

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 2015

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

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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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 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 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 2015, together with the comparative unaudited figures of the corresponding period in 2014.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30th September		For the three months ended 30th September	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Revenue	3	728,095	630,613	299,476	371,635
Cost of sales		<u>(630,866)</u>	<u>(551,291)</u>	<u>(256,434)</u>	<u>(326,461)</u>
Gross profit		97,229	79,322	43,042	45,174
Other income and gains, net		8,972	938	1,641	755
Selling and distribution expenses		(48,366)	(42,171)	(22,950)	(23,966)
General and administrative expenses		(64,253)	(35,456)	(42,033)	(18,736)
Impairment on goodwill	9	<u>(237,264)</u>	<u>—</u>	<u>(237,264)</u>	<u>—</u>
Operating profit/(loss)		(243,682)	2,633	(257,564)	3,227
Fair value loss on derivative component of convertible bond		(752)	—	(752)	—
Finance income	4	1,438	3,747	740	1,874
Finance costs	4	<u>(1,375)</u>	<u>(19)</u>	<u>(526)</u>	<u>(8)</u>
Profit/(loss) before income tax		(244,371)	6,361	(258,102)	5,093
Income tax expense	5	<u>(5,856)</u>	<u>(2,685)</u>	<u>(1,777)</u>	<u>(1,577)</u>
Profit/(loss) for the period		<u><u>(250,227)</u></u>	<u><u>3,676</u></u>	<u><u>(259,879)</u></u>	<u><u>3,516</u></u>
Earnings/(loss) per share attributable to shareholders of the Company	6				
Basic		<u><u>(13.23)</u></u>	<u><u>0.26</u></u>	<u><u>(13.57)</u></u>	<u><u>0.23</u></u>
Diluted		<u><u>(13.23)</u></u>	<u><u>0.25</u></u>	<u><u>(13.57)</u></u>	<u><u>0.22</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30th September		For the three months ended 30th September	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Profit/(loss) for the period	<u>(250,227)</u>	<u>3,676</u>	<u>(259,879)</u>	<u>3,516</u>
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in the subsequent period:				
Currency translation differences:				
Currency translation differences of foreign operations				
	<u>(513)</u>	<u>204</u>	<u>(335)</u>	<u>322</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX OF NIL	<u>(513)</u>	<u>204</u>	<u>(335)</u>	<u>322</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>(250,740)</u>	<u>3,880</u>	<u>(260,214)</u>	<u>3,838</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30th September 2015 <i>HK\$'000</i> (Unaudited)	As at 31st March 2015 <i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	8	7,409	8,468
Intangible assets	9	380,021	617,285
Other non-current assets		2,449	2,441
		389,879	628,194
Current assets			
Inventories		8,175	2,416
Note receivables		—	47,018
Trade and other receivables	10	343,863	272,409
Cash and cash equivalents		679,270	486,995
		1,031,308	808,838
Total assets		1,421,187	1,437,032
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	13	19,150	16,150
Reserves		816,623	1,040,195
Total equity	13	835,773	1,056,345
LIABILITIES			
Current liabilities			
Borrowings		100,765	17,039
Trade and other payables	11	385,033	271,259
Derivative component of convertible bond	12	3,220	2,468
Income tax liabilities		37,899	32,254
		526,917	323,020
Non-current liabilities			
Liability component of convertible bond	12	57,509	56,881
Deferred tax liabilities		494	401
Other non-current liabilities		494	385
		58,497	57,667
Total liabilities		585,414	380,687
Total equity and liabilities		1,421,187	1,437,032
Net current assets		504,391	485,818
Total assets less current liabilities		894,270	1,114,012

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 at 1st April 2014	13,459	979,073	992,532
Comprehensive income			
Profit for the period	—	3,676	3,676
<i>Other comprehensive income</i>			
Currency translation differences of foreign operations	—	204	204
Total other comprehensive income	—	204	204
Total comprehensive income for the period	—	3,880	3,880
Issue of Consideration Shares for a business combination (<i>note 13(ii)</i>)	2,691	57,309	60,000
Balances at 30th September 2014	<u>16,150</u>	<u>1,040,262</u>	<u>1,056,412</u>
Balances at 1st April 2015	<u>16,150</u>	<u>1,040,195</u>	<u>1,056,345</u>
Comprehensive income			
Loss for the period	—	(250,227)	(250,227)
<i>Other comprehensive income</i>			
Currency translation differences of foreign operations	—	(513)	(513)
Total other comprehensive income	—	(513)	(513)
Total comprehensive loss for the period	—	(250,740)	(250,740)
Issue of shares (<i>note 13(i)</i>)	3,000	27,168	30,168
Balances at 30th September 2015	<u>19,150</u>	<u>816,623</u>	<u>835,773</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30th September	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash generated from operating activities	<u>31,051</u>	<u>42,616</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipment	(1,978)	(2,470)
Acquisition of subsidiaries	—	(129,680)
Receipt of note receivables	47,502	46,644
Others	<u>1,806</u>	<u>3,106</u>
Net cash generated from/(used in) investing activities	<u>47,330</u>	<u>(82,400)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	30,168	—
New bank loans	153,659	6,373
Repayment of bank loans	<u>(69,933)</u>	<u>(7,573)</u>
Net cash generated from/(used in) financing activities	<u>113,894</u>	<u>(1,200)</u>
Increase/(decrease) in cash and cash equivalents	192,275	(40,984)
Cash and cash equivalents at 1st April	<u>486,995</u>	<u>572,500</u>
Cash and cash equivalents at 30th September	<u><u>679,270</u></u>	<u><u>531,516</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash at banks and cash on hand	403,277	531,516
Non-pledged time deposits with original maturity of three months or less when acquired	<u>275,993</u>	—
Cash and cash equivalents as stated in the unaudited condensed consolidated statement of financial position	<u><u>679,270</u></u>	<u><u>531,516</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;
- **mining consulting:** provision of advisory services in mining exploration, exploitation and valuation services for mergers and acquisitions projects;
- **Finance leasing:** provision of finance to its customers by a wide array of assets under finance 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 of its principal place of business is Suite 1318, 13th Floor, Two Pacific Place, 88 Queensway, Hong Kong.

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

This 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 for issue by the Company’s Board of Directors on 5th November 2015.

2 BASIS OF PREPARATION

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

This unaudited condensed consolidated financial information 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 2015.

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 2015, except for the adoption of the following revised standards and interpretations for the first time for the current period’s financial information:

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contribution*

*Annual improvements
2010-2012 Cycle* Amendments to a number of HKFRSs

*Annual improvements
2011-2013 Cycle* Amendments to a number of HKFRSs

The adoption of the above revised HKFRSs has had no significant financial effect on these unaudited condensed consolidated financial information.

3 TURNOVER, REVENUE AND SEGMENT INFORMATION

3.1 Turnover and revenue

Turnover represents sales of goods, commission and other service income, consulting fee income and finance leasing income. The amounts of each category of revenue recognised during the period are as follows:

	For the six months ended		For the three months	
	30th September		ended 30th September	
	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales of goods	715,089	622,093	294,449	365,786
Commission and other service income	4,945	4,944	3,793	2,273
Consulting fee income	8,025	3,576	1,198	3,576
Finance leasing income	36	—	36	—
	<u>728,095</u>	<u>630,613</u>	<u>299,476</u>	<u>371,635</u>

3.2 Operating segment information

For management purpose, the Group is organised into three major reportable operating segments — hi-tech distribution and services, mining consulting and finance leasing. The hi-tech distribution and services operating segment derives revenue from the sale of goods, commission and other service income. The mining consulting operating segment derives revenue from consulting fee income received for advisory services and valuation services. The finance leasing operating segment derives revenue from finance leasing income.

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, note receivables 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 result for the period are as follows:

	Six months ended 30th September 2015 (Unaudited)			
	Finance leasing HK\$'000	Hi-tech distribution and services operation HK\$'000	Mining Consulting operation HK\$'000	Total HK\$'000
Revenue				
— Sales to external customers	<u>36</u>	<u>720,034</u>	<u>8,025</u>	<u>728,095</u>
Segment results	<u>(1,249)</u>	<u>23,196</u>	<u>(255,047)</u>	<u>(233,100)</u>
Finance income				1,438
Finance costs				(1,375)
Fair value loss on derivative component of convertible bond				(752)
Corporate and other unallocated expenses				<u>(10,582)</u>
Loss before income tax				(244,371)
Income tax expense				<u>(5,856)</u>
Loss for the period				<u>(250,227)</u>
Capital expenditure	15	1,783	148	1,946
Corporate and other unallocated capital expenditure				<u>32</u>
				<u>1,978</u>
Depreciation	—	1,680	489	2,169
Corporate and other unallocated depreciation				<u>339</u>
				<u>2,508</u>
Provision for impairment of trade and other receivables	—	—	(19,994)	(19,994)
Loss of disposal of items of property, plant and equipment	—	(48)	—	(48)
Impairment of goodwill	—	—	(237,682)	(237,682)
Gain on disposal of a subsidiary, net				1,848

Six months ended 30th September 2014
(Unaudited)

	Hi-tech distribution and services operation <i>HK\$'000</i>	Mining Consulting operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
— Sales to external customers	<u>627,037</u>	<u>3,576</u>	<u>630,613</u>
Segment results	<u>14,609</u>	<u>216</u>	14,825
Finance income			3,747
Finance costs			(19)
Corporate and other unallocated expenses			<u>(12,192)</u>
Profit before income tax			6,361
Income tax expense			<u>(2,685)</u>
Profit for the period			<u>3,676</u>
Capital expenditure	1,937	514	2,451
Corporate and other unallocated capital expenditure			<u>19</u>
			<u>2,470</u>
Depreciation	1,497	77	1,574
Corporate and other unallocated depreciation			<u>434</u>
			<u>2,008</u>
Loss of disposal of items of property, plant and equipment	12	—	12

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

	Finance leasing <i>HK\$'000</i>	Hi-tech distribution and services operation <i>HK\$'000</i>	Mining Consulting operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30th September 2015 (Unaudited)				
Segment assets	2,004	703,114	34,251	739,369
Unallocated assets:				
Cash and cash equivalents				679,270
Corporate and others				2,548
				<hr/>
Total assets per the unaudited condensed consolidated statement of financial position				1,421,187
				<hr/> <hr/>
	Finance leasing <i>HK\$'000</i>	Hi-tech distribution and services operation <i>HK\$'000</i>	Mining Consulting operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31st March 2015 (Audited)				
Segment assets	—	608,456	291,616	900,072
Unallocated assets:				
Note receivable				47,018
Cash and cash equivalents				486,995
Corporate and others				2,947
				<hr/>
Total assets per the audited consolidated statement of financial position				1,437,032
				<hr/> <hr/>

Geographical information

(a) Revenue from external customers

The Group's activities are conducted predominantly in Hong Kong, Mainland China and Asia. Revenue by geographical location is determined on the basis of the destination of shipment of goods for the hi-tech distribution, the location of service performed by the mining consulting segment as well as the locations of the customers for finance leasing.

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

	For the six months ended 30th September 2015 HK\$'000 (Unaudited)	For the six months ended 30th September 2014 HK\$'000 (Unaudited)
Hong Kong	100	—
Mainland China	714,258	620,185
Asia – Others	13,737	10,428
	<hr/>	<hr/>
Total revenue	728,095	630,613
	<hr/> <hr/>	<hr/> <hr/>

(b) Non-current assets

The non-current assets information is based on the location of assets and exclude financial instruments.

The following table provides an analysis of the Group's non-current assets as at the end of the reporting period by geographical location:

	As at 30th September 2015 HK\$'000 (Unaudited)	As at 31st March 2015 HK\$'000 (Audited)
Hong Kong	388,918	627,844
Mainland China	171	214
Asia – Others	790	136
	<hr/>	<hr/>
	389,879	628,194
	<hr/> <hr/>	<hr/> <hr/>

Information about major customers

During the six months ended 30th September 2015, revenue of approximately HK\$111,711,000 (2014: HK\$73,756,000) was derived from sales by the hi-tech distribution and services operating segment to a single customer.

4 FINANCE INCOME AND COSTS

An analysis of finance income and costs from continuing operation is as follows:

	For the six months ended 30th September		For the three months ended 30th September	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Finance income:				
Interest income from bank deposits	720	2,405	381	1,203
Interest income from note receivables	234	468	117	234
Interest in discounted amounts arising from the passage of time	484	874	242	437
	<u>1,438</u>	<u>3,747</u>	<u>740</u>	<u>1,874</u>
Finance costs:				
Interest on bank loans	597	19	87	8
Interest on convertible bond	628	—	314	—
Net foreign exchange loss on financing activities	150	—	125	—
	<u>1,375</u>	<u>19</u>	<u>526</u>	<u>8</u>

5 INCOME TAX EXPENSE

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been calculated at the rate of 16.5% (2014: 16.5%) on the estimated assessable profit for the period.

Subsidiaries established in the Mainland China are subject to the Mainland China enterprise income tax at the standard rate of 25% (2014: 25%).

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

The amounts of income tax expense recorded in the unaudited condensed consolidated statement of profit or loss:

	For the six months ended 30th September		For the three months ended 30th September	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Current taxation				
Hong Kong profits tax				
— current period	3,694	2,577	1,598	1,551
Mainland China enterprise income tax				
— current period	124	108	91	26
Overseas taxation				
— current period	1,950	—	—	—
Deferred taxation	88	—	88	—
	<u>5,856</u>	<u>2,685</u>	<u>1,777</u>	<u>1,577</u>

6 EARNINGS/(LOSS) PER SHARE

Earnings/(loss) per share

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

No adjustment has been made to the basic loss per share amounts presented for the six months and three months ended 30th September 2015 in respect of a dilution as the impact of the convertible bond outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

Diluted earnings per share amounts for the six months and three months ended 30th September 2014 is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The convertible bond is assumed to have been converted into ordinary shares, and the profit for the six months and three months ended 30th September 2014 is adjusted to eliminate the interest expense on convertible bond and fair value changes on derivative component of convertible bond less tax effect, if any.

	For the six months ended 30th September 2015	For the three months ended 30th September 2015
2015		
Loss		
Loss attributable to shareholders of the Company and used in the basic per share calculation (<i>HK\$'000</i>)	<u>(250,227)</u>	<u>(259,879)</u>
Shares		
Weighted average number of ordinary shares in issue	<u>1,892,046,424</u>	<u>1,914,997,244</u>

The calculation of basic and dilutive earnings/(loss) is based on:

	For the six months ended 30th September 2014 (Unaudited)	For the three months ended 30th September 2014 (Unaudited)
2014		
Earnings/(loss)		
Profit/(loss) attributable to shareholders of the Company <i>(HK\$'000)</i>	<u>3,676</u>	<u>3,516</u>
Shares		
Weighted average number of ordinary shares in issue, used in the basic earnings per share calculation	1,435,625,047	1,524,336,296
Effect of dilution — weighted average number of ordinary shares: Convertible bond	<u>53,770,492</u>	<u>106,956,522</u>
Weighted average number of ordinary shares in issue, used in the diluted earnings per share calculation	<u>1,489,395,539</u>	<u>1,631,292,818</u>

7 DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September 2015.

8 PROPERTY, PLANT AND EQUIPMENT

HK\$'000
(Unaudited)

At 1st April 2015	8,468
Additions	1,978
Disposals	(516)
Depreciation	(2,508)
Exchange realignments	(13)
	7,409
	7,409
At 1st April 2014	6,373
Additions	2,470
Acquisition of subsidiaries	1,807
Disposals	(128)
Depreciation	(2,008)
Exchange realignments	(3)
	8,511
	8,511

9 INTANGIBLE ASSETS

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units identified according to operating segments. A segment-level summary of the goodwill allocation is presented below:

	As at 30th September 2015 <i>HK\$'000</i> (Unaudited)	As at 31st March 2015 <i>HK\$'000</i> (Audited)
Hi-tech distribution and services operation	373,692	373,692
Mining consulting operation	243,593	243,593
	617,285	617,285
<i>Less:</i> Impairment loss recognised		
Mining consulting operation	(237,264)	—
	380,021	617,285

With respect to the goodwill allocated to the mining consulting operation cash-generating unit, its recoverable amount has been determined based on the anticipated profitability that could be derived from the mining consulting operation from the continued revenue of existing projects and forecasted revenue from potential projects. The Group has been closely monitoring the development and negotiations of these projects since the acquisition of the mining consulting operation cash-generating unit and an impairment test on the goodwill allocated to the mining consulting operation cash-generating unit would be performed if events or changes in circumstances indicate that the carrying amount of the goodwill may be impaired.

In view of the continued negative outlook of the commodities and mining sector in the near to medium term, including the decline in commodity price worldwide with increased volatility, our mining consulting division perceives increasing financial constraints in terms of availability of exploration funding to, and willingness to commit to substantiate capital investment by, our existing and potential customers in their capital expenditure program budget for new exploration. This has led to increasing difficulties in collection of payments and in securing commercially acceptable terms for the continuation of further works for existing projects and new contracts closing.

The declining in market conditions coincided with the most unexpected resignation of Mr. Jacky Chan Sik Lap, founder and CEO of Dragon Mining Overseas Limited and its subsidiaries (“Dragon Group”), as announced by the Company on 8th September 2015 in its business update. During the month following his departure, a few other senior members of Dragon Group also resigned. The departure of a number of senior staff of Dragon Group in such a short period posed a challenge to the Group and caused the loss of some potential projects in the short term.

With reference to the above indicators, management has determined to carry out impairment testing on the goodwill and other related assets relating to the mining consulting operation cash-generating unit. Based on the value in use calculation prepared by an independent consultant, the recoverable amount of this cash-generating unit as at 30th September 2015 was lower than the carrying amount of the cash-generating unit accounts, principally the goodwill, and accordingly an impairment loss of approximately HK\$237,264,000 was recognised in profit or loss for the period ended 30th September 2015 (2014: Nil). The reduction on the recoverable amount of the mining consulting operation cash-generating unit as compared with that as at 31st March 2015 was driven by the substantial reduction in the expected net cash inflow from the mining consulting operation.

Apart from the aforesaid impairment of goodwill, there was no movement in other intangible assets of the Group during the six months periods ended 30th September 2015 and 2014.

10 TRADE AND OTHER RECEIVABLES

	As at 30th September 2015 <i>HK\$'000</i> (Unaudited)	As at 31st March 2015 <i>HK\$'000</i> (Audited)
Trade and bills receivables	286,303	235,465
Less: Impairment of trade receivables	<u>(19,994)</u>	<u>—</u>
Trade and bills receivables, net	266,309	235,465
Prepayments	52,416	12,220
Rental deposits — current portion	1,127	1,075
Other receivables	<u>24,011</u>	<u>23,649</u>
	<u>343,863</u>	<u>272,409</u>

The Group's trading terms with its customers are mainly on letters of credit or documents against payment, in some cases granting a credit period of 5 to 90 days, except for new customers, where payment in advance is normally required. An ageing analysis of trade and bills receivables, based on invoice date and net of impairment, as at the end of the reporting period is as follows:

	As at 30th September 2015 <i>HK\$'000</i> (Unaudited)	As at 31st March 2015 <i>HK\$'000</i> (Audited)
90 days or less	158,986	207,097
91 to 180 days	73,300	27,272
181 to 270 days	33,196	138
271 to 365 days	827	444
Over 365 days	<u>—</u>	<u>514</u>
	<u>266,309</u>	<u>235,465</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.

11 TRADE AND OTHER PAYABLES

	As at 30th September 2015 <i>HK\$'000</i> (Unaudited)	As at 31st March 2015 <i>HK\$'000</i> (Audited)
Trade and bills payables	231,153	178,983
Accruals	51,920	53,523
Receipts in advance	87,436	23,642
Other payables	14,524	15,111
	<u>385,033</u>	<u>271,259</u>

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

	As at 30th September 2015 <i>HK\$'000</i> (Unaudited)	As at 31st March 2015 <i>HK\$'000</i> (Audited)
90 days or less	81,703	170,439
91 to 180 days	118,280	6,237
181 to 270 days	29,644	609
271 to 365 days	379	53
Over 365 days	1,147	1,645
	<u>231,153</u>	<u>178,983</u>

12 CONVERTIBLE BOND

	As at 30th September 2015 <i>HK\$'000</i> (Unaudited)	As at 31st March 2015 <i>HK\$'000</i> (Audited)
Liability component of convertible bond	<u>57,509</u>	<u>56,881</u>
Derivative component of convertible bond	<u>3,220</u>	<u>2,468</u>

On 20th August 2014, the Company issued convertible bond in the principal amount of HK\$60,000,000 to Million Land Limited, as the partial settlement of the Acquisition (as defined in note 14 to this announcement). The maturity date of the convertible bond is on the third anniversary of the date of issuance (i.e. 20th August 2017). The convertible bond bears no interest on the principal amount. No security or guarantee is granted in respect of the convertible bond. The convertible bond can 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).

Unless previously converted, the Company shall redeem the convertible bond on the maturity date at the redemption amount which is 100% of the principal amount. Any amount of the convertible bond which is redeemed by the Company will forthwith be cancelled. At 30th September 2015, no (31st March 2015: Nil) convertible bond was converted and the outstanding principal amount of the convertible bond was HK\$60,000,000 (31st March 2015: HK\$60,000,000).

The convertible bond recognised in the consolidated statement of financial position of the Group is bifurcated into two components for accounting purpose, namely the liability component and the derivative component, and the movements of these components during the reporting period are as follows:

	Liability component HK\$'000	(Unaudited) Derivative component HK\$'000	Total HK\$'000
At 1st April 2015	56,881	2,468	59,349
Amortisation of liability component of convertible bond	628	—	628
Fair value loss on derivative component of convertible bond	—	752	752
At 30th September 2015	<u>57,509</u>	<u>3,220</u>	<u>60,729</u>

	Liability component HK\$'000	(Unaudited) Derivative component HK\$'000	Total HK\$'000
At 1st April 2014	—	—	—
Issue of convertible bond for a business combination (note 14)	<u>56,147</u>	<u>16,306</u>	<u>72,453</u>
At 30th September 2014	<u>56,147</u>	<u>16,306</u>	<u>72,453</u>

Fair value and fair value hierarchy

	Carrying amounts		Fair values	
	As at 30th September 2015 HK\$'000 (Unaudited)	As at 31st March 2015 HK\$'000 (Audited)	As at 30th September 2015 HK\$'000 (Unaudited)	As at 31st March 2015 HK\$'000 (Audited)
Financial liabilities				
Liability component of convertible bond	57,509	56,881	48,204	57,557
Derivative component of convertible bond	<u>3,220</u>	<u>2,468</u>	<u>3,220</u>	<u>2,468</u>
	<u>60,729</u>	<u>59,349</u>	<u>51,424</u>	<u>60,025</u>

The fair value of the derivative component of convertible bond is the difference between the fair value of convertible bond and the fair value of the liability component of convertible bond, i.e., present value of the liability component of convertible bond. As at 30th September 2015 and 31st March 2015, the fair value of convertible bond has been estimated using a valuation technique for which the input which has a significant effect on the recorded fair value is not based on observable market data. The Group's derivative component of convertible bond is categorised in Level 3 of the fair value measurement as at 30th September 2015 and 31st March 2015.

13 EQUITY

Movements in equity are as follows:

	(Unaudited)			
	Share capital <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balances at 1st April 2015	16,150	1,129,598	(89,403)	1,056,345
Loss for the period	—	—	(250,227)	(250,227)
Currency translation differences of foreign operations	—	(513)	—	(513)
Total comprehensive income for the period	—	(513)	(250,227)	(250,740)
Issue of shares (<i>note (i)</i>)	3,000	27,168	—	30,168
Balances at 30th September 2015	<u>19,150</u>	<u>1,156,253</u>	<u>(339,630)</u>	<u>835,773</u>

	(Unaudited)			
	Share capital <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balances at 1st April 2014	13,459	1,094,029	(114,956)	992,532
Profit for the period	—	—	3,676	3,676
Currency translation differences of foreign operations	—	204	—	204
Total comprehensive income for the period	—	204	3,676	3,880
Issue of Consideration Shares for a business combination (<i>note (ii)</i>)	2,691	57,309	—	60,000
Balances at 30th September 2014	<u>16,150</u>	<u>1,151,542</u>	<u>(111,280)</u>	<u>1,056,412</u>

Notes:

- (i) On 15th April 2015, the Company issued 300,000,000 new ordinary shares to Ms. Lu Ying, holder of the convertible bond, at a placing price of HK\$0.105 per placing share, pursuant to the placing agreement which the Company entered into on 30th March 2015 with the placing agent to place new shares on a best efforts basis. The transaction costs includes legal fees and other professional fees related to the placement was approximately HK\$1,332,000.
- (ii) During the six months ended 30th September 2014, the Company has issued 269,058,296 Consideration Shares of HK\$0.1 each at a price of HK\$0.223 each for the partial settlement of the Acquisition, resulting in the increase of share capital and share premium by HK\$2,691,000 and HK\$57,309,000, respectively.

14 BUSINESS COMBINATION

On 13th June 2014, the Group entered into a sale and purchase agreement with Million Land Limited, an independent third party, to acquire its entire equity interests in Dragon Group and the shareholder's loan owed by Dragon Group to its then shareholder (the "Acquisition"), at a total consideration of HK\$272,453,000, consisting of HK\$140,000,000 cash, HK\$60,000,000 consideration shares and HK\$72,453,000 convertible bond (principal amount: HK\$60,000,000). Dragon Group is principally engaged in provision of advisory services in mining exploration, exploitation and valuation for mergers and acquisitions projects. The Acquisition was completed on 20th August 2014.

The fair value of the identifiable assets and liabilities of Dragon Group as at the date of acquisition were as follows:

	Fair value recognised on acquisition <i>HK\$'000</i>
Property, plant and equipment	1,807
Trade and other receivables	34,727
Cash and cash equivalents	10,320
Other payables	(4,309)
Income tax liabilities	(13,685)
	<hr/>
	28,860
Goodwill	243,593
	<hr/>
	272,453
	<hr/> <hr/>
Satisfied by:	
Cash	140,000
Consideration Shares	60,000
Convertible bond at conversion price of HK\$0.25 (<i>note 12</i>)	72,453
	<hr/>
	272,453
	<hr/> <hr/>

An analysis on net cash outflow of cash and cash equivalents in respect of the Acquisition is as follows:

	<i>HK\$'000</i>
Cash consideration	(140,000)
Cash and bank balances acquired	<u>10,320</u>
Net outflow of cash and cash equivalents in respect of the Acquisition	(129,680)
Transaction costs of the Acquisition included in cash flows from operating activities	<u>(2,533)</u>
	<u><u>(132,213)</u></u>

15 RELATED PARTY TRANSACTIONS

(a) Related party transaction

In addition to the transactions disclosed elsewhere in this announcement, the Group had the following transaction with a related party during the period:

	For the six months ended 30th September 2015 HK\$'000	For the six months ended 30th September 2014 HK\$'000
Consultation service income from IRG Exploration & Mining Inc. ("IRG") (<i>Note</i>)	<u>—</u>	<u>485</u>

Note:

The Group's then substantial shareholder as at 30th September 2014, Mr. Chan Sik Lap, was a director of IRG. The transaction was based on terms mutually agreed between the Group and the related party. During the six months ended 30th September 2015, the Group has no transaction with IRG.

(b) Outstanding balances with related parties

	As at 30th September 2015 HK\$'000 (Unaudited)	As at 31st March 2015 HK\$'000 (Audited)
Other receivables		
— Earth Resources Centre Ltd. ("Earth Resources") (<i>Note</i>)	<u>—</u>	<u>1,090</u>

Note:

The Group's then substantial shareholder as at 30th September 2014, Mr. Chan Sik Lap, had beneficiary interests in Earth Resources and had undertaken to indemnify the Group against any loss that may arise from the non-recovery of the amount due. The amount was unsecured, interest-free and repayable on similar credit terms to those offered to the major customers of the Group.

(c) Key management compensation of the Group

	For the six months ended 30th September 2015 HK\$'000	For the six months ended 30th September 2014 HK\$'000
Salaries, allowances and bonuses	8,259	2,812
Retirement benefits — defined contribution scheme	45	10
	8,304	2,822

BUSINESS REVIEW

Financial and Business Performance

For the six months ended 30th September 2015 (the “2015 Interim Period”), the Group recorded an unaudited consolidated revenue of approximately HK\$728,095,000 versus approximately HK\$630,613,000 in the corresponding period last year, representing an increase of 15.5%. During the 2015 Interim Period, the increase in revenue was mainly due to strong performance of the SMT equipment distribution business and contribution of revenue from the mining consulting business of the Dragon Group.

During the 2015 Interim Period, the Group recorded an unaudited consolidated net loss of approximately HK\$250,227,000, as compared to a net profit of approximately HK\$3,676,000 for the corresponding period last year. The significant loss in the 2015 Interim Period was mainly due to an impairment of goodwill of approximately HK\$237,264,000 and provisions of accounts receivables of HK\$19,994,000 from the mining consulting division. Excluding these one-off items, the Group would have recorded a net profit of approximately HK\$7,031,000 for the 2015 Interim Period.

During the 2015 Interim Period, the Group’s operating expenditures amounted to approximately HK\$92,625,000 (excluding the provisions of accounts receivable), representing an increase of approximately 19.5% from approximately HK\$77,627,000 in the corresponding period last year.

The increase was mainly due to increase in staff commission, travelling expenses and other related selling and distribution expenses incurred by the hi-tech distribution and services division which were in line with the increase in its revenue in the 2015 Interim Period. In addition, the operating expenditures from the newly acquired mining consulting business also attributed to such increase.

The unaudited basic loss per share in the 2015 Interim Period was approximately HK13.23 cents whereas the Group recorded an unaudited basic earnings per share of approximately HK0.26 cents for the corresponding period last year. Furthermore, the unaudited consolidated net asset value of the Company per ordinary share was approximately HK\$0.436 as at 30th September 2015, which reflected a decrease of HK\$0.136 from HK\$0.572 as at 30th June 2015, mainly attributable to the goodwill written off and the accounts receivable provision.

Business Update

The Renminbi devaluation on 11th and 12th August 2015 led to PRC stock market correction along with global market panic, igniting concerns over further slowdown in the Chinese economy on speculation that China is shifting from a manufacturing to service driven economy and continued slowing down in the world economy. Notwithstanding the satisfactory performance of our Hi-tech distribution and service division in the 2015 Interim Period, we are seeing significant contraction in shipments for the industry as a whole in the third quarter of 2015.

In view of the continued negative outlook of the commodities and mining sector in the near to medium term, including the decline in commodity price worldwide with increased volatility, our mining consulting division perceives increasing financial constraints in terms of availability of exploration funding to, and willingness to commit to substantiate capital investment by, our existing and potential customers in their capital expenditure program budget for new exploration. This has led to increasing difficulties in collection of payments and in securing commercially acceptable terms for the continuation of further works for existing projects and new contracts closing.

The declining in market conditions coincided with the most unexpected resignation of Mr. Jacky Chan Sik Lap, founder and CEO of Dragon Group, as announced by the Company on 8th September 2015 in its business update. During the month following his departure, a few senior members of Dragon Group also resigned. The departure of a number of senior staff of Dragon Group in such a short period posed a challenge to the Group and may cause loss of some potential projects in the short term. Both these circumstances surrounding Dragon Group as contributed to the reassessment of the recoverable amount of the Dragon Group and resulted in an impairment in its goodwill of approximately HK\$237 million. The existing projects of Dragon Group will continue to be managed by remaining management of the Dragon Group and the Company is formulating strategy to rebuild its professional team.

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 (“American Tec”). American Tec is a leader in Asia in the business of distribution, sales and service of SMT equipment, semiconductor manufacturing equipment, automation solutions and software for manufacturing control and management, with a history of more than 29 years serving its customers in the hi-technology sector. American Tec’s team of more than 250 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. American Tec 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 2015 Interim Period, the unaudited revenue of the division was approximately HK\$720,034,000, represented an increase of about 14.8% from approximately HK\$627,037,000 in the corresponding period last year. The increase in division revenue was mainly due to the continuing investment on SMT equipment especially in the mobile phone and internet device manufacturing sector.

The division recorded approximately HK\$663,848,000 of direct machine sales, HK\$8,433,000 of software sales, HK\$42,808,000 of spare parts sales and HK\$4,945,000 of commission and other service income for the 2015 Interim Period, compared with approximately HK\$585,527,000 of direct machine sales, HK\$490,000 of software sales, HK\$36,076,000 of spare parts sales and HK\$4,944,000 of commission and other service income for the corresponding period last year. During 2015 Interim Period, the gross profit margin of this division was approximately 12.6% which was similar to the corresponding period last year. The management has continued to keep the overall operational cost in control and align with the level of business activities. Accordingly, American Tec has managed to achieve an unaudited net profit of approximately HK\$18,685,000 for the 2015 Interim Period, represented an increase of 55.1% from approximately HK\$12,044,000 in the corresponding period of last year.

Mining Consulting Division

The Group conducts its mining consulting business through Dragon Group. Dragon Group is principally engaged in providing exploration and valuation advisory services for mining projects in various stages. The core services of the division are managed by a group of professionals. Senior members of its management have at least 10 years of experience gained from various international mining consulting and mining companies and expertise in a wide range of geological settings and deposit types.

Dragon Group's exploration services includes operation management, exploration management, geological and technical field services, exploration auditing, resource modelling and estimation, and other related technical services in the Central Asia.

During the 2015 Interim Period, the unaudited revenue and net loss of the division was approximately HK\$8,025,000 and HK\$19,728,000 respectively. The division's revenue was derived from projects in Central Asia, Southeast Asia and other districts including Hong Kong accounted for 88%, 11% and 1% respectively.

Central Asia

Dragon Group has been engaged in a gold exploration management project in Kazakhstan to provide operation management, exploration management, geological and technical field services, marketing and other related services. As payment of the receivables for the Kazakhstan project has been overdue and the collection progress was unsatisfactory despite continued discussions in the first quarter of the 2015 Interim Period and with the recent departure of senior staff responsible for the project, Dragon Group has not been able to engage the client in the latter part of the 2015 Interim

Period on further meaningful discussion for further provision of services. During the 2015 Interim Period, revenue recorded from Central Asia region contributed approximately HK\$7,024,000 or around 88% to the total revenue of the division.

Southeast Asia

Dragon Group has been engaged in a copper-gold polymetallic project (the “Copper-Gold Project”) in Indonesia and to provide laboratory operation, processing plant management and public relationship management on this Copper-Gold Project. Due to the major change in the new mining regulation of Indonesia that became effective in the year of 2014 and requested mineral raw materials to be processed in Indonesia, rather than being exported in a raw state, and problem in payment of the outstanding receivable from the client, the exploration activities and management work of the existing Indonesia Copper-Gold projects has been suspended in the second quarter of the 2015 Interim Period. During the 2015 Interim Period, revenue recorded from Southeast Asia region contributed approximately HK\$901,000 or around 11% to the total revenue of the division.

Other districts including Hong Kong

Dragon Group provides technical consulting, valuation and other consulting services for customers in this region. During the 2015 Interim Period, revenue recorded from other districts including Hong Kong contributed approximately HK\$100,000 or around 1% to revenue of the division.

Impairment of Value of Dragon Group

The significant and protracted deterioration of global capital market, in particular the commodities and mining sectors since mid-August 2015 made it necessary for the Company to reassess the recoverable amount of Dragon Group. For this purpose, the Company engaged an independent consultant to carry out a valuation, based on a discounted cashflow valuation model, on the Dragon Group in September 2015 (“September 2015 Valuation”) (which is the same methodology adopted for valuation on the Dragon Group in March 2015 (“March 2015 Valuation”). As the recoverable amount of Dragon Group so determined was substantially less than the carrying value of the Dragon Group in the financial statements of the Group for the year ended 31st March 2015, a write down of the difference was therefore considered necessary. The write down of approximately HK\$237 million causes the elimination of almost all of the goodwill of Dragon Group arising from acquisition of it by the Group (of approximately HK\$244 million). The goodwill represents the consideration amount paid by the Group in the acquisition of Dragon Group in excess of the net tangible assets of the latter at the time of the acquisition. The consideration of the acquisition of the Dragon Group agreed in June 2014 was determined by the Company with reference to price earnings multiple of companies comparable to the Dragon Group at the time.

The basic assumptions and other key parameters of valuation such as terminal growth rate (3%) adopted for March 2015 Valuation (for the annual results of the Group for the financial year ended that date) and September 2015 Valuation (for the purposes of this report) were the same, whereas the discount rate adopted, although not identical, were not materially different and in the range of between 17% to 18%.

The main contributor to the difference in valuation is the projected revenue growth for the next five years. The first year projected revenue for the September 2015 Valuation is significantly reduced compared to that of March 2015 Valuation. The significant contraction of first year projected revenue for March 2015 Valuation was due to a combination of factors, which includes (a) the negative revenue growth of the Dragon Group for the first half of 2015, (b) the dim outlook of the commodities and mining sector as reflected in the decreased commodity prices and evidenced by increasing reports from mining companies of material curtailing of capital expenditure programs and, in some cases, ceasing of production of mines as lowered commodity prices can mean that sales revenue of mining output ceasing to be commercially viable having regard to production costs. This has had and we expect will continue to have a direct impact on the availability of new exploration services projects on acceptable commercial terms, together with the impact of the loss of some senior team members that bring in new business. In contrast, the performance of Dragon Group for the last financial year ended 31st March 2015, and more positive sentiment in both the equity and commodities market in the first half of 2015 (which has a direct effect on the ability of mining companies to raise funds and/or sell their output at price that is viable for them relative to production costs) supports much stronger revenue growth projection in the first year for the March 2015 Valuation.

In view of the above, we also expect a shift (explained further below) towards greater emphasis on the provision of valuation services instead of exploration services that had been the main contributor of revenue of the Dragon Group in the past. We expect this shift to have impact on revenue growth. It should be noted that although exploration services generate greater revenue, Dragon Group also required to cover the costs of on-site consultants to support such services and capital expenditure mentioned below. The growth rate for second to fifth year revenue growth in September 2015 Valuation is significantly slower than that in 31st March Valuation for the same reasons. Also taken into account is consequential adjustment in projected profit margins and capital expenditure profiles, as Dragon Group plans to shift towards higher gross margin valuation work which also requires considerably lower capital expenditure than exploration projects work that entails investment in expensive specialised computer programs. However, committed fixed costs (such as rental) will weigh on cash flow until the Group is able to control/reduce those fixed costs over time.

Use of Proceeds from Placing

On 15th April 2015, 300,000,000 ordinary shares were issued at a placing price of HK\$0.105 per share to Ms. Lu Ying through the placing agent on a best effort basis. The placing proceeds net of relevant expenses including the placing commission amounted to approximately HK\$30 million. The Group has already applied approximately HK\$5 million as to staff cost, rental and other office expenses and the remaining placing proceeds of approximately HK\$25 million was placed in short-term deposit with banks in Hong Kong during the 2015 Interim Period.

Below is a summary of financial and business highlights of each business division during the 2015 Interim Period. The unaudited profit/loss figures disclosed below do not include any intra-group charges, as they are eliminated upon consolidation.

OUTLOOK

Overall Summary

Market environment for the second half of the year is expected to remain challenging for both divisional businesses of the Group. However, the management is confident in the prospects of the Hi-tech distribution and services with launch of “Industry 4.0” initiative, coupled with the advocacy of the Chinese government in the “Smart Manufacturing 2025” project. Furthermore, with the launch of China-led Asia Infrastructure Investment Bank, the “One Belt, One Road” initiative (“OBOR”) set the new development road map for China and surrounding nations and regions, we are hopeful that OBOR offers enormous opportunities to reverse the declining trend in the natural resources market. Our focus will be to continue to manage cash, costs and risks and, to build our strength during this turbulent time by working with our management teams to improve capability and efficiency.

Hi-Tech Distribution and Services Division

With 4G mobile handset users reaching saturation, the overall growth of the mobile phone segment is expected to slow down in the remaining half of the year, with industry-wide forecast of a single digit growth rate. On the other hand, the growing interest and investment made by traditional mobile phone manufacturers in the area of electronic wearables and smart devices helps fill the capacity gap. The “Smart Manufacturing 2025” project and continued promotion for enhanced connectivity is also driving conventional electronic products, consumer goods manufacturers to introduce new “intelligent” products that are internet enabled, correspondingly driving new demands and replacement needs. The new product designs as well as enhanced functionalities will demand increasing complexity and capability for manufacturers, creating the need for new machines with even higher accuracy, reliability and speed. Our partners are also positioned to introduce new machine models, ranging from next generation pick and place machines, enhanced 3D inspection systems that are expected to yield even higher competitiveness and to be well received by the industry. With the electronics industry either showing stagnation or contraction in most other regions globally and the industry heading into the end of year, post festive seasonality effect, coupled with rising cost in China, our customers may slow down their investment in new machines. However, we will strive to work closer with our partners to come up with more competitive product offerings to our customers, continue to expand our solution offerings and continue to invest in our service and support infrastructure so as to attain total customer satisfaction and customer retention as well as the long term sustainability and growth of our business.

Mining Consulting Division

Globally, natural resources, particularly metal prices, are expected to remain low in the short to medium term. Given the strength of US dollar and expected increase in US interest rate and the dim outlook of the commodities and mining sector, availability of exploration funding to mining companies may continue to be limited such that the mining consulting division will inevitably be affected. In particular, in the near to medium, we expect our projects mix to shift more towards valuation services on mining sector than exploration services. However, Dragon Group will continue seeking new business opportunities in different regions of Asian Countries including China.

Finance Lease operations

The Group commenced its finance lease business during the second quarter of this financial year through its wholly foreign owned leasing company (“leasing company”) in Shanghai, China. We expect leasing company can capture the opportunities offered by the upgrading in manufacturing industry and launching of “Industry 4.0” initiative in China. Leveraging on the Company’s financing platform in Hong Kong and extensive industry experience especially the high-tech manufacturing industries, the Group’s leasing company will seek opportunities in providing financial leasing service in China with a view to generate a new source of revenue from financial leasing and related services. The finance lease operations can also enable us to including through offer a more comprehensive suite of services to customers of our hi-tech distribution and services division and mining consulting division.

Financial Resources, Liquidity and Charges on Assets

As at 30th September 2015, the Group had bank and cash balances of approximately HK\$679,270,000 (31st March 2015: HK\$486,995,000).

As at 30th September 2015, the Group had borrowings of approximately HK\$100,765,000 (31st March 2015: HK\$17,039,000) which all (31st March 2015: all) of the borrowings repayable within one year or on demand and are denominated in Japanese Yen and Hong Kong dollars. The gearing ratio (bank borrowings divided by equity attributable to shareholders of the Company) of the Group was 0.121 as at 30th September 2015, as compared to 0.016 as at 31st March 2015.

Foreign Currency Exposure

The business of the Group was primarily transacted in HK\$, US\$, Yen and Renminbi. The Group’s cash and bank deposits were mainly denominated in HK\$. 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 US\$ and 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 2015, the Group employed 288 staff (as at 30th September 2014: 263). Total staff costs including contribution to retirement benefit schemes incurred during the six months ended 30th September 2015 amounted to approximately HK\$44,557,000 (for the six months ended 30th September 2014: HK\$36,581,000).

Capital commitments

There was no material change in capital commitments since 31st March 2015.

Operating lease commitments

As at 30th September 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30th September 2015 <i>HK\$'000</i> (Unaudited)	As at 31st March 2015 <i>HK\$'000</i> (Audited)
Within one year	7,972	7,993
In the second to fifth years, inclusive	<u>4,094</u>	<u>4,953</u>
	<u><u>12,066</u></u>	<u><u>12,946</u></u>

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

As at 30th September 2015, the Directors and chief executive of the Company and their respective associates had the following interests and short positions in the 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 of the Company

Name of Directors	Capacity	Number of ordinary shares held	Approximate percentage of shareholdings
Ding Yi	Beneficial owner	402,445,296 (1)	21.02%
Zhang Yifan	Family interest	402,445,296 (1)	21.02%

Note:

(1) These shares are beneficially held by Mr. Ding Yi. Accordingly, Ms. Zhang Yifan, being the wife of Mr. Ding Yi, is deemed to be interested in these shares under the SFO.

Save as disclosed above, as at 30th September 2015, 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 2015, so far as is known to the Directors and chief executive of the Company, the following persons (other than the Directors and chief executive of the Company whose interests were disclosed above) had interests or short positions in the shares and/or underlying shares of the Company 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/ Convertible Bondholder	Capacity	Number of ordinary shares held	Number of underlying share held	Approximate percentage of shareholdings <i>(Note b)</i>
Lu Ying	Beneficial owner	569,058,296	240,000,000 <i>(Note a)</i>	42.25%
C.L. Davids Fond og Samling	Beneficial owner	106,178,010	—	5.54%

Notes:

- (a) *These underlying shares arise from the convertible bond (the "Convertible Bond") in the aggregate amount of HK\$60 million which upon full conversion will result in an issuance of 240,000,000 conversion shares at the initial conversion price of HK\$0.25 (subject to adjustment).*
- (b) *The above approximate percentages of shareholdings are based on 1,914,997,244 ordinary shares in issue as at 30th September 2015, not on the total number of issued shares upon full conversion of the Convertible Bond.*

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 2015.

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. As at 30th September 2015, no share options have been granted by the Company pursuant to the 2014 Scheme.

On 31st October 2006, the Company approved a share option scheme (the “Best Creation Scheme”) adopted by Best Creation Investments Limited (“Best Creation”), a wholly-owned subsidiary of the Company, allowing its board of directors to grant options to subscribe for shares in Best Creation to the selected participants under such scheme as incentives or rewards for their contribution to the Best Creation group. The Best Creation Scheme has a life of ten years commencing on the adoption date of 31st October 2006. As at 30th September 2015, no share options have been granted pursuant to the Best Creation Scheme.

COMPETING INTERESTS

As at 30th September 2015, 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 2015.

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 2015, 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 Chairman 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.4.1 stipulates that non-executive directors should be appointed for a specific term. However, Mr. James Tsiolis, a former non-executive Director who was elected by the shareholders at the general meeting of the Company, has not been appointed for a specific term but is subject to retirement by rotation and re-election at annual general meetings in accordance with the bye-laws of the Company. Mr. James Tsiolis resigned as Deputy Chairman and non-executive Director of the Company on 17th July 2015.

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 2015.

DISCLOSURE ON CHANGE OF INFORMATION OF DIRECTOR PURSUANT TO RULE 17.50A(1) OF THE GEM LISTING RULES

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, set out below are the change in details of the directors of the Company since the date of the 2014/15 Annual Report of the Company:

On 26th June 2015, Mr. Joseph Liang Hsien Tse ceased to be an independent non-executive director of China Animal Healthcare Ltd., a company listed on the Main Board of the Stock Exchange with a stock code of 940.

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 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 2015 of the Company now reported on have been reviewed by the audit committee.

On behalf of the Board
North Asia Strategic Holdings Limited
Ding Yi
Chairman and Executive Director

Hong Kong, 5th November 2015

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