

NORTH ASIA STRATEGIC HOLDINGS LIMITED

北亞策略控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8080)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2018

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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.

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This announcement, for which the directors (the “Directors” or the “Board”) of North Asia Strategic Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM 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 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.

* For identification purpose only

RESULTS

The Board of directors (the “Board”) of North Asia Strategic Holdings Limited (the “Company”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30th September 2018, together with the comparative unaudited figures of the corresponding period in 2017.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30th September		For the three months ended 30th September	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	3	1,423,023	753,617	721,510	352,992
Cost of sales		<u>(1,187,278)</u>	<u>(578,802)</u>	<u>(589,139)</u>	<u>(250,274)</u>
Gross profit		235,745	174,815	132,371	102,718
Other income and gains, net		1,019	1,226	638	717
Selling and distribution expenses		(96,453)	(71,440)	(55,843)	(39,040)
General and administrative expenses		<u>(56,330)</u>	<u>(44,821)</u>	<u>(28,875)</u>	<u>(25,196)</u>
Operating profit		83,981	59,780	48,291	39,199
Fair value gain on the derivative component of convertible bond		—	69	—	69
Finance income	4	687	1,940	382	672
Finance costs	4	<u>(629)</u>	<u>(984)</u>	<u>(626)</u>	<u>(1,414)</u>
Profit before income tax		84,039	60,805	48,047	38,526
Income tax expense	5	<u>(14,414)</u>	<u>(8,886)</u>	<u>(7,184)</u>	<u>(4,633)</u>
PROFIT FOR THE PERIOD		<u>69,625</u>	<u>51,919</u>	<u>40,863</u>	<u>33,893</u>
Earnings per share attributable to ordinary shareholders of the Company	6				
Basic (HK cents)		<u>2.55</u>	<u>2.29</u>	<u>1.50</u>	<u>1.29</u>
Diluted (HK cents)		<u>2.55</u>	<u>1.92</u>	<u>1.50</u>	<u>1.24</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30th September		For the three months ended 30th September	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period	<u>69,625</u>	<u>51,919</u>	<u>40,863</u>	<u>33,893</u>
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in the subsequent periods:				
Currency translation differences of foreign operations	<u>(27,961)</u>	<u>10,597</u>	<u>(20,367)</u>	<u>11,492</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX OF NIL	<u>(27,961)</u>	<u>10,597</u>	<u>(20,367)</u>	<u>11,492</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>41,664</u></u>	<u><u>62,516</u></u>	<u><u>20,496</u></u>	<u><u>45,385</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30th September 2018	As at 31st March 2018
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	8	57,170	50,320
Intangible assets	8	373,692	373,692
Trade and other receivables	9	82,257	102,459
		513,119	526,471
Current assets			
Financial assets at fair value through profit or loss		36,360	36,044
Derivative financial instrument		—	1,010
Inventories		107,505	133,511
Trade and other receivables	9	974,324	816,987
Cash and cash equivalents		245,734	231,292
		1,363,923	1,218,844
Total assets		1,877,042	1,745,315
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	12	27,258	27,258
Reserves		926,146	899,582
Total equity	13	953,404	926,840

		As at 30th September 2018 <i>HK\$'000</i> (Unaudited)	As at 31st March 2018 <i>HK\$'000</i> (Audited)
LIABILITIES			
Current liabilities			
Trade and other payables	10	852,922	745,845
Derivative financial instruments		1,524	—
Income tax liabilities		31,013	24,441
		<u>885,459</u>	<u>770,286</u>
Non-current liabilities			
Deferred tax liabilities		494	494
Deposits received		37,461	47,440
Other non-current liabilities		224	255
		<u>38,179</u>	<u>48,189</u>
Total liabilities		<u><u>923,638</u></u>	<u><u>818,475</u></u>
Total equity and liabilities		<u><u>1,877,042</u></u>	<u><u>1,745,315</u></u>
Net current assets		<u><u>478,464</u></u>	<u><u>448,558</u></u>
Total assets less current liabilities		<u><u>991,583</u></u>	<u><u>975,029</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Unaudited)		
	Attributable to shareholders of the Company		
	Share capital <i>HK\$'000</i>	Reserves <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balances as at 1st April 2017	19,150	824,058	843,208
Comprehensive income			
Profit for the period	—	51,919	51,919
<i>Other comprehensive income</i>			
Currency translation differences of foreign operations	—	10,597	10,597
Total other comprehensive income	—	10,597	10,597
Total comprehensive income for the period	—	62,516	62,516
Special dividend paid (<i>note 7</i>)	—	(114,898)	(114,898)
Issue of shares upon conversion of convertible bond (<i>note 12(a)</i>)	8,108	51,892	60,000
Equity-settled share-based transactions (<i>note 12(b)</i>)	—	4,684	4,684
Balances as at 30th September 2017	27,258	828,252	855,510
Balances as at 1st April 2018	27,258	899,582	926,840
Effect of adoption of HKFRS 15, net of tax	—	(15,100)	(15,100)
Restated balances as at 1st April 2018	27,258	884,482	911,740
Comprehensive income			
Profit for the period	—	69,625	69,625
<i>Other comprehensive income</i>			
Currency translation differences of foreign operations	—	(27,961)	(27,961)
Total other comprehensive income	—	(27,961)	(27,961)
Total comprehensive income for the period	—	41,664	41,664
Balances as at 30th September 2018	27,258	926,146	953,404

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30th September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flows from/(used in) operating activities	<u>44,353</u>	<u>(11,554)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of property, plant and equipment	(27,744)	(24,556)
Proceeds from disposal of items of property, plant and equipment	—	129
Receipts upon maturity of held-to-maturity investments	—	23,171
Purchases of financial assets at fair value through profit or loss	—	(7,563)
Receipts from sale of financial assets at fair value through profit or loss	—	33,901
Others	<u>1,003</u>	<u>1,940</u>
Net cash flows (used in)/from investing activities	<u>(26,741)</u>	<u>27,022</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	9,367	—
Repayment of bank loans	(9,367)	—
Special dividend paid	—	(114,898)
Net cash flows used in financing activities	<u>—</u>	<u>(114,898)</u>
Increase/(decrease) in cash and cash equivalents	17,612	(99,430)
Cash and cash equivalents at 1st April	231,292	379,991
Effect of foreign exchange rate changes, net	<u>(3,170)</u>	<u>2,051</u>
Cash and cash equivalents at 30th September	<u><u>245,734</u></u>	<u><u>282,612</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash at banks and cash on hand	229,076	211,372
Non-pledged time deposits with original maturity of three months or less when acquired	<u>16,658</u>	<u>71,240</u>
Cash and cash equivalents as stated in the unaudited condensed consolidated statement of financial position	<u><u>245,734</u></u>	<u><u>282,612</u></u>

NOTES:

1 GENERAL INFORMATION

The Group is principally engaged in the following businesses:

- **hi-tech distribution and services:** trading of surface mount technology (“SMT”) assembly equipment, machinery and spare parts and provision of related installation, training, repair and maintenance services for SMT assembly equipment;
- **leasing:** provision of finance to its customers via a wide array of assets under finance lease arrangements and operating lease arrangements; and
- investment holding.

The Company is a limited liability company incorporated in Bermuda as an exempted company under the Bermuda Companies Act 1981 (the “Companies Act”). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and that of its principal place of business is 18th Floor, Shanghai Commercial Bank Tower, 12 Queen’s Road Central, Hong Kong.

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

This announcement is presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

This announcement has been approved and authorised for issue by the Company’s board of directors on 6th November 2018.

2 BASIS OF PREPARATION

This announcement has been prepared to comply with the disclosure requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange (the “GEM Listing Rules”).

This announcement does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31st March 2018.

The accounting policies adopted in the preparation of this unaudited condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March 2018, except for the adoption of the following revised standards and interpretations for the first time for the current period's financial information:

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements 2014-2016 Cycle</i>	<i>Amendments to HKFRS 1 and HKAS 28</i>

Except for HKFRS 15 *Revenue from Contracts with Customers*, of which nature and effect of the adoption are disclosed as below, the adoption of the above revised HKFRSs has had no significant financial effect on this unaudited condensed consolidated financial information.

HKFRS 15 *Revenue from contracts with Customers*

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

HKFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted HKFRS 15 using the modified retrospective method of adoption with the date of initial application of 1st April 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at 1st April 2018.

The cumulative effect of initially applying HKFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of accumulated losses. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related Interpretations.

The effect of adopting HKFRS 15 as at 1st April 2018, was as follows:

	Increase/ (decrease) <i>HK\$'000</i>
Assets	
Inventories	220,985
Trade receivables	<u>(162,273)</u>
Total assets	<u>58,712</u>
Liabilities	
Trade and other payables	76,790
Income tax liabilities	<u>(2,978)</u>
Total liabilities	<u>73,812</u>
Total adjustment on equity:	
Accumulated losses	<u>15,100</u>

The Group's principal activities consist of the sale of machinery and the provision of finance leasing and operating lease arrangements. The Group provides installation services for the sale of machinery. Previously, installation services are bundled together with the sale of machinery, as such, revenue from the sale of machinery is recognised when significant risks and rewards of ownership of goods have been passed to customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The Group has assessed that the installation services bundled together with the sale of machinery are not distinct and are considered as one single performance obligations under HKFRS 15 because the installation service is highly interrelated with the sale of machinery and providing them into a functional machinery that the customer contracted to receive. Accordingly, the Group determined that revenue from the sale of machinery with installation services is recognised when the respective installation services are completed under HKFRS 15.

As a result of this change in accounting policy, the Group had made adjustments to opening balances at 1st April 2018 which increase accumulated losses by HK\$15,100,000.

Contract liabilities represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays considerations before the Group transition goods or services to the customers, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Set out below, are the amounts by which each financial statement line item is affected as at and for the period ended 30th September 2018, as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 did not have a material impact on other comprehensive income or the Group's operating, investing and financing cash flows. The first column shows amounts prepared under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2018

	Amounts prepared under		
	HKFRS 15	Previous	Increase/
	<i>HK\$'000</i>	<i>HK\$'000</i>	(decrease)
			<i>HK\$'000</i>
Revenue	1,423,023	1,479,204	(56,181)
Cost of sales	<u>(1,187,278)</u>	<u>(1,238,483)</u>	<u>(51,205)</u>
Gross profit	235,745	240,721	(4,976)
Other income and gains, net	1,019	1,019	—
Selling and distribution expenses	(96,453)	(97,967)	(1,514)
General and administrative expenses	<u>(56,330)</u>	<u>(56,330)</u>	<u>—</u>
Operating profit	83,981	87,443	(3,462)
Finance income	687	687	—
Finance costs	<u>(629)</u>	<u>(629)</u>	<u>—</u>
Profit before income tax	84,039	87,501	(3,462)
Income tax expense	<u>(14,414)</u>	<u>(14,985)</u>	<u>(571)</u>
PROFIT FOR THE PERIOD	<u>69,625</u>	<u>72,516</u>	<u>(2,891)</u>
Earnings per share attributable to ordinary shareholders of the Company			
Basic (<i>HK cents</i>)	<u>2.55</u>	<u>2.66</u>	<u>(0.11)</u>
Diluted (<i>HK cents</i>)	<u>2.55</u>	<u>2.66</u>	<u>(0.11)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30TH SEPTEMBER 2018

	Amounts prepared under		
	HKFRS 15	Previous	Increase/
	<i>HK\$'000</i>	<i>HK\$'000</i>	(decrease)
			<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	57,170	57,170	—
Intangible assets	373,692	373,692	—
Trade and other receivables	82,257	82,257	—
	<u>513,119</u>	<u>513,119</u>	<u>—</u>
Current assets			
Financial assets at fair value through profit or loss	36,360	36,360	—
Inventories	107,505	57,297	50,208
Trade and other receivables	974,324	1,030,505	(56,181)
Cash and cash equivalents	245,734	245,734	—
	<u>1,363,923</u>	<u>1,369,896</u>	<u>(5,973)</u>
Total assets	<u><u>1,877,042</u></u>	<u><u>1,883,015</u></u>	<u><u>(5,973)</u></u>
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	27,258	27,258	—
Reserves	926,146	929,037	(2,891)
Total equity	<u><u>953,404</u></u>	<u><u>956,295</u></u>	<u><u>(2,891)</u></u>

	Amounts prepared under		
	HKFRS 15	Previous	Increase/
	<i>HK\$'000</i>	<i>HK\$'000</i>	(decrease)
			<i>HK\$'000</i>
LIABILITIES			
Current liabilities			
Trade and other payables	852,922	855,433	(2,511)
Derivative financial instrument	1,524	1,524	—
Income tax liabilities	31,013	31,584	(571)
	<u>885,459</u>	<u>888,541</u>	<u>(3,082)</u>
Non-current liabilities			
Deferred tax liabilities	494	494	—
Deposits received	37,461	37,461	—
Other non-current liabilities	224	224	—
	<u>38,179</u>	<u>38,179</u>	<u>—</u>
Total liabilities	<u><u>923,638</u></u>	<u><u>926,720</u></u>	<u><u>(3,082)</u></u>
Total equity and liabilities	<u><u>1,877,042</u></u>	<u><u>1,883,015</u></u>	<u><u>(5,973)</u></u>
Net current assets	<u><u>478,464</u></u>	<u><u>481,355</u></u>	<u><u>(2,891)</u></u>
Total assets less current liabilities	<u><u>991,583</u></u>	<u><u>994,474</u></u>	<u><u>(2,891)</u></u>

3 REVENUE AND SEGMENT INFORMATION

3.1 Revenue

Revenue represents sales of goods, commission and other service income, and income from leasing arrangements. Set out below is the disaggregation of the Group's revenue:

	For the six months ended 30th September		For the three months ended 30th September	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Note)		(Note)
Revenue from contracts with customers within the scope of HKFRS 15				
Recognised at a point in time:				
Sales of goods	1,342,965	649,433	669,769	274,974
Recognised over time:				
Commission and other service income	50,069	89,152	33,136	67,982
Revenue from other source				
Income from leasing arrangements	29,989	15,032	18,605	10,036
	<u>1,423,023</u>	<u>753,617</u>	<u>721,510</u>	<u>352,992</u>

Note:

The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 11, HKAS 18 and related Interpretations.

3.2 Operating segment information

For management purposes, the Group is organised into two major reportable operating segments — hi-tech distribution and services, and leasing operation. The hi-tech distribution and services operating segment derives revenue from the sales of goods, commission and other service income. The leasing operating segment derives revenue from finance leasing and operating lease arrangements.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before income tax. The adjusted profit/loss before income tax is measured consistently with the Group's profit/loss before tax except that finance income, finance costs, fair value gain/loss from the Group's financial instruments as well as corporate and other unallocated expenses are excluded from such measurement.

Segment assets consist primarily of property, plant and equipment, intangible assets, other non-current assets, inventories and trade and other receivables. Unallocated assets comprise cash and cash equivalents, derivative financial instrument, financial assets at fair value through profit or loss and corporate and others.

Capital expenditure comprises additions to property, plant and equipment.

There are no significant sales between the operating segments during the period. The operating results for the period are as follows:

	Six months ended 30th September 2018 (Unaudited)		
	Hi-tech distribution and services operation HK\$'000	Leasing operation HK\$'000	Total HK\$'000
Revenue			
— Sales to external customers	<u>1,393,034</u>	<u>29,989</u>	<u>1,423,023</u>
Segment results	<u>73,457</u>	<u>10,607</u>	84,064
Finance income			687
Finance costs			(629)
Corporate and other unallocated expenses			<u>(83)</u>
Profit before income tax			84,039
Income tax expense			<u>(14,414)</u>
Profit for the period			<u>69,625</u>
Capital expenditure on segment assets	2,391	24,498	26,889
Corporate and other unallocated capital expenditure			<u>855</u>
			<u>27,744</u>
Depreciation of segment assets	2,965	8,082	11,047
Corporate and other unallocated depreciation			<u>610</u>
			<u>11,657</u>

Six months ended 30th September 2017
(Unaudited)

	Hi-tech distribution and services operation <i>HK\$'000</i>	Leasing operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
— Sales to external customers	<u>738,585</u>	<u>15,032</u>	<u>753,617</u>
Segment results	<u>66,027</u>	<u>9,855</u>	75,882
Fair value gain on derivative component of convertible bond			69
Finance income			1,940
Finance costs			(984)
Corporate and other unallocated expenses			<u>(16,102)</u>
Profit before income tax			60,805
Income tax expense			<u>(8,886)</u>
Profit for the period			<u>51,919</u>
Capital expenditure on segment assets	1,407	23,149	<u>24,556</u>
Depreciation of segment assets	725	1,749	2,474
Corporate and other unallocated depreciation			<u>487</u>
			<u>2,961</u>
Gain on disposal of items of property, plant and equipment	9	—	<u>9</u>

The segment assets at the end of the reporting period are as follows:

	Hi-tech distribution and services operation <i>HK\$'000</i>	Leasing operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30th September 2018 (Unaudited)			
Segment assets	<u><u>1,147,085</u></u>	<u><u>443,079</u></u>	1,590,164
Unallocated assets:			
Financial assets at fair value through profit or loss			36,360
Cash and cash equivalents			245,734
Corporate and others			<u>4,784</u>
Total assets per the unaudited condensed consolidated statement of financial position			<u><u>1,877,042</u></u>
	Hi-tech distribution and services operation <i>HK\$'000</i>	Leasing operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31st March 2018 (Audited)			
Segment assets	<u><u>1,043,238</u></u>	<u><u>428,724</u></u>	1,471,962
Unallocated assets:			
Financial assets at fair value through profit or loss			36,044
Derivative financial instrument			1,010
Cash and cash equivalents			231,292
Corporate and others			<u>5,007</u>
Total assets per the consolidated statement of financial position			<u><u>1,745,315</u></u>

Geographical information

(a) Revenue from external customers

The Group's activities are conducted predominantly in the PRC (including Hong Kong) and the rest of Asia. Revenue by geographical location is determined on the basis of the destination of shipment of goods for the hi-tech distribution and the location of the customers by the leasing operating segment.

The following table provides an analysis of the Group's revenue by geographical location:

	For the six months ended 30th September 2018 HK\$'000 (Unaudited)	For the six months ended 30th September 2017 HK\$'000 (Unaudited)
The PRC including Hong Kong	1,405,433	738,222
Asia — others	17,590	15,395
Total revenue	<u>1,423,023</u>	<u>753,617</u>

(b) Non-current assets

The non-current asset geographic information is not presented since over 90% of the Group's non-current assets are located in the PRC (including Hong Kong).

Information about a major customer

During the six months ended 30th September 2018, revenue of approximately HK\$294,318,000 was derived from sales by the hi-tech distribution and services operating segment to a single customer, which accounted for more than 10% of the Group's total revenue.

During the six months ended 30th September 2017, there was no single customer which individually accounted for 10% or more of the Group's total revenue.

4 FINANCE INCOME AND COSTS

An analysis of finance income and costs is as follows:

	For the six months ended 30th September		For the three months ended 30th September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Finance income:				
Interest income from bank deposits	687	988	382	262
Interest income from held-to-maturity investments	—	952	—	410
	<u>687</u>	<u>1,940</u>	<u>382</u>	<u>672</u>
Finance costs:				
Interest on bank loans	279	83	276	48
Amortisation of liability component of convertible bond	—	374	—	47
Net foreign exchange losses on financing activities	350	527	350	1,319
	<u>629</u>	<u>984</u>	<u>626</u>	<u>1,414</u>

5 INCOME TAX EXPENSE

The Company is exempted from taxation in Bermuda until 2035. Hong Kong profits tax has been calculated at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the period.

Subsidiaries established in Mainland China are subject to the Mainland China corporate income tax at the standard rate of 25% (2017: 25%). For the period ended 30th September 2018, NAS American Tec (Shenzhen) Co., Limited*, a subsidiary of the Company, was entitled to a preferential tax rate of 15%, as it is recognised as a high technology enterprise.

* For identification purpose only

The amounts of income tax expense/(credit) recorded in the unaudited condensed consolidated statement of profit or loss represent:

	For the six months ended 30th September		For the three months ended 30th September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Current taxation				
Hong Kong profits tax				
— current period	11,034	9,922	8,107	5,704
Mainland China corporate income tax				
— current period	3,380	—	(923)	(35)
— over provision in prior periods	—	(1,036)	—	(1,036)
	14,414	8,886	7,184	4,633

6 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the Group's profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary shareholders of the Company, adjusted to exclude the interest on the convertible bond less tax effect, if any. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

On 13th July 2017, the conversion price of the convertible bond was adjusted from HK\$0.25 to HK\$0.074 upon the payment of special dividend by the Company on the same date which according to the instrument constituting the convertible bond, the special dividend constituted a Capital Distribution (as defined in the instrument) as it was not paid out of retained profits for the financial periods after 31st March 2013. A retrospective adjustment on the number of potential ordinary shares to be issued from the convertible bond was made.

The calculations of basic and diluted earnings per share amounts are based on:

	For the six months ended 30th September		For the three months ended 30th September	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings				
Profit attributable to the shareholders of the Company, used in the basic earnings per share calculation (<i>HK\$'000</i>)	69,625	51,919	40,863	33,893
Interest on convertible bond (<i>HK\$'000</i>)	—	374	—	47
	<hr/>	<hr/>	<hr/>	<hr/>
Profit attributable to the shareholders of the Company, used in the diluted earnings per share calculation (<i>HK\$'000</i>)	69,625	52,293	40,863	33,940
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Shares				
Weighted average number of ordinary shares in issue, used in the basic earnings per share calculation	2,725,808,054	2,269,450,078	2,725,808,054	2,620,050,084
Effect of dilution — weighted average number of ordinary shares:				
Convertible bond	—	456,357,997	—	105,757,932
Assumed issue at no consideration on deemed exercise of all share options outstanding during the period	1,951,512	500,427	—	995,412
	<hr/>	<hr/>	<hr/>	<hr/>
Weighted average number of ordinary shares in issue, used in the diluted earnings per share calculation	2,727,759,566	2,726,308,502	2,725,808,054	2,726,803,428
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

7 DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September 2018 (2017: Nil).

On 8th June 2017, the Board declared a special dividend of HK\$0.06 per ordinary share, approximately HK\$114,898,000 in aggregate. This special dividend had been paid on 10th July 2017.

8 CAPITAL EXPENDITURE

	Property, plant and equipment <i>HK\$'000</i> (Unaudited)	Intangible assets <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
At 1st April 2018	50,320	373,692	424,012
Additions	27,744	—	27,744
Transfer	(5,198)	—	(5,198)
Depreciation	(11,657)	—	(11,657)
Exchange realignments	(4,039)	—	(4,039)
At 30th September 2018	57,170	373,692	430,862
At 1st April 2017	10,385	373,692	384,077
Additions	24,556	—	24,556
Disposals	(120)	—	(120)
Depreciation	(2,961)	—	(2,961)
Exchange realignments	19	—	19
At 30th September 2017	31,879	373,692	405,571

9 TRADE AND OTHER RECEIVABLES

	As at 30th September 2018 <i>HK\$'000</i> (Unaudited)	As at 31st March 2018 <i>HK\$'000</i> (Audited)
Trade and bills receivables	637,809	385,453
<i>Less: Impairment of trade receivables</i>	—	—
Trade and bills receivables, net (<i>note (a)</i>)	<u>637,809</u>	<u>385,453</u>
Finance lease receivables, net (<i>note (b)</i>)	285,781	316,697
<i>Less: non-current portion*</i>	<u>(78,499)</u>	<u>(98,738)</u>
Finance lease receivables, net, current portion (<i>note (b)</i>)	<u>207,282</u>	217,959
Prepayments	37,140	117,242
Rental and other deposits	3,867	5,699
Leased assets [#]	5,684	1,129
Other receivables	<u>86,300</u>	<u>93,226</u>
	132,991	217,296
<i>Less: non-current portion*</i>	<u>(3,758)</u>	<u>(3,721)</u>
Prepayments, deposits and other receivables, net, current portion	<u>129,233</u>	<u>213,575</u>
Total trade and other receivables, current portion	<u><u>974,324</u></u>	<u><u>816,987</u></u>
*Total trade and other receivables, non-current portion	<u><u>82,257</u></u>	<u><u>102,459</u></u>

[#] The leased assets represent payments made by the Group to vendors or suppliers of machinery and equipment, but the terms of the lease contracts of the said machinery and equipment have not commenced. The Group records these paid amounts under leased assets among its current assets as such assets had already been earmarked for leases to customers. Once the terms of a lease contract commence, the Group ceases to recognise the amount relating to the leased assets and recognises the lease receivables due under the lease contract.

(a) Trade and bills receivables, net

The Group's trading terms with its customers are mainly on letters of credit or documents against payment, and in some cases granting a credit period of 5 to 180 days, except for new customers, where payment in advance is normally required. An ageing analysis of trade and bills receivables, based on the invoice date and net of impairment, as at the end of the reporting period is as follows:

	As at 30th September 2018 HK\$'000 (Unaudited)	As at 31st March 2018 HK\$'000 (Audited)
90 days or less	561,498	355,374
91 to 180 days	46,171	14,898
181 to 270 days	25,353	12,195
271 to 365 days	1,529	2,102
Over 365 days	3,258	884
	<u>637,809</u>	<u>385,453</u>

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Since the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances.

(b) Finance lease receivables, net

	As at 30th September 2018 HK\$'000 (Unaudited)	As at 31st March 2018 HK\$'000 (Audited)
Gross investment in finance leases	303,940	341,455
Less: unearned finance lease income	<u>(18,159)</u>	<u>(24,758)</u>
Present value of minimum lease amounts receivables	285,781	316,697
Less: accumulated allowance for impairment (note (i))	<u>—</u>	<u>—</u>
	285,781	316,697
Less: current portion	<u>(207,282)</u>	<u>(217,959)</u>
Non-current portion	<u>78,499</u>	<u>98,738</u>

Note:

- (i) The directors are of the view that the credit risk inherent in the Group's outstanding finance lease receivables balances due from third party customers is low. The Group has not encountered any default in the collection of the scheduled payments of finance lease receivables. No impairment allowance was made for the finance lease receivables as at 30th September 2018 (31st March 2018: Nil).

The analysis of the Group's gross investment in finance leases and present value of minimum lease amounts receivable under finance leases by relevant maturity groupings at the end of the reporting period is as follows:

	Gross amounts		Present values	
	As at 30th September 2018 HK\$'000 (Unaudited)	As at 31st March 2018 HK\$'000 (Audited)	As at 30th September 2018 HK\$'000 (Unaudited)	As at 31st March 2018 HK\$'000 (Audited)
Within one year	221,745	240,301	207,282	217,959
In the second year	69,276	97,650	65,989	95,619
In the third to fifth year	12,919	3,504	12,510	3,119
	303,940	341,455	285,781	316,697

- (c) The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the trade and other receivables.

10 TRADE AND OTHER PAYABLES

	As at 30th September 2018 HK\$'000 (Unaudited)	As at 31st March 2018 HK\$'000 (Audited)
Trade and bills payables (note (a))	569,090	495,169
Accrual for operating expenses	94,165	94,626
Contract liabilities (note (b))	69,827	—
Receipts in advance	18,420	83,002
Deposit received	35,951	20,021
Other payables	65,469	53,027
	852,922	745,845

Note:

(a) The ageing analysis of trade and bills payables, based on invoice date, is as follows:

	As at 30th September 2018 <i>HK\$'000</i> (Unaudited)	As at 31st March 2018 <i>HK\$'000</i> (Audited)
90 days or less	411,093	455,678
91 to 180 days	93,898	29,761
181 to 270 days	35,513	952
271 to 365 days	20,376	3,118
Over 365 days	8,210	5,660
	<u>569,090</u>	<u>495,169</u>

(b) The amount represents deposits received from customers, which will be recognised as the Group's revenue when the control of the goods is transferred to customers.

11 CONVERTIBLE BOND

On 20th August 2014, the Company issued convertible bond in the principal amount of HK\$60,000,000 to Million Land Limited, for the partial settlement of the acquisition of the entire equity interests in Dragon Mining Overseas Limited and its subsidiaries (the "Dragon Group") and the shareholder's loan owed by the Dragon Group to its then shareholder. The maturity date of the convertible bond was on the third anniversary of the date of issuance (i.e. 20th August 2017). The convertible bond bore no interest on the principal amount. No security or guarantee is granted in respect of the convertible bond. The convertible bond could be converted into 240,000,000 shares at the initial conversion price of HK\$0.25 per conversion share (subject to adjustment pursuant to the terms of the convertible bond). On 10th July 2017, the conversion price of the Convertible Bond was adjusted from HK\$0.25 to HK\$0.074 upon the same date the payment of a special dividend, which was defined in the instrument constituting the Convertible Bond as constituting a capital distribution, was made by the Company.

On 13th July 2017, pursuant to an exercise of conversion rights by the Convertible Bondholder in respect of the Convertible Bond in principal amount of HK\$60,000,000, the Company had issued and allotted 810,810,810 ordinary shares, representing 42.34% of existing number of issued shares immediately before the relevant share issue.

The convertible bond recognised in the condensed consolidated statement of financial position of the Group was bifurcated into two components for accounting purpose, namely the liability component and the derivative component, and the movements of these components during the period ended 30th September 2017 are as follows:

	Liability component <i>HK\$'000</i>	(Unaudited) Derivative component <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April 2017	59,454	241	59,695
Fair value gain on derivative component of convertible bond	—	(69)	(69)
Amortisation of liability component of convertible bond	374	—	374
Conversion of convertible bond	(59,828)	(172)	(60,000)
At 30th September 2017	<u>—</u>	<u>—</u>	<u>—</u>

12 SHARE CAPITAL

(a) Share capital of the Company

	Ordinary shares of HK\$0.01 each		Preference shares of HK\$0.01 each		Total
	Number of shares '000	Ordinary share capital <i>HK\$'000</i>	Number of shares '000	Preference share capital <i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:					
At 1st April 2017, 31st March 2018, 1st April 2018 and 30th September 2018	<u>40,000,000</u>	<u>400,000</u>	<u>30,000,000</u>	<u>300,000</u>	<u>700,000</u>
Issued:					
At 1st April 2017	1,914,997	19,150	—	—	19,150
Issue of shares upon conversion of convertible bond (<i>note</i>)	<u>810,811</u>	<u>8,108</u>	<u>—</u>	<u>—</u>	<u>8,108</u>
At 30th September 2017, 31st March 2018, 1st April 2018 and 30th September 2018	<u>2,725,808</u>	<u>27,258</u>	<u>—</u>	<u>—</u>	<u>27,258</u>

Note:

On 13th July 2017, the Company had issued and allotted 810,810,810 ordinary shares of HK\$0.01 each at a conversion price of HK\$0.074 per share upon the exercise of conversion rights by the Convertible Bondholder, resulting in the increase of share capital and share premium by approximately HK\$8,108,000 and HK\$51,892,000, respectively.

(b) Share options of the Company

On 4th September 2014, the shareholders of the Company approved the adoption of a share option scheme (the “2014 Scheme”). Under the terms of the 2014 Scheme, the Board may at its discretion offer share options to any employee, agent, consultant or representative of the Company or any subsidiary, including any executive or non-executive director of the Company or any subsidiary or any other person whom the Board considers in its sole discretion, have contributed or will contribute to the Group (the “Participants”). The principal purpose of the 2014 Scheme is to reward the Participants who have contributed or will contribute to the Group and to encourage the Participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The 2014 Scheme shall be valid and effective for a period of ten years commencing on the adoption date.

The movement in the number of share options outstanding and their related weighted average exercise price are as follows:

	Weighted average exercise price per share HK\$	Number of options
As at 1st April 2017	—	—
Granted during the period	0.115	73,232,000
As at 30th September 2017, 31st March 2018, 1st April 2018 and 30th September 2018	0.115	73,232,000

The share options are exercisable commencing on the date of grant with a validity period of 10 years from the date of grant. As at 30th September 2018, none of the options granted have been exercised.

The fair value of the options granted during the six months ended 30th September 2017, determined using the Binomial Model, was approximately HK\$4,684,000 of which the Group recognised a share option expense of HK\$4,684,000 during the six months ended 30th September 2017.

The fair value of equity-settled share options granted during the six months ended 30th September 2017 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Expected dividend yield (%)	0.000
Expected volatility (%)	79.012
Risk-free interest rate (%)	2.030
Expected life of options (year)	10.000

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 73,232,000 share options outstanding under the 2014 Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 73,232,000 additional ordinary shares of the Company and additional share capital of HK\$732,000 and share premium of HK\$7,690,000 (before issue expenses).

At the date of approval of this unaudited condensed consolidated financial information, the Company had 73,232,000 share options outstanding under the 2014 Scheme, which represented approximately 2.7% of the Company's shares in issue as at that date.

13 EQUITY

Movements in equity are as follows:

	Share capital <i>HK\$'000</i> <i>(note 12(a))</i>	Other reserves <i>HK\$'000</i>	(Unaudited) Share option reserves <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balances as at 1st April 2018	27,258	1,116,799	4,684	(221,901)	926,840
Effect of adoption of HKFRS 15, net of tax	—	—	—	(15,100)	(15,100)
Restated balances at 1st April 2018	27,258	1,116,799	4,684	(237,001)	911,740
Profit for the period	—	—	—	69,625	69,625
Currency translation differences of foreign operations	—	(27,961)	—	—	(27,961)
Total comprehensive income for the period	—	(27,961)	—	69,625	41,664
Balances as at 30th September 2018	<u>27,258</u>	<u>1,088,838</u>	<u>4,684</u>	<u>(167,376)</u>	<u>953,404</u>

	Share capital <i>HK\$'000</i> <i>(note 12(a))</i>	Other reserves <i>HK\$'000</i>	(Unaudited) Share option reserves <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balances as at 1st April 2017	19,150	1,154,170	—	(330,112)	843,208
Profit for the period	—	—	—	51,919	51,919
Currency translation differences of foreign operations	—	10,597	—	—	10,597
Total comprehensive income for the period	—	10,597	—	51,919	62,516
Special dividend paid (<i>Note 7</i>)	—	(114,898)	—	—	(114,898)
Issue of shares upon conversion of convertible bond <i>(Note 12(a))</i>	8,108	51,892	—	—	60,000
Equity-settled share-based transactions (<i>Note 12(b)</i>)	—	—	4,684	—	4,684
Balances as at 30th September 2017	<u>27,258</u>	<u>1,101,761</u>	<u>4,684</u>	<u>(278,193)</u>	<u>855,510</u>

14 RELATED PARTY TRANSACTIONS

Key management compensation of the Group

	For the six months ended 30th September 2018 <i>HK\$'000</i> (Unaudited)	For the six months ended 30th September 2017 <i>HK\$'000</i> (Unaudited)
Salaries, allowances and bonuses	5,872	6,846
Equity-settled share option expenses	—	2,285
Retirement benefits — defined contribution scheme	36	32
	<u>5,908</u>	<u>9,163</u>

15 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, the current portions of trade and other receivables, and trade and other payables approximate to their carrying amounts largely due to short term maturities of these instruments.

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of finance lease receivables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The carrying amounts of finance lease receivables approximate to their fair values.

The Group has entered into various forward currency contracts, which are derivative financial instruments, with a financial institution, and the fair value of the derivative financial instruments is determined using forward exchange interest rates at the end of the reporting period.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Quoted prices in markets (Level 1) <i>HK\$'000</i>	Fair value measurement using Significant observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30th September 2018 (Unaudited)				
Financial assets at fair value through profit or loss	36,360	—	—	36,360

	Quoted prices in markets (Level 1) <i>HK\$'000</i>	Fair value measurement using Significant observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31st March 2018 (Audited)				
Financial assets at fair value through profit or loss	36,044	—	—	36,044
Derivative financial instrument	<u>—</u>	<u>1,010</u>	<u>—</u>	<u>1,010</u>

The movements in fair value measurements in Level 1 during the period are as follows:

	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)
Financial assets at fair value through profit or loss		
At 1st April	36,044	5,644
Fair value gain recognised in the statement of profit or loss	316	19
Disposals	<u>—</u>	<u>(5,663)</u>
At 30th September	<u>36,360</u>	<u>—</u>

Liabilities measured at fair value:

	Quoted prices in markets (Level 1) <i>HK\$'000</i>	Fair value measurement using Significant observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30th September 2018 (Unaudited)				
Derivative financial instruments	<u>—</u>	<u>1,524</u>	<u>—</u>	<u>1,524</u>

The Group did not have any financial liabilities measured at fair value as at 31st March 2018.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2017: Nil).

BUSINESS REVIEW

Financial and Business Performance

During the six months ended 30th September 2018 (the “Interim Period”), the Group recorded an unaudited consolidated revenue of approximately HK\$1,423,023,000, representing an increase of 88.8% from approximately HK\$753,617,000 in the corresponding period last year.

During the Interim Period, the revenue from the hi-tech distribution and services division and the leasing division were increased by 88.6% and 99.5% respectively compared with the corresponding period last year. The revenue was mainly boosted by the strong demand in surface mount technology (“SMT”) equipment from our long-term customers and new customers engaging in the manufacture of smartphone, network and communication and automotive electronics and wearable devices, etc., and these customers were continuing to upgrade their manufacturing capacity.

Even though the SMT market competition was high and the Group has its sales mix changed that commission sales was decreased during the Interim Period, the Group’s gross profit margin was still maintained at a satisfactory level. Furthermore, in line with the Group’s business development needs and its upward trend in revenue, the total operating cost of the Group amounted to approximately HK\$152,783,000, representing an increase of 31.4% from corresponding period last year’s approximately HK\$116,261,000. As a result of implementation of effective cost control by the Group’s management team, the total operating cost to revenue ratio was decreased to 10.7% from 15.4% in the corresponding period last year. With the continuous effort of the Group’s sales and management team and its solid expertise in the SMT market, the Group recorded an unaudited consolidated net profit of approximately HK\$69,625,000, representing an increase of 34.1% from approximately HK\$51,919,000 in the corresponding period last year.

The unaudited basic earnings per share in the Interim Period was approximately HK2.55 cents, representing an increase of 11.4% from approximately HK2.29 cents in the corresponding period last year. As at 30th September 2018, the unaudited consolidated net asset value of the Company per ordinary share was approximately HK\$0.35, which was increased by HK\$0.01 from approximately HK\$0.34 as at 31st March 2018.

Below is summary of the financial and business highlights of our business divisions. The profit/loss figures, disclosed below, do not include any intra-group sales and charges, as they are eliminated upon consolidation.

Hi-Tech Distribution and Services Division

The Group conducts its hi-tech distribution and services business through its wholly-owned subsidiary, American Tec Company Limited (“AMT”). AMT is a leader in Asia in the business of distribution, sales and service of SMT equipment, semiconductor manufacturing equipment and software on manufacturing control, with a history of more than 30 years serving its customers in the hi-technology sector. AMT’s team of more than 200 engineers and customer care staff are located

in more than 25 cities in China, South-East Asia, Vietnam and India. Customers include most of the major telecom and electronic equipment manufacturers in the world. AMT is especially well positioned with the growing base of Chinese manufacturers. Its suppliers include leading equipment and solutions manufacturers from Asia, the United States and Europe.

During the Interim Period, the unaudited revenue of the division was approximately HK\$1,393,034,000 representing an increase of about 88.6% from approximately HK\$738,585,000 in the corresponding period last year. The reason of increase was mainly due to continued strong demand for SMT equipment from our existing customers both in the telecom and industrial market segments.

During the Interim Period, the division's direct machine sales was approximately HK\$1,300,777,000, representing a substantial increase of 112.8% from approximately HK\$611,313,000 in the corresponding period last year. The increase of direct machine sales was largely due to surged demand from our global customers. The division's spare parts sales was approximately HK\$41,751,000, representing an increase of 32.7% from approximately HK\$31,462,000 in the corresponding period last year. However, commission and other services income recorded an approximately HK\$50,069,000, representing a decrease of 43.8% from approximately HK\$89,152,000 in the corresponding period last year. The decline was mainly due to one of our local key customer had a very significant commission order for its new smartphone production factories in the corresponding period last year which was not repeated in the Interim Period. The division's software sales was approximately HK\$437,000, decreased by 93.4% from approximately HK\$6,658,000 in the corresponding period last year.

With our continuous effort in control operating cost, expanding customer portfolio and market share enabling us to deliver robust financial results. During the Interim Period, the division recorded an unaudited net profit of approximately HK\$67,468,000 against approximately HK\$57,220,000 in the corresponding period of last year.

Leasing Division

The Group conducts its leasing business through its wholly-owned subsidiary, North Asia Financial Leasing (Shanghai) Co., Ltd. ("NAFL") in China Shanghai Pilot Free Trade Zone. NAFL provides finance and operating lease arrangements to customers of the Group's hi-tech distribution and services division and projects. During the Interim Period, the division generated a revenue from the leasing business of approximately HK\$29,989,000, representing an increase of 99.5% from approximately HK\$15,032,000 in the corresponding period last year and recorded a net profit of approximately HK\$14,134,000, representing an increase of 44.9% from HK\$9,752,000 in the corresponding period last year.

As at 30th September 2018, the aggregate principal amount of finance lease loans was approximately HK\$285,781,000, representing an increase by 27.1% from approximately HK\$224,883,000 as at 30th September 2017.

OUTLOOK

Overall Summary

The management continues to have confidence in the prospects of both the hi-tech distribution and services division and leasing division amid the trade war between China and the United States. We expect the momentum of global economy will remain steadily growth and at a low unemployment rate. The domestic demand will stay resilient as consumer spending growth is likely to remain moderate but steady. In view of a wide range upgrade of mobile devices as well as telecom station equipment from 4G to 5G telecom network, which offers ultrafast wireless network speed for future auto pilot vehicle and virtual reality and virtual augmented applications. Our customers including some leading telecommunication companies in China will play a vital role in the 5G transformation and provide immense opportunities to the SMT industry. We will embrace the opportunities offered by 5G transformation and continue to manage cash, cost and risks and, to build our strength by working with our management teams to improve capability and efficiency.

Hi-Tech Distribution and Services Division

According to the new market research report prepared by MarketsandMarkets Research Private Ltd., it forecasts the SMT market to be growing at a compound annual growth rate (“CAGR”) of 8.9% from 2017 and reaching USD5.42 billion by 2022. The main drivers of the market growth are the burgeoning demand of miniaturized consumer electronics products and the increasing adoption of electric vehicles. Currently, the consumer electronics segment held nearly 43% SMT placement equipment market share and it is expected to continue to dominate the market throughout the forecast period till 2022. Asia-Pacific which including China led the market in 2017 with close to 44% of the market share, and is expected to dominate the market throughout the period from 2018 to 2022.

In International Data Corporation’s (IDC) latest Worldwide Mobile Phone Forecast Update presenting the five-year forecast for worldwide mobile phone shipments by device vendor from 2018 to 2022, it predicts that the worldwide mobile phone market and shipments will be on a downward trend that slightly decrease at a CAGR of -0.8% from 2017 to 2022 although in 2019 we will see a 3.7% growth demanding for bigger-screen devices.

The healthy growth in SMT market is expected to be clouded by trade war between the United States and China. The continuous escalation of the United States-China trade war will inhibit global economic growth. According to the October 2018 World Economic Outlook issued by the International Monetary Fund (IMF), it dropped its projection for world economic growth for both 2018 and 2019 from 3.9% to 3.7%, the first time it had trimmed its economic outlook in more than two years. AMT will continue to monitor the latest development and work closely with our partners to come up with competitive and innovative solution. As a leading SMT distributor and related service provider in Asia, we will continue to invest in our service and support infrastructure to meet the customer satisfaction. At the same time, we will continue to closely monitor our working capital, gross margin, operating cost and industry developments with a view to maintain our cash flow and profitability, as well as the long-term sustainability and growth of our business.

Leasing Division

The leasing business, which the Company is engaged in, underwent more favorable development during the Interim Period with the continuous steady growth of SMT on the back of up-and-coming manufacturing of mobile phone-based consumer electronics brands in the Mainland China, yet financing needs were predominantly from small and medium-sized customers, the majority of which being original equipment manufacturing (OEM) factories. With the Group's financial platform in Hong Kong and abundant industry experience (in particular in hi-tech manufacturing equipment), the Group's leasing business will remain focus on the equipment finance leasing on SMT, semiconductor packaging and to provide diversified solutions and services for customers while closely monitor the equipment finance leasing demand in other growing areas for a solid and rapid expansion in new business and income.

LIQUIDITY AND FINANCIAL RESOURCES

During the Interim Period, the Group generally finance its operation with internally generated resources and banking facilities provided by its principal bankers in Hong Kong. As at 30th September 2018, the Group had no floating interest bank borrowings (31st March 2018: Nil). At 30th September 2018, the gearing ratio of the Group, which was calculated as total liabilities over the total assets was 49.2%, as compared to 46.9% as at 31st March 2018.

Contingent Liabilities

As at 30th September 2018, the guarantees given by the Group to certain banks in respect of performance bonds and bid bonds in favour of certain contract customers amounted to HK\$1,396,000 (31st March 2018: HK\$4,459,000).

Foreign Currency Exposure

The business of the Group was primarily transacted in HK\$, US\$, Japanese Yen and Renminbi. The Group's cash and bank deposits were mainly denominated in HK\$ and US\$. The foreign currency exposure of the Group is mainly driven by its business division. The Group attempts to minimise its foreign currency exposure through (i) matching its payables for purchases against its receivables on sales and (ii) maintain sufficient foreign currency cash balances to settle the foreign currency payables. We will continue to monitor closely the exchange rate between Renminbi, US\$ and Japanese Yen and will make necessary hedging arrangements to minimise its foreign currency exposure arising from foreign currency fluctuation in the future.

Employee Information

As at 30th September 2018, the Group employed 267 staff (as at 30th September 2017: 250). Total staff costs including contribution to retirement benefit schemes incurred during the six months ended 30th September 2018 amounted to approximately HK\$43,755,000 (for the six months ended 30th September 2017: HK\$38,256,000).

Capital commitments

There was no material capital commitments as at 30th September 2018.

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

As at 30th September 2018, the Directors and chief executive of the Company and their respective associates had the following interests or short positions in the shares and/or underlying shares 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/or underlying shares of the Company:

Name of Director	Capacity	Number of underlying shares held (Share Options)	Approximate percentage of underlying shares held (Note a)
Zhang Yifan	Beneficial owner	27,256,000	0.99%
Pierre Tsui Kwong Ming	Beneficial owner	2,000,000	0.07%
Joseph Liang Hsien Tse	Beneficial owner	2,000,000	0.07%
Joseph Chan Nap Kee	Beneficial owner	2,000,000	0.07%
Kenneth Kon Hiu King	Beneficial owner	2,000,000	0.07%

Note:

(a) The above approximate percentages of the shareholdings are based on 2,725,808,054 ordinary shares in issue as at 30th September 2018.

Save as disclosed above, as at 30th September 2018, none of the Directors and 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) 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 securities transactions by Directors.

OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30th September 2018, so far as is known to the Directors and chief executive of the Company, the following person (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 as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the shares and/or underlying shares of the Company

Name of Shareholder	Capacity	Number of ordinary shares held	Number of underlying share held (Share Options)	Approximate percentage of shares and underlying shares held (Note a)
Lu Ying	Beneficial owner	1,827,687,238	2,720,000	67.15%

Note:

(a) The above approximate percentage of the shareholding is based on 2,725,808,054 ordinary shares in issue as at 30th September 2018.

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 any interests or short positions in the securities of the Company that were required to be entered in the register of the Company pursuant to Section 336 of the SFO as at 30th September 2018.

SHARE OPTION SCHEME

On 4th September 2014, the shareholders of the Company approved the adoption of a share option scheme (the "2014 Scheme"). Under the terms of the 2014 Scheme, the Board may at its discretion offer share options to any employee, agent, consultant or representative of the Company or any subsidiary, including any executive or non-executive director of the Company or any subsidiary or any other person whom the Board considers in its sole discretion, have contributed or will contribute to the Group (the "Participants"). The principal purpose of the 2014 Scheme is to reward the Participants who have contributed or will contribute to the Group and to encourage the Participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The 2014 Scheme shall be valid and effective for a period of ten years commencing on the adoption date.

The following table sets out the movements in the Company's share options under the 2014 Scheme during the reporting period:

Name	Date of grant (Note)	Exercise period	Exercise price*	Number of share options					Outstanding as at 30th September 2018
				Outstanding as at 1st April 2018	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
Executive Directors									
Zhang Yifan	16th August 2017	16th August 2017 to 15th August 2027	HK\$0.115	27,256,000	—	—	—	—	27,256,000
Pierre Tsui Kwong Ming	16th August 2017	16th August 2017 to 15th August 2027	HK\$0.115	2,000,000	—	—	—	—	2,000,000
Independent non-executive Directors									
Joseph Liang Hsien Tse	16th August 2017	16th August 2017 to 15th August 2027	HK\$0.115	2,000,000	—	—	—	—	2,000,000
Joseph Chan Nap Kee	16th August 2017	16th August 2017 to 15th August 2027	HK\$0.115	2,000,000	—	—	—	—	2,000,000
Kenneth Kon Hiu King	16th August 2017	16th August 2017 to 15th August 2027	HK\$0.115	2,000,000	—	—	—	—	2,000,000
Sub-Total				35,256,000	—	—	—	—	35,256,000
Substantial Shareholder									
Lu Ying	16th August 2017	16th August 2017 to 15th August 2027	HK\$0.115	2,720,000	—	—	—	—	2,720,000
Employees of the Group									
Employees	16th August 2017	16th August 2017 to 15th August 2027	HK\$0.115	35,256,000	—	—	—	—	35,256,000
Total				73,232,000	—	—	—	—	73,232,000

Note:

The closing price per share immediately before 16th August 2017, the date of grant, was HK\$0.115.

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

Fair value of share options and assumptions

The fair value of the share options granted to Directors, a substantial shareholder and employees was determined using the binomial model. The inputs into the model and the fair value of the total share options granted were as follows:

Expected dividend yield (%)	0.000
Expected volatility (%)	79.012
Risk-free interest rate (%)	2.030
Expected life of share options (year)	10.000
Fair value of the total share options granted	HK\$4,684,000

The binomial model is a generally accepted method of valuing share options. The significant assumptions used in the calculation of the values of the share options were risk-free interest rate, expected life of share options, expected volatility and expected dividend yield. The measurement date used in the valuation model was the date on which the share options were granted.

The values of share options determined using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself. The value of the share option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of the share option.

COMPETING INTERESTS

As at 30th September 2018, none of the Directors or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

PURCHASE, 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 six months ended 30th September 2018.

CORPORATE GOVERNANCE CODE

The Company endeavours to maintain high standards of corporate governance in the interests of shareholders, and follows the principles set out in the Corporate Governance Code (the "Code") contained in Appendix 15 of the GEM Listing Rules. Except for the deviations described below, no Director is aware of any information which would reasonably indicate that the Company is not, or was not at any time during the six months ended 30th September 2018, acting in compliance with the Code.

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. However, the Board's decisions are implemented under the leadership of the Chairlady with the involvement and support of the chief executive officer(s) and general manager(s) of the Company's operating companies. The Board believes that the balance of authority and division of responsibility are adequately ensured by the operations of the Board and management which comprise experienced and high calibre individuals.

Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors, as equal board members as other directors, should attend general meetings of the Company and develop a balanced understanding of the views of shareholders. Mr. Joseph Liang Hsien Tse and Mr. Kenneth Kon Hiu King were absent at the annual general meeting of the Company held on 6th September 2018 due to other important engagements and sickness respectively. However, the Chairlady of the Board and all the other Board members attended the said annual general meeting.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the Required Standard throughout the six months ended 30th September 2018.

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. Joseph Liang Hsien Tse who has appropriate professional qualifications and experience in financial matters. The terms of reference of the audit committee are aligned with the provisions set out in the Code. 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, risk management 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 condensed consolidated financial information for the six months ended 30th September 2018 of the Company now reported on have been reviewed by the audit committee.

By Order of the Board
NORTH ASIA STRATEGIC HOLDINGS LIMITED
Zhang Yifan
Chairlady and Executive Director

Hong Kong, 6th November 2018

As at the date of this announcement, the Board comprises Ms. Zhang Yifan (Chairlady and Executive Director) and Mr. Pierre Tsui Kwong Ming (Executive Director); Mr. Joseph Liang Hsien Tse, Mr. Joseph Chan Nap Kee and Mr. Kenneth Kon Hiu King (being Independent Non-executive Directors).

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.