in these underlying shares under the SFO by virtue of their interests in Chevalier.
14. These underlying shares were held by AICV which was managed by Asia Internet Capital Management LLC, a company 99% controlled by EC.com Inc.. HSBC International Trustee Limited was deemed to have interests in these underlying shares through its direct wholly-owned subsidiary MKT Holdings (Cayman Islands) LLC and its indirect wholly-owned subsidiary Smart Channel Investments Inc.. Smart Channel Investments Inc. had 48.66% controlling interests in EC.com Inc.. Accordingly, all these parties were deemed, under the SFO, to have an interest in these underlying shares by virtue of their respective corporate interests in AICV. These underlying shares are the same underlying shares referred to in note 3 above.
15. These underlying shares were held by Gentfull, a company 100% controlled by Ms. Vivien Chen Wai Wai. Accordingly, Ms. Chen was taken to be interested in these underlying shares under the SFO by virtue of her interests in Gentfull.
16. These underlying shares were held by Doudes, a company 83.98% controlled by UFI Filters SPA which was in turn controlled by GGG SPA, a company controlled by Mr. Giorgio Girondi. Accordingly, all these parties were taken to be interested in these underlying shares under the SFO by virtue of their corporate interests in Doudes.
17. These underlying shares were held by G.G.G. S.A., a company 100% controlled by Mr. Giorgio Girondi. Accordingly, Mr. Girondi was taken to be interested in these underlying shares under the SFO by virtue of his interests in G.G.G. S.A.
18. These underlying shares were held by Timeless, a company controlled by Mr. Cho through Kenthomas Company Limited. Accordingly, Mr. Cho was taken to be interested in these underlying shares under the SFO by virtue of his interests in Timeless. These underlying shares are the same underlying shares referred to in note 2 under “Directors’ and chief executive’s interests and short positions in shares, underlying shares and debentures” above.
19. These underlying shares were held by KKR, a company controlled by Messrs. George Rosenberg Roberts and Henry Roberts Kravis. Accordingly, all these parties were taken to be interested in these underlying shares under the SFO by virtue of their interests in KKR.
20. These underlying shares were held by Glint, a company 99% controlled by Mr. Van Vlissingen. Accordingly, Mr. Van Vlissingen was taken to be interested in these underlying shares under the SFO by virtue of his interests in Glint.
21. These underlying shares were held by Rawlco, a company controlled by Mr. Gordon Stanley Rawlinson. Accordingly, he was taken to be interested in these underlying shares under the SFO by virtue of his interests in Rawlco.
22. These underlying shares were held by UBS. Of these underlying shares, 49,553,001 underlying shares were held by Sphirantes, a company controlled by Ms. Angeles González Garcia and Mr. Jorge Garcia González; 17,343,500 underlying shares were held by Mr. Cesar Molinas Sanz; 14,865,900 underlying shares were held by Kobrither, S.A., a company controlled by Mr. Antonio Del Cano Barbón; each of Messrs. Ramón Suarez Beltrán, Ricardo Sanz Ferrer and Miguel Orúe-Echeverria held 9,910,600 underlying shares; 7,432,950 underlying shares were held by Arcosilo, S.L., a company controlled by Messrs. Blanca Rueda Sabater and Fernando Rueda Sabater; and 5,946,360 underlying shares were held by Mr. Richardo de Ponga Bianco.

23. VSC BVI owned 54% of the share capital of TN and was deemed to be interested in the 1,633,676 shares held by TN. VSC BVI directly owned 6,336,309 shares. VSC BVI was therefore directly and indirectly interested in an aggregate of 7,969,985 shares.
24. VSC owned the entire issued share capital of VSC BVI, VSC was therefore deemed to be interested in an aggregate of 7,969,985 shares.
25. Perfect Capital owned approximately 42.86% of the issued share capital of Huge Top. Huge Top was beneficially interested in approximately 47.05% of the issued share capital of VSC; Perfect Capital and Huge Top were therefore deemed to be interested in 1,633,676 shares held by TN and 6,336,309 shares held by VSC BVI. Huge Top also directly owned 1,598,113 shares. Huge Top was therefore directly and indirectly interested in an aggregate of 9,568,098 shares, and Perfect Capital was indirectly interested in the same aggregate interests.
26. Ms. Yao is one of the two directors for TN and Huge Top while the remaining director of these two companies is Mr. Yao who is the brother of Ms. Yao. Ms. Yao was therefore through Huge Top indirectly interested in an aggregate of 9,568,098 shares.

Save as disclosed above, the Directors and the chief executive of the Company were not aware of any person (other than the Directors or chief executive of the Company the interests of which were disclosed above) who has an interest or short position in the securities of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as at 31st December 2006.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 13th April 2000 (the "2000 Scheme"). On 10th June 2002, the shareholders approved the adoption of a new share option scheme (the "2002 Scheme") and termination of the 2000 Scheme. No share options were granted or exercised during the nine months ended 31st December 2006 and no share options were outstanding under the 2000 Scheme. As at 31st December 2006, no share options have been granted by the Company pursuant to the 2002 Scheme.

COMPETING INTERESTS

Mr. Yao is an executive Director and also the chairman and chief executive officer of VSC. According to the interim report 2006/07 of VSC, Huge Top held 173,424,000 shares (approximately 47.05%) in VSC as at 30th September 2006 and Mr. Yao is one of the two directors of Huge Top. Mr. Yao directly held approximately 11.91% and indirectly held approximately 42.86% of the issued share capital of Huge Top. Mr. Yao also has personal interests in 1,614,000 shares (approximately 0.44%) in VSC as at 30th September 2006. VSC is also engaged in steel trading business. The Directors believe that there is a risk that such business may compete with those of the North Asia Strategic Group. However, the Directors are also of the view that the invaluable experience of Mr. Yao in the steel industry will complement the development of the Group's business.

Save for aforesaid, none of the Directors, management Shareholders, substantial Shareholders and their respective associates compete or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group pursuant to the GEM Listing Rules as at 31st December 2006.

PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the nine months ended 31st December 2006.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to ensuring high standards of corporate governance in the interests of shareholders, and follows the principles set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules. The Company has complied with the code provisions set out in the Code throughout the nine months ended 31st December 2006.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference that set out the authorities and duties of the committee adopted by the Board. The committee comprises three independent non-executive Directors and is chaired by Mr. Kenny Tam King Ching who has appropriate professional qualifications and experience in financial matters.

Under the terms of reference which are aligned with the code provisions set out in the Code contained in Appendix 15 of the GEM Listing Rules, the committee's principal duties are to ensure the adequacy and effectiveness of the accounting and financial controls of the Group, oversee the performance of internal control systems and financial reporting process, monitor the integrity of the financial statements and compliance with statutory and listing requirements and to oversee independence and qualifications of the external auditors.

The unaudited accounts for the nine months ended 31st December 2006 of the Company now reported on have been reviewed by the audit committee.

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

Hong Kong, 14th February 2007

As at the date of this report, 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).

