

# NORTH ASIA STRATEGIC HOLDINGS LIMITED

## 北亞策略控股有限公司\*

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 8080)

### FINAL RESULTS FOR THE YEAR ENDED 31ST MARCH 2008

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*This announcement, 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 of Hong Kong Limited (“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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

\* For identification purpose only

## FINANCIAL HIGHLIGHTS

The following is a summary of the audited consolidated accounts of North Asia Strategic Holdings Limited (the “Company” or “NAS”) and its subsidiaries (collectively the “Group” or “NAS Group”) for the respective years as hereunder stated.

### CONDENSED CONSOLIDATED INCOME STATEMENTS

	For the year ended 31st March				
	2008	2007	2006	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	<u>1,269,676</u>	<u>559,327</u>	<u>359,948</u>	<u>859,685</u>	<u>1,429,443</u>
(Loss)/profit before income tax	(87,636)	69,736	(16,995)	(4,497)	(25,042)
Income tax credit/(expenses)	<u>15,036</u>	<u>(2,989)</u>	<u>5,007</u>	<u>(5,946)</u>	<u>(889)</u>
(Loss)/profit after income tax but before minority interests	(72,600)	66,747	(11,988)	(10,443)	(25,931)
Minority interests	<u>10</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>220</u>
(Loss)/profit attributable to the equity holders of the Company	<u>(72,590)</u>	<u>66,747</u>	<u>(11,988)</u>	<u>(10,443)</u>	<u>(25,711)</u>

*Note:*

*No dividends have been paid or declared by the Company since its incorporation.*

## CONDENSED CONSOLIDATED BALANCE SHEETS

	As at 31st March				
	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000
Property, plant and equipment	64,606	36,014	478	1,411	2,922
Investment properties	2,288	2,206	—	—	—
Leasehold land and land use rights	19,235	11,869	—	—	—
Intangible assets	419,647	432,279	6	21	43
Subscription receivables	—	282,211	494,135	—	—
Long-term investments	—	—	—	780	2,136
Available-for-sale financial assets	3,481	—	—	—	—
Non-current deposits	3,307	—	—	—	—
Deferred tax assets	12,444	—	—	—	4,483
Current assets	2,125,647	929,641	610,571	163,536	377,603
Current liabilities	(490,462)	(440,297)	(40,953)	(163,611)	(374,542)
Non-current liabilities	(27,861)	(22,583)	(14,642)	—	—
Net assets	<u>2,132,332</u>	<u>1,231,340</u>	<u>1,049,595</u>	<u>2,137</u>	<u>12,645</u>
Capital and reserves					
Share capital	134,691	82,718	74,790	159,659	159,638
Other reserves	2,023,492	1,103,559	996,489	13,818	13,904
(Accumulated losses)/retained profits	(27,527)	45,063	(21,684)	(171,340)	(160,897)
Shareholders' equity	<u>2,130,656</u>	<u>1,231,340</u>	<u>1,049,595</u>	<u>2,137</u>	<u>12,645</u>
Minority interests	<u>1,676</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>2,132,332</u>	<u>1,231,340</u>	<u>1,049,595</u>	<u>2,137</u>	<u>12,645</u>

## CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I hereby present the audited consolidated results of the Group for the year ended 31st March 2008 ("current year"). The Group recorded a loss of approximately HK\$72.6 million on revenue of approximately HK\$1.3 billion in current year, compared to a profit of approximately HK\$66.7 million on revenue of approximately HK\$559.3 million in last year. This was mainly because the profit contributed from our fishmeal and fish oil trading and processing division was more than offset by the aggregate loss from our discontinued steel trading division, surface mount technology ("SMT") assembly equipment trading division, quick services restaurant division and our head office's overheads. Given the mixed performance of the four business divisions in current year, the Board has looked extremely closely at the business risk and success factors of each of these business divisions during the year. The Board has also urged the Company's management to take appropriate actions and measures to improve and manage the profitability of the Group. Below is a brief summary of the financial performance of each business division for the year.

Our discontinued steel trading division operated in a difficult environment in current year and it recorded a loss of approximately HK\$2.2 million, compared to a loss of approximately HK\$0.6 million in last year. We have ceased its operation after August 2007 and allocated more resources to other business divisions.

During the year, our SMT trading division conducted through American Tec Company Limited ("Amtec") and American Tec Electronic India Private Limited (collectively, the "Amtec Group") recorded a loss of approximately HK\$37.5 million on revenue of approximately HK\$841.6 million, versus a profit of approximately HK\$21.1 million on revenue of approximately HK\$359.4 million for a post-acquisition period of about 5 months in last year. The loss was mainly attributable to a change in customer mix in current year which resulted in a drop in gross profit margin, write-off of trade receivables of approximately HK\$1.3 million and some significant non-recurring adjustments totaling approximately HK\$45.8 million, including net exchange losses of approximately HK\$20.9 million resulting from its failure in matching its payments for purchases against its sale receipts in Japanese Yen ("Yen") in the first 9 months of current year, write-down of old inventories by approximately HK\$22.4 million and a loss on disposal of old demo machines totaling approximately HK\$2.5 million. In view of the large exchange loss in current year, Amtec has taken corrective action since early 2008 to match a much higher portion of its sales receipts against its payments for purchases in Yen to minimise its exchange rate exposure. We have also urged management to speed up the sale of the old inventories, on which significant write-down had been made as reported above.

For our 40% jointly controlled fishmeal and fish oil trading and processing division conducted through Coland Group Limited ("Coland"), NAS shared attributable revenue and profit of approximately HK\$418.5 million and HK\$4.2 million respectively in current year, versus revenue and profit of approximately HK\$101.5 million and HK\$4.4 million respectively for a post-acquisition period of approximately 4 months in last year. The core fishmeal trading business was adversely affected by the unexpected weather pattern and epidemic diseases in pigs in China in current year. As a result, an excess inventory built up caused drastic drop in fishmeal's market price and Coland's gross profit margin in current year as compared to last year.

Our quick services restaurant division which was set up in mid-March 2007, opened its first Burger King restaurant in Tsim Sha Tsui, a renowned tourist spot in Hong Kong, on 20th December 2007. During the year, this division recorded a loss of approximately HK\$8.1 million on revenue of approximately HK\$5.0 million, versus a loss of approximately HK\$0.1 million on revenue in last year. The first restaurant had operation for approximately 3 months in current year and its gross profit was more than offset by the division's operating expenses, resulting in a loss for the year.

On 31st December 2007, NAS successfully completed a second placement of non-redeemable convertible preference shares to 17 institutional and professional investors (the "Second Round Placement") for a total of approximately HK\$992.7 million before expenses. This Second Round Placement raised additional financial resources for the Group which strengthens its financial capability to pursue new investment opportunities and the capital basis of NAS.

## **OUTLOOK**

We expect that the sharp increase of crude oil price, the high inflation rate, the slow down of the United States ("US") economy after the subprime crisis in late 2007 and the credit squeeze in China since December 2007 to control the overheated economy, will make our SMT customers more cautious in their capital investment plan in the next fiscal year and they will demand for more efficient and higher quality SMT equipment and services. We are confident that Amtec Group will continue to benefit from the strong economic growth and increasing capital formation in China and India if it can continue to maintain its leading position as a total solution service provider in the SMT industry in China and India. To turn around in the next fiscal year, we have started to strengthen our sales and servicing teams, diversify our customer mix and actively explore diversification of our product portfolio. We will also continue to monitor closely the Amtec Group's exchange rate exposure and will make necessary hedging arrangements to mitigate the risk arising from foreign currency fluctuation in the future.

For our jointly-controlled fishmeal and fish oil trading and processing division conducted through Coland, we expect that it will continue to benefit from the strong demand for aquaculture in China. As disclosed previously, Coland decided on expanding into other downstream businesses. The joint venture formed between Coland and Nosan Corporation, a company listed on Tokyo and Osaka stock exchanges, in June 2007 to produce and sell premium feed has started operation since August 2007. The construction of Coland's seafood processing and feed factories in Wuhan of China has been started in late December 2007 and we target to start its operation in late 2008. These business lines will help strengthening Coland's revenue stream and improving Coland's profitability in the future.

For our quick services restaurant division, we intend to open at least five more restaurants, primarily in the business districts, shopping areas and tourists spots in Hong Kong shortly. We will continue to monitor the operation of this division closely to achieve profitability at restaurant level in the next fiscal year.

As disclosed in our circular dated 13th June 2008, we have entered into an agreement with TK Chemical Holdings Co., Ltd. and SMT Chemical Co., Ltd., both joint stock corporation established in Korea, on 30th April 2008 to acquire 33.74% equity interest in the issued share capital of TK Chemical Co., Ltd. (“TKC”) for a total cash consideration of KRW50.0 billion (approximately HK\$390.0 million), subject to the fulfillment of certain conditions, contemplated under the said agreement. TKC is principally engaged in the business of manufacturing of polyester fiber, PET resin and spandex, which are materials widely used in the textile and bottle manufacturing industries. This investment is pending for our shareholders’ approval on 30th June 2008. With TKC’s established presence in the market, strong international customer network and the expertise in place, the Board is confident that this investment will further diversify the business of the Group and enhance its earning base. We will continue to seek new 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, where our competencies can deliver greater value to our shareholders.

## **APPRECIATION**

On behalf of the Board of Directors, I would like to express my sincere gratitude to our worldwide suppliers and customers for their trust and support in our products and services throughout the year. I also wish to take this opportunity to offer my appreciation to our shareholders for their confidence in NAS, as well as our staff for their hard works and commitment throughout the year. From such overwhelming commitment, we will continue to pace our efforts towards the long-term development of NAS.

**Göran Sture Malm**  
*Chairman*

Hong Kong, 19th June 2008

## MANAGEMENT DISCUSSION AND ANALYSIS

### Finance and Business Performance

For the year ended 31st March 2008, the Group recorded a consolidated revenue of approximately HK\$1,269,676,000, representing a 127.0% increase from that in last year. The significant increase in revenue was mainly due to the full year effect of the consolidation of the operating results of the Amtec Group and Coland in current year. The profit/loss figures of each business division disclosed below do not include any intra-group charges, as they are eliminated upon consolidation.

As Amtec Group and Coland were invested by NAS in late 2006, their post-acquisition operating results for approximately 5 months and 4 months respectively were consolidated into the Group's financial statements in last year. During the year, the Group recorded a full year revenue of approximately HK\$841,626,000 from Amtec Group, an increase of approximately 113.6% over the last year's aggregate revenue of HK\$394,024,000 from Amtec Group (being HK\$359,390,000) and Upward Move Limited (being HK\$34,634,000), a wholly-owned subsidiary of NAS which traded-in some SMT assembly equipment before our acquisition of Amtec Group. In current year, Amtec Group recorded a loss of approximately HK\$37,483,000, versus a profit of HK\$21,127,000 in last year. This was mainly due to (i) net exchange losses of approximately HK\$20,854,000, including realised exchange loss of HK\$16,035,000 and unrealised exchange loss of approximately HK\$4,819,000 arising from the translation of monetary assets and liabilities denominated in Yen and US dollars at exchange rate prevailing at 31st March 2008, resulting mainly from its failure to match its payments for purchases against its sale receipts in Yen in the first 9 months of current year; (ii) write-down of old inventories by approximately HK\$22,449,000; (iii) a change in customer mix in current year which resulted in a drop of gross profit margin of approximately 9.5% as compared to last year; (iv) write-off of trade receivables of approximately HK\$1,262,000; and (v) loss on disposal of old demo machines totaling approximately HK\$2,518,000. We have also analysed the financial performance of Amtec Group after discounting the effect of these significant non-recurring adjustments already included in current year's audited financial statements as follows:

- (i) Discounting the exchange loss, impairment loss on inventories and loss on disposal of old demo machines totaling approximately HK\$45,821,000, the profit of the SMT trading division conducted through Amtec Group for the year was approximately HK\$8,338,000 and the drop of its gross profit margin was approximately 6.8% as compared to last year, which was mainly due to the change of customer mix in current year.
- (ii) Discounting the write-down of old inventories of HK\$22,449,000 included in cost of sales in the fourth quarter of current year, the Amtec Group's gross profit margin had shown an increasing trend from quarter to quarter in current year and its gross profit margin for the fourth quarter exceeded that of the first quarter by approximately 4.6%. This was mainly due to strict control over gross profit margin taken by NAS's management since September 2007.



To manage the foreign exchange exposure in the next fiscal year, Amtec has started to match a much higher portion of its sales receipts against its payments for purchases in Yen since the beginning of the fourth quarter in current year to minimise its exchange rate exposure.

For our 40% jointly controlled fishmeal and fish oil trading and processing operation conducted through Coland, NAS shared a full year profit of approximately HK\$4,239,000 on revenue of approximately HK\$418,499,000 in current year, versus a post-acquisition profit of approximately HK\$4,404,000 on revenue of approximately HK\$101,503,000 for approximately 4 months in last year. Supply of fishmeal exceeded market demand in current year due to (i) unexpected weather pattern in China which delayed the purchases of fishmeal by customers; and (ii) epidemic diseases in pigs in China. As a result, an excess inventory built up that caused drastic drop of the market price of fishmeal and Coland's gross profit margin in current year.

For our quick services restaurant division, which was set up in mid-March 2007 and opened its first Burger King restaurant in Tsim Sha Tsui on 20th December 2007, it recorded a loss of approximately HK\$8,061,000 on revenue of approximately HK\$5,038,000, versus a loss of approximately HK\$91,000 on nil revenue in last year. The first restaurant had operation for approximately 3 months in current year and its gross profit was more than offset by this division's full year operating expenses, resulting in a loss for the current year.

During the year, the Group's steel trading operation recorded a loss of approximately HK\$2,232,000 on revenue of approximately HK\$4,514,000, versus last year's loss and revenue of approximately HK\$553,000 and HK\$63,801,000 respectively. As the division continued to make loss, we ceased its operation after August 2007.

Above all, the Group recorded a consolidated loss of approximately HK\$72,590,000 in current year, versus a profit of approximately HK\$66,747,000 for last year. Discounting the interest income related to the subscription receivables from the Company's preference shareholders of approximately HK\$22,168,000 and HK\$73,693,000 recognised by NAS respectively in current year and last year, the Group had a loss of HK\$94,758,000 and HK\$6,946,000 respectively for current and last year. The significant increase of the consolidated loss by HK\$87,812,000 in current year was mainly due to:

- (i) increase of Amtec Group's loss by HK\$58,610,000 to HK\$37,483,000 in current year from last year's post-acquisition profit of HK\$21,127,000;
- (ii) increase of amortisation expenses of intangible assets arising from the acquisition of Amtec Group and Coland by HK\$8,719,000 in current year due to full year effect of amortisation expenses totaling HK\$14,580,000 versus amortisation expenses of approximately HK\$5,861,000 for a post-acquisition period of approximately 4 to 5 months in last year;
- (iii) increase of loss from our quick services restaurant division by approximately HK\$7,970,000 to HK\$8,061,000 from last year's loss of approximately HK\$91,000 due to the consolidation of its full year results in current year;



- (iv) increase of service fees paid by NAS to North Asia Strategic Advisors (“NASA”) pursuant to a service agreement dated 26th September 2005 (as amended and restated on 30th December 2005) between them by HK\$4,426,000 to HK\$25,322,000 from HK\$20,896,000 in last year due to the completion of the Second Round Placement for a total of approximately HK\$992,700,000 before expenses on 31st December 2007;
- (v) increase in other operating expenses of NAS headquarter by approximately HK\$4,717,000 to HK\$22,239,000, compared to HK\$17,522,000 in last year, due to increase of 4 headcounts and professional fees; and
- (vi) increase of loss of the discontinued steel trading division by approximately HK\$1,679,000 in current year.

### **Liquidity and Financial Resources**

As at 31st March 2008, NAS Group had cash and bank balance of approximately HK\$674,493,000 (2007: HK\$491,452,000), of which approximately HK\$48,390,000 (2007: HK\$49,899,000) was pledged to secure trade financing facilities of approximately HK\$593,024,000 (2007: HK\$588,795,000) granted by banks to its Group companies for trust receipts loans, mortgage loans and bank borrowings. These banking facilities were also secured by (a) corporate guarantees provided by NAS, (b) the Group’s inventories held under trust receipts bank loan arrangement, (c) buildings, (d) investment properties, and (e) prepaid lease payments. For the Group’s cash and bank balance of approximately HK\$674,493,000 as at 31st March 2008, approximately HK\$62,586,000 was denominated in Renminbi (“RMB”) and deposited with the banks in China.

As at 31st March 2008, NAS Group had convertible bonds at carrying fair values of approximately HK\$16,990,000 (2007: HK\$15,712,000) and borrowings of approximately HK\$193,174,000 (2007: 163,999,000). The gearing ratio (sum of borrowings and convertible bonds divided by shareholders’ equity) of the Group was 0.10 as at 31st March 2008, as compared to 0.15 as at 31st March 2007.

### **Significant Investments Held and Material Acquisition and Disposals of Investments and Subsidiaries**

As at 31st March 2008, the Group had no significant investments. There were no other material acquisitions or disposals of investments and subsidiaries during the year.

### **Foreign Currency Exposure**

The NAS Group’s businesses were primarily transacted in Hong Kong dollars, US dollars, Yen and RMB. The Group’s cash and bank deposits, including pledged bank deposit, were mainly denominated in Hong Kong dollars. The foreign currency exposure of the Group is mainly driven by its business operations. Sales receipts were collected in US dollars. On the other hand, SMT assembly equipment, fishmeal and fish oil purchases were mainly denominated in US dollars, Yen and RMB. Given the fluctuation in exchange rates between US dollars with RMB and with Yen, the NAS Group has started to match a much higher portion of its sales receipts against its payments for purchases in Yen since

January 2008. The NAS Group will continue to monitor closely the exchange rate between US dollars and Yen and RMB and will make necessary hedging arrangements to mitigate the risk arising from foreign currency fluctuation in the future.

### **Contingent Liabilities**

As at 31st March 2008, the Company had provided guarantees of approximately HK\$265,363,000 (2007: HK\$295,712,000) with respect to banking facilities made available to its subsidiaries.

### **Number of Employees and Remuneration Policies**

As at 31st March 2008, the NAS Group employed 528 (2007: 437) staff. Salaries and annual bonuses are determined according to positions and performance of the employees. Remuneration policies are reviewed annually by the management and remuneration packages are structured to take into account the comparable level of the market. The Group provides on-the-job training and training subsidies to its employees in addition to pension schemes and medical insurance. Total staff costs including contribution to retirement benefit schemes incurred for the current year amounted to approximately HK\$60,161,000 (2007: HK\$23,559,000).

## CONSOLIDATED INCOME STATEMENT

		For the year ended	
		31st March	
		2008	2007
	Note	HK\$'000	HK\$'000
<b>Continuing operations</b>			
Revenue	3	1,265,162	495,526
Cost of sales		<u>(1,176,622)</u>	<u>(418,442)</u>
Gross profit		88,540	77,084
Other gains — net	9	2,529	5,512
Selling and distribution expenses		(41,722)	(20,245)
General and administration expenses		<u>(144,528)</u>	<u>(74,639)</u>
Operating loss		(95,181)	(12,288)
Finance income	10	37,526	89,861
Finance costs	10	<u>(27,047)</u>	<u>(7,163)</u>
(Loss)/profit before income tax		(84,702)	70,410
Income tax credit/(expenses)	11	<u>14,334</u>	<u>(3,109)</u>
(Loss)/profit for the year from continuing operations		(70,368)	67,301
<b>Discontinued operations</b>			
Loss for the year from discontinued operations		<u>(2,232)</u>	<u>(554)</u>
(Loss)/profit for the year		<u>(72,600)</u>	<u>66,747</u>
(Loss)/profit for the year attributable to:			
Equity holders of the Company		(72,590)	66,747
Minority interests		<u>(10)</u>	<u>—</u>
		<u>(72,600)</u>	<u>66,747</u>
(Loss)/profit per share from continuing operations attributable to the equity holders of the Company	12		
— Basic (HK cents)		(73.45)	70.26
— Diluted (HK cents)		<u>(73.45)</u>	<u>0.85</u>
Loss per share from discontinued operations attributable to the equity holders of the Company	12		
— Basic (HK cents)		(2.33)	(0.58)
— Diluted (HK cents)		<u>(2.33)</u>	<u>(0.58)</u>

## BALANCE SHEETS

	<i>Note</i>	As at 31st March			
		<b>Group</b>		<b>Company</b>	
		<b>2008</b>	2007	<b>2008</b>	2007
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>					
Non-current assets					
Property, plant and equipment		<b>64,606</b>	36,014	—	—
Investment properties		<b>2,288</b>	2,206	—	—
Leasehold land and land use rights		<b>19,235</b>	11,869	—	—
Intangible assets		<b>419,647</b>	432,279	—	—
Investments in and amounts due from subsidiaries		—	—	<b>681,874</b>	589,435
Available-for-sale financial assets		<b>3,481</b>	—	—	—
Subscription receivables		—	282,211	—	282,211
Non-current deposits		<b>3,307</b>	—	—	—
Deferred tax assets		<b>12,444</b>	—	—	—
		<b>525,008</b>	764,579	<b>681,874</b>	871,646
Current assets					
Inventories		<b>314,345</b>	270,430	—	—
Trade and other receivables	4	<b>196,038</b>	167,759	<b>97</b>	658
Subscription receivables		<b>940,429</b>	—	<b>940,429</b>	—
Amount due from a subsidiary		—	—	<b>6,318</b>	—
Current income tax recoverable		<b>342</b>	—	—	—
Pledged bank deposits		<b>48,390</b>	49,899	—	—
Cash and cash equivalents		<b>626,103</b>	441,553	<b>580,966</b>	365,955
		<b>2,125,647</b>	929,641	<b>1,527,810</b>	366,613
<b>Total assets</b>		<b>2,650,655</b>	1,694,220	<b>2,209,684</b>	1,238,259
<b>EQUITY</b>					
Capital and reserves attributable to equity holders of the Company					
Share capital	7	<b>134,691</b>	82,718	<b>134,691</b>	82,718
Reserves	8	<b>1,995,965</b>	1,148,622	<b>2,052,411</b>	1,134,063
		<b>2,130,656</b>	1,231,340	<b>2,187,102</b>	1,216,781
Minority interests		<b>1,676</b>	—	—	—
<b>Total equity</b>		<b>2,132,332</b>	1,231,340	<b>2,187,102</b>	1,216,781

	<i>Note</i>	As at 31st March			
		Group		Company	
		2008	2007	2008	2007
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Borrowings		<b>182,836</b>	159,461	—	—
Trade and other payables	5	<b>300,776</b>	230,872	<b>1,155</b>	1,325
Amounts due to subsidiaries		—	—	<b>4,437</b>	4,441
Derivative financial instruments		<b>310</b>	—	—	—
Current income tax liabilities		<b>6,540</b>	17,288	—	—
Deferred subscription payable		—	32,676	—	—
		<b>490,462</b>	440,297	<b>5,592</b>	5,766
<b>Non-current liabilities</b>					
Borrowings		<b>10,338</b>	4,538	—	—
Convertible bonds	6	<b>16,990</b>	15,712	<b>16,990</b>	15,712
Deferred tax liabilities		<b>11</b>	2,333	—	—
Other non-current liabilities		<b>522</b>	—	—	—
		<b>27,861</b>	22,583	<b>16,990</b>	15,712
<b>Total liabilities</b>		<b>518,323</b>	462,880	<b>22,582</b>	21,478
<b>Total equity and liabilities</b>		<b>2,650,655</b>	1,694,220	<b>2,209,684</b>	1,238,259
<b>Net current assets</b>		<b>1,635,185</b>	489,344	<b>1,522,218</b>	360,847
<b>Total assets less current liabilities</b>		<b>2,160,193</b>	1,253,923	<b>2,204,092</b>	1,232,493

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2008

	Note	Attributable to equity holders of the Company			Minority interests	Total HK\$'000
		Share capital HK\$'000	Reserves HK\$'000	Sub-total HK\$'000	HK\$'000	
Balances at 1st April 2006		74,790	974,805	1,049,595	—	1,049,595
Translation adjustments — net income recognised directly in equity		—	1,540	1,540	—	1,540
Profit for the year		—	66,747	66,747	—	66,747
Total recognised income for the year		—	68,287	68,287	—	68,287
Issue of preference shares	7, 8	7,928	106,271	114,199	—	114,199
Share issue expenses — preference shares	8	—	(741)	(741)	—	(741)
<b>Balances at 31st March 2007 and 1st April 2007</b>		<b>82,718</b>	<b>1,148,622</b>	<b>1,231,340</b>	<b>—</b>	<b>1,231,340</b>
Translation adjustments — net income recognised directly in equity		—	11,128	11,128	—	11,128
Decrease in fair value of available-for-sale financial assets	8	—	(193)	(193)	—	(193)
Loss for the year		—	(72,590)	(72,590)	(10)	(72,600)
Total recognised loss for the year		—	(61,655)	(61,655)	(10)	(61,665)
Issue of preference shares	7, 8	51,973	914,968	966,941	—	966,941
Share issue expenses — preference shares	8	—	(5,970)	(5,970)	—	(5,970)
Capital contribution from minority interests		—	—	—	1,686	1,686
<b>Balances at 31st March 2008</b>		<b>134,691</b>	<b>1,995,965</b>	<b>2,130,656</b>	<b>1,676</b>	<b>2,132,332</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 1 General information

North Asia Strategic Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) and its jointly controlled entities principally engaged in the following businesses:

- 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;
- 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;
- developing and operating Burger King restaurants in Hong Kong and Macau; and
- investment holding.

During the year, the Group ceased trading of steel products and provision for 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).

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.

These financial statements are presented in thousand of Hong Kong dollars, unless otherwise stated.

These financial statements have been approved for issue by the Company’s Board of Directors on 19th June 2008.

## 2 Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and derivative financial instruments.

### **(a) Standards, amendments and interpretations to published standards effective in the year ended 31st March 2008 and are relevant to the Group’s operations**

The following standards and interpretations are mandatory for accounting periods beginning on or after 1st April 2007 and are relevant to the Group’s operations:

- HKFRS 7 “Financial Instruments: Disclosures” and the complementary amendment to HKAS 1 “Presentation of Financial Statements — Capital Disclosures” introduce new disclosures relating to financial instruments and do not have any impact on the classification and valuation of the Group’s financial instruments but there have been some additional disclosures to the financial statements.
- HK(IFRIC) 8 “Scope of HKFRS 2” requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group’s financial statements.
- HK(IFRIC) Int 10 “Interim Financial Reporting and Impairment” prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group’s financial statements.
- HK(IFRIC) Int 11 “HKFRS 2 — Group and Treasury Share Transactions” provides guidance on whether share-based transactions involving treasury shares or involving entities within the Group (for example, options over a holding company’s shares) should be accounted for as equity settled or cash-settled share-based payment transactions in the stand-alone financial statements of the holding companies and other entities within the Group. This interpretation does not have an impact on the Group’s financial statements.

### **(b) Standards, amendments and interpretations effective in the year ended 31st March 2008 but not relevant**

The following standards and interpretations to published standards are mandatory for accounting periods beginning on or after 1st April 2007 but they are not relevant to the Group’s operations:

- HK(IFRIC) Int 7 “Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies”
- HK(IFRIC) Int 9 “Re-assessment of Embedded Derivatives”

### 3 Turnover, revenue and segment information

#### 3.1 Turnover and revenue

Turnover represents sales of goods, commission and other income, and revenue from Burger King restaurant operations. The amount of each category of revenue recognised during the year is as follows:

	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
<b>Continuing operations</b>		
Sales of goods	<b>1,241,429</b>	490,845
Commission and other income	<b>18,695</b>	4,681
Revenue from Burger King restaurant operations	<b>5,038</b>	—
	<b>1,265,162</b>	495,526
<b>Discontinued operations</b>		
Sales of goods	<b>4,514</b>	63,801
	<b>1,269,676</b>	559,327

#### 3.2 Segment information

Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, subscription receivables, non-current deposits, inventories, and trade and other receivables. Unallocated assets comprise deferred tax assets, current income tax recoverable, pledged deposits, available-for-sale financial assets, cash and cash equivalents.

Segment liabilities consist primarily of trade and other payables and other non-current liabilities. Unallocated liabilities comprise current income tax liabilities, borrowings and convertible bonds.

Capital expenditure comprises additions to property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

##### **Primary reporting format — business segments**

The Group and its jointly controlled entities are organised into four major business segments — SMT trading, fishmeal and fish oil, Burger King restaurant operations, steel trading and 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). The SMT trading, fishmeal and fish oil, steel trading business segment derives revenue from the sale of goods. The procurement services for steel products business segment derives commission income from procurement and online steel trading services. Burger King restaurant operations segment derives revenue from provision of catering services through the operation of fast food hamburger restaurants in Hong Kong under Burger King brand.

The business segment results for the year ended 31st March 2008 are analysed as follows:

	Year ended 31st March 2008						Total <i>HK\$'000</i>
	Continuing operations				Discontinued operations		
	SMT trading <i>HK\$'000</i>	Fishmeal and fish oil <i>HK\$'000</i>	Burger King restaurant operations <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Steel trading and procurement services <i>HK\$'000</i>	
Revenue — Sales to external customers	<u>841,625</u>	<u>418,499</u>	<u>5,038</u>	<u>—</u>	<u>1,265,162</u>	<u>4,514</u>	<u>1,269,676</u>
Segment results before amortisation of intangible assets	(31,060)	8,276	(10,058)	(47,557)	(80,399)	(3,054)	(83,453)
Amortisation of intangible assets	<u>(11,931)</u>	<u>(2,650)</u>	<u>(201)</u>	<u>—</u>	<u>(14,782)</u>	<u>—</u>	<u>(14,782)</u>
Segment results	<u>(42,991)</u>	<u>5,626</u>	<u>(10,259)</u>	<u>(47,557)</u>	<u>(95,181)</u>	<u>(3,054)</u>	<u>(98,235)</u>
Finance income					37,526	120	37,646
Finance costs					<u>(27,047)</u>	<u>—</u>	<u>(27,047)</u>
Loss before income tax					(84,702)	(2,934)	(87,636)
Income tax credit					<u>14,334</u>	<u>702</u>	<u>15,036</u>
Loss for the year					<u>(70,368)</u>	<u>(2,232)</u>	<u>(72,600)</u>
Capital expenditure	2,002	10,990	9,912	71	22,975	—	22,975
Depreciation	3,775	2,202	695	44	6,716	—	6,716
Amortisation	11,931	3,024	201	—	15,156	—	15,156
Provision for inventories	<u>22,449</u>	<u>6,327</u>	<u>—</u>	<u>—</u>	<u>28,776</u>	<u>—</u>	<u>28,776</u>

The business segment results for the year ended 31st March 2007 are analysed as follows:

	Year ended 31st March 2007					Total HK\$'000
	Continuing operations			Sub-total HK\$'000	Discontinued operations	
	SMT trading HK\$'000	Fishmeal and fish oil HK\$'000	Investment holding HK\$'000		Steel trading and procurement services HK\$'000	
Revenue — Sales to external customers	<u>394,023</u>	<u>101,503</u>	<u>—</u>	<u>495,526</u>	<u>63,801</u>	<u>559,327</u>
Segment results before amortisation of intangible assets	24,799	5,130	(36,363)	(6,434)	(828)	(7,262)
Amortisation of intangible assets	<u>(4,971)</u>	<u>(883)</u>	<u>—</u>	<u>(5,854)</u>	<u>(6)</u>	<u>(5,860)</u>
Segment results	<u>19,828</u>	<u>4,247</u>	<u>(36,363)</u>	<u>(12,288)</u>	<u>(834)</u>	<u>(13,122)</u>
Finance income				89,861	160	90,021
Finance costs				<u>(7,163)</u>	<u>—</u>	<u>(7,163)</u>
Profit/(loss) before income tax				70,410	(674)	69,736
Income tax (expenses)/credit				<u>(3,109)</u>	<u>120</u>	<u>(2,989)</u>
Profit/(loss) for the year				<u>67,301</u>	<u>(554)</u>	<u>66,747</u>
Capital expenditure	427,758	63,925	47	491,730	—	491,730
Depreciation	1,328	602	24	1,954	81	2,035
Amortisation	4,972	943	—	5,915	6	5,921
Write back of provision for inventories	<u>—</u>	<u>(188)</u>	<u>—</u>	<u>(188)</u>	<u>—</u>	<u>(188)</u>

The segment assets and liabilities at the balance sheet date are as follows:

	<b>SMT trading</b> <i>HK\$'000</i>	<b>Fishmeal and fish oil</b> <i>HK\$'000</i>	<b>Burger King restaurant operations</b> <i>HK\$'000</i>	<b>Investment holding</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>As at 31st March 2008</b>					
<b>Assets</b>					
Segment assets	676,697	333,839	11,919	940,917	1,963,372
Unallocated assets					<u>687,283</u>
					<u><u>2,650,655</u></u>
<b>Liabilities</b>					
Segment liabilities	176,414	120,310	3,459	1,344	301,527
Unallocated liabilities					<u>216,796</u>
					<u><u>518,323</u></u>
<b>As at 31st March 2007</b>					
<b>Assets</b>					
Segment assets	652,897	286,418	—	286,983	1,226,298
Unallocated assets					<u>467,922</u>
					<u><u>1,694,220</u></u>
<b>Liabilities</b>					
Segment liabilities	154,286	74,674	—	56,489	285,449
Unallocated liabilities					<u>177,431</u>
					<u><u>462,880</u></u>

There are no significant sales between these business segments during the year (2007: Nil).

***Secondary reporting format — geographical segments***

The Group's activities are conducted predominantly in Hong Kong and Mainland China. Revenue by geographical segment is determined on the basis of the destination of shipment of goods for SMT trading, fishmeal and fish oil steel trading, location of service performed for procurement services, location of sellers for online commission income, and location of the investment for dividend income.



Geographical segments results and capital expenditure for the year are analysed as follows:

	Year ended 31st March 2008					
	Continuing operations				Discontinued operations	
	Hong Kong	Mainland	Others	Sub-total	Mainland	Total
	China			China		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue — Sales to external customers	<u>5,038</u>	<u>1,240,596</u>	<u>19,528</u>	<u>1,265,162</u>	<u>4,514</u>	<u>1,269,676</u>
Segment results	<u>(57,816)</u>	<u>(45,618)</u>	<u>8,253</u>	<u>(95,181)</u>	<u>(3,054)</u>	<u>(98,235)</u>
Finance income				37,526	120	37,646
Finance costs				<u>(27,047)</u>	<u>—</u>	<u>(27,047)</u>
Loss before income tax				<u>(84,702)</u>	<u>(2,934)</u>	<u>(87,636)</u>
Capital expenditure	<u>7,968</u>	<u>15,007</u>	<u>—</u>	<u>22,975</u>	<u>—</u>	<u>22,975</u>

  

	Year ended 31st March 2007					
	Continuing operations				Discontinued operations	
	Hong Kong	Mainland	Others	Sub-total	Mainland	Total
	China			China		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue — Sales to external customers	<u>—</u>	<u>495,526</u>	<u>—</u>	<u>495,526</u>	<u>63,801</u>	<u>559,327</u>
Segment results	<u>(36,363)</u>	<u>24,075</u>	<u>—</u>	<u>(12,288)</u>	<u>(834)</u>	<u>(13,122)</u>
Finance income				89,861	160	90,021
Finance costs				<u>(7,163)</u>	<u>—</u>	<u>(7,163)</u>
Profit/(loss) before income tax				<u>70,410</u>	<u>(674)</u>	<u>69,736</u>
Capital expenditure	<u>427,805</u>	<u>63,925</u>	<u>—</u>	<u>491,730</u>	<u>—</u>	<u>491,730</u>

There are no significant sales between these geographical segments (2007: Nil).

The segment assets based on assets located at the balance sheet date are as follows:

	<b>Hong Kong</b> <i>HK\$'000</i>	<b>Mainland China</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>As at 31st March 2008</b>			
<b>Assets</b>			
Segment assets	952,836	1,010,536	1,963,372
Unallocated assets			<u>687,283</u>
			<u><b>2,650,655</b></u>
<b>As at 31st March 2007</b>			
<b>Assets</b>			
Segment assets	286,983	939,315	1,226,298
Unallocated assets			<u>467,922</u>
			<u><b>1,694,220</b></u>

#### 4 Trade and other receivables

	<b>Group</b>		<b>Company</b>	
	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade and bills receivables	174,888	136,158	—	—
Less: Provision for trade receivables	<u>(8,285)</u>	<u>(6,867)</u>	<u>—</u>	<u>—</u>
	<b>166,603</b>	129,291	—	—
Prepayments	10,259	7,227	—	458
Deposits to suppliers	7,464	24,006	—	—
Rental deposits	840	1,539	—	—
Interest receivables	97	200	97	200
Finance lease receivables	4,676	4,539	—	—
Other receivables	<u>6,099</u>	<u>957</u>	<u>—</u>	<u>—</u>
	<u><b>196,038</b></u>	<u>167,759</u>	<u><b>97</b></u>	<u>658</u>

The Group generally requires letter of credit or documents against payment, with some cases granting a credit period of 30 to 90 days. At 31st March 2008, the aging analysis of trade receivables is as follows:

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
90 days or less	118,083	90,174
91 to 180 days	21,434	19,862
181 to 270 days	15,652	13,661
271 to 365 days	4,946	2,096
Over 365 days	<u>6,488</u>	<u>3,498</u>
	<u><b>166,603</b></u>	<u>129,291</u>

## 5 Trade and other payables

	Group		Company	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade payables	239,078	188,664	—	—
Accrual for operating expenses	6,348	16,666	1,155	1,325
Receipts in advance	36,516	22,118	—	—
Other payables	18,834	3,424	—	—
	<u>300,776</u>	<u>230,872</u>	<u>1,155</u>	<u>1,325</u>

The aging analysis of trade payables is as follows:

	Group	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
90 days or less	198,723	151,640
91 to 180 days	30,823	18,210
181 to 270 days	3,587	15,271
271 to 365 days	1,640	3,086
Over 365 days	4,305	457
	<u>239,078</u>	<u>188,664</u>

## 6 Convertible bonds — Group and Company

In August 2005, the Company issued convertible bonds at face value of approximately HK\$20,000,000, which are denominated in Hong Kong dollar.

The bonds will be mature in August 2010 or can be converted into a total of approximately 127,713,920 shares in the Company, with a par value of HK\$0.01 each, at the holders' option, at HK\$0.1566 per share. In addition, the holders have the right to request the Company to redeem in whole or in part the outstanding bonds on 7th December 2007.

The fair values of the liability component and the equity conversion component were determined upon issuance of the bonds. The liability component is subsequently stated at amortised cost. The fair value of the liability component was calculated using a market interest rate for a term loan offered to the Group of 8.0% per annum. The remaining amount, representing the value of the equity conversion component, is included in shareholders' equity as other reserves.

The convertible bonds recognised on the balance sheet are calculated as follows:

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Face value of convertible bonds issued on 8th August 2005	<b>20,000</b>	20,000
Equity component	<b>(6,388)</b>	(6,388)
Liability component on initial recognition on 8th August 2005	<b>13,612</b>	13,612
Accrued interest expenses	<b>3,378</b>	2,100
Liability component at 31st March	<b>16,990</b>	15,712

Interest expenses on the bonds are calculated using the effective interest method by applying the effective interest rate of 8.0% per annum to the liability component.

Accrued interest expenses recognised as expenses and included in finance costs amounted to approximately HK\$1,278,000 (2007: HK\$1,070,000) (*Note 10*).

The carrying amounts of liability component of convertible bonds approximate their fair values.

## 7 Share capital

	Ordinary shares		Preference shares		Total <i>HK\$'000</i>
	Number of shares <i>'000</i>	Ordinary shares capital <i>HK\$'000</i>	Number of shares <i>'000</i>	Preference shares capital <i>HK\$'000</i>	
<b>Authorised:</b>					
At 31st March 2007 and 2008	<b>40,000,000</b>	<b>400,000</b>	<b>30,000,000</b>	<b>300,000</b>	<b>700,000</b>
<b>Analysed as —</b>					
Ordinary shares of HK\$0.01 each	<b>40,000,000</b>	<b>400,000</b>	—	—	<b>400,000</b>
Preference shares of HK\$0.01 each	—	—	<b>30,000,000</b>	<b>300,000</b>	<b>300,000</b>
	<b>40,000,000</b>	<b>400,000</b>	<b>30,000,000</b>	<b>300,000</b>	<b>700,000</b>
<b>Issued:</b>					
At 1st April 2006	95,795	958	7,383,167	73,832	74,790
Issue of preference shares	—	—	792,847	7,928	7,928
At 31st March 2007 and 1st April 2007	95,795	958	8,176,014	81,760	82,718
Issue of preference shares	—	—	5,197,240	51,973	51,973
At 31st March 2008	<b>95,795</b>	<b>958</b>	<b>13,373,254</b>	<b>133,733</b>	<b>134,691</b>

During the year, the Company entered into subscription agreements with certain independent and related parties to issue 5,197,240,038 preference shares at HK\$0.191 per share with total proceed amounting to approximately HK\$992,673,000.

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. The preference shares will rank pari passu with the ordinary shares of the Company with regards to dividends.

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

## 8 Reserves

	Group							Total HK\$'000
	Share premium HK\$'000	Contributed surplus HK\$'000	Equity portion of convertible bonds HK\$'000	Capital reserve HK\$'000	Investment revaluation reserves HK\$'000	Cumulative translation adjustments HK\$'000	(Accumulated losses)/ retained profits HK\$'000	
Balances at 1st April 2006	978,107	8,984	6,388	2,700	—	310	(21,684)	974,805
Profit attributable to equity holders of the Company	—	—	—	—	—	—	66,747	66,747
Issue of preference shares	106,271	—	—	—	—	—	—	106,271
Share issue expenses — preference shares	(741)	—	—	—	—	—	—	(741)
Translation adjustments — net	—	—	—	—	—	1,540	—	1,540
<b>Balances at 31st March 2007 and 1st April 2007</b>	<b>1,083,637</b>	<b>8,984</b>	<b>6,388</b>	<b>2,700</b>	<b>—</b>	<b>1,850</b>	<b>45,063</b>	<b>1,148,622</b>
Loss attributable to equity holders of the Company	—	—	—	—	—	—	(72,590)	(72,590)
Issue of preference shares	914,968	—	—	—	—	—	—	914,968
Share issue expenses — preference shares	(5,970)	—	—	—	—	—	—	(5,970)
Decrease in fair value of available-for-sale financial assets	—	—	—	—	(193)	—	—	(193)
Translation adjustments — net	—	—	—	—	—	11,128	—	11,128
<b>Balances at 31st March 2008</b>	<b>1,992,635</b>	<b>8,984</b>	<b>6,388</b>	<b>2,700</b>	<b>(193)</b>	<b>12,978</b>	<b>(27,527)</b>	<b>1,995,965</b>

	Share premium <i>HK\$'000</i>	Contribution surplus <i>HK\$'000</i>	Company Equity portion of convertible bonds <i>HK\$'000</i>	(Accumulated losses)/ retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balances at 1st April 2006	978,107	8,984	6,388	(25,638)	967,841
Profit attributable to equity shareholders of the Company	—	—	—	60,692	60,692
Issue of preference shares	106,271	—	—	—	106,271
Share issue expenses — preference shares	(741)	—	—	—	(741)
<b>Balances at 31st March 2007 and 1st April 2007</b>	<b>1,083,637</b>	<b>8,984</b>	<b>6,388</b>	<b>35,054</b>	<b>1,134,063</b>
Profit attributable to equity shareholders of the Company	—	—	—	9,350	9,350
Issue of preference shares	914,968	—	—	—	914,968
Share issue expenses — preference shares	(5,970)	—	—	—	(5,970)
<b>Balances at 31st March 2008</b>	<b>1,992,635</b>	<b>8,984</b>	<b>6,388</b>	<b>44,404</b>	<b>2,052,411</b>

## 9 Other gains — net

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>Continuing operations</b>		
Net exchange gains	1,149	4,597
Losses on disposal of property, plant and equipment	(613)	—
Others	1,993	915
	<b>2,529</b>	<b>5,512</b>
<b>Discontinued operations</b>		
Others	32	164
	<b>2,561</b>	<b>5,676</b>



## 10 Financial income and costs

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>Continuing operations:</b>		
Finance income:		
Interest income from bank deposits	15,358	13,757
Interest income from an overdue trade receivables	—	2,411
Amortised interest income from subscription receivables	22,168	73,693
	<u>37,526</u>	<u>89,861</u>
<b>Discontinued operations:</b>		
Interest income from bank deposits	120	160
	<u>37,646</u>	<u>90,021</u>
<b>Continuing operations:</b>		
Finance costs:		
Interest expense		
Interest on bank loans wholly repayable within five years	16,717	4,772
Net foreign exchange losses	7,015	—
Convertible bond redeemable after five years	1,278	1,070
Notional interest expense — fair valuation of deferred consideration	1,324	1,111
Interest on finance lease obligations	713	210
	<u>27,047</u>	<u>7,163</u>

## 11 Income tax credit/(expenses)

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been calculated at the rate of 17.5% (2007: 17.5%) on the estimated assessable profit for the year.

Subsidiaries established in the Mainland China are subject to the Mainland China enterprise income tax at rates ranging from 15% to 33% (2007: 15% to 33%) up to 31st December 2007. On 16th March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("the New Tax Law") which takes effect on 1st January 2008. From 1st January 2008 onwards, the income tax rate for the subsidiaries established in the Mainland China will be gradually changed to the standard rate of 25% over a five-year transition period. According to the Circular 39 passed by the State Council on 26th December 2007, the tax exemption and reduction will be terminated latest by 2012. The Group has assessed the impact of the change and considers the financial effect on the change in tax rate does not have material effect to the financial statements.

Taxation on overseas (other than Hong Kong and Mainland China) profits has been calculated on the estimated assessable profit for the year at the applicable rates of taxation prevailing in the countries in which the Group operates.

The amounts of income tax credit/(expenses) recorded in the consolidated income statement represent:

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>Continuing operations:</b>		
Current taxation		
Hong Kong profits tax		
— current year	<b>(1,184)</b>	(3,237)
— underprovision in prior years	<b>(385)</b>	—
Mainland China enterprise income tax		
— current year	<b>(1,080)</b>	—
— overprovision in prior years	<b>2,319</b>	198
Profits tax of overseas subsidiaries	<b>(102)</b>	(67)
Deferred taxation	<b>14,766</b>	(3)
	<b>14,334</b>	(3,109)
<b>Discontinued operations:</b>		
Current taxation — overprovision in prior years	<b>702</b>	120
	<b>15,036</b>	(2,989)

## 12 Earnings per share

### *Basic (loss)/profit per share*

Basic (loss)/profit per share is calculated by dividing the Group's (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issued during the financial year.

	2008		2007	
	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations
(Loss)/profit for the year ( <i>HK\$'000</i> )	<b>(70,368)</b>	<b>(2,232)</b>	67,301	(554)
Loss for the year attributable to minority interests ( <i>HK\$'000</i> )	<b>10</b>	—	—	—
(Loss)/profit attributable to equity holders of the Company ( <i>HK\$'000</i> )	<b>(70,358)</b>	<b>(2,232)</b>	67,301	(554)
Weighted average number of ordinary shares in issue	<b>95,794,716</b>	<b>95,794,716</b>	95,794,716	95,794,716
Basic (loss)/profit per share (HK cents)	<b>(73.45)</b>	<b>(2.33)</b>	70.26	(0.58)

### ***Diluted (loss)/profit per share***

No diluted loss per share from continuing and discontinued operations for the year ended 31st March 2008, and from discounted operations for the year ended 31st March 2007 has been presented as the potential ordinary shares are anti-dilutive.

Diluted profit per share from continuing operations for the year ended 31st March 2007 is calculated by adjusting weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and non-redeemable preference shares. The convertible bonds and non-redeemable preference shares are assumed to have been converted into ordinary shares, and the profit for the year is adjusted to eliminate the interest expenses.

*HK\$'000*

Profit attributable to equity holders of the Company	67,301
Adjustment for convertible bonds accrued interest expenses	1,070
	<hr/>
Adjusted profit attributable to equity holders of the Company	68,371
	<hr/> <hr/>

**Number of  
shares**

Weighted average number of ordinary shares in issue	95,794,716
Adjustment for convertible bonds	127,713,920
Adjustment for non-redeemable preference shares	7,819,776,251
	<hr/>
Weighted average number of ordinary shares of diluted profit per share	8,043,284,887
	<hr/> <hr/>
Diluted profit per share ( <i>HK cents</i> )	0.85
	<hr/> <hr/>

### **DIVIDENDS**

The Directors do not recommend the payment of any dividend for the year ended 31st March 2008 (2007: Nil).

### **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 year ended 31st March 2008.

## **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 year ended 31st March 2008, except that the chairman of the independent board committee was not available to attend the general meeting of the Company held on 14th December 2007 owing to other engagement, however, the financial adviser and independent financial adviser were available at the meeting to answer questions.

## **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 four 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 oversee independence and qualifications of the external auditors.

The audit committee meets the external auditors at least four times a year to discuss any area of concern during the audits or review. The audit committee reviews the quarterly, interim and annual reports before submission to the Board. Senior representatives of the external auditors, executive Directors and senior management are invited to attend the meetings, if required.

During the year, the audit committee has approved the nature and scope of the statutory audits, and reviewed the quarterly, interim and annual accounts of the Group, and was content that the accounting policies and standards of the Group are in accordance with the current best practices in Hong Kong.

The Group’s annual results for the year ended 31st March 2008 have been reviewed by the audit committee.

## **RE-DESIGNATION OF DIRECTOR**

The Board announces that Mr. Andrew Yao Cho Fai (“Mr. Yao”) has been re-designated from an executive Director to a non-executive Director of the Company with effect from 19th June 2008.

Mr. Yao, aged 42, has been with the Company since the formal establishment of the trading operation in April 1997. He graduated from the University of California, Berkeley and Harvard Graduate School of Business. Mr. Yao has extensive experience in the steel trading business and is the chairman and chief executive officer of Van Shung Chong Holdings Limited. Mr. Yao is also an independent non-executive director of Grand Investment International Limited and Kader Holdings Company Limited which are companies listed on the Main Board of the Stock Exchange. He serves as a member of Standing Committee of the Shanghai Municipal Committee of Chinese People’s Political Consultative Conference, the member of the Standing Committee of China Youth Federation, the vice chairman of Youth Federation of States Owned Enterprises, the member of Central Policy Unit of HKSAR, the chairman of Hong Kong United Youth Association, the vice chairman of Shanghai Youth Federation, the member of board of Shanghai Fudan University, the member of the University Court of The University of Hong Kong, the Alumni Board of Harvard Business School, the founder of Shanghai Chapter of Youth Presidents’ Organisation (YPO) and the member of the Barristers Disciplinary Tribunal Panel. He was also the Winner of the Young Industrialist Award of Hongkong in 2004.

As at the date of this announcement, Mr. Yao and his associates have deemed interests (within the meaning of Part XV of the Securities and Futures Ordinance) in 4,255,789 ordinary shares, representing approximately 4.4% of the issued ordinary share capital of the Company. Mr. Yao does not have any relationship with other Directors, senior management, substantial or controlling shareholders of the Company. Pursuant to the letter of appointment entered into between Mr. Yao and the Company, the term of office of Mr. Yao is for a period of three years commencing on 1st November 2005 and is subject to retirement and re-election at the annual general meeting in accordance with the Company’s Bye-laws. Mr. Yao is currently entitled to a director’s fee of HK\$192,000 per annum which was determined by the Board on the basis of his level of responsibilities and by reference to market benchmark.

Save as disclosed above, there is no other matter relating to the re-designation of Mr. Yao that needs to be brought to the attention of the shareholders of the Company nor is there any information to be disclosed pursuant to the requirements of Rule 17.50(2) of the GEM Listing Rules.

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

Hong Kong, 19th June 2008

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

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