

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 2016

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 2016, together with the comparative unaudited figures of the corresponding period in 2015.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30th September		For the three months ended 30th September	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	3	709,591	728,095	397,324	299,476
Cost of sales		<u>(613,831)</u>	<u>(630,866)</u>	<u>(344,357)</u>	<u>(256,434)</u>
Gross profit		95,760	97,229	52,967	43,042
Other income and gains, net		4,336	8,972	772	1,641
Selling and distribution expenses		(49,290)	(48,366)	(27,527)	(22,950)
General and administrative expenses		(42,296)	(64,253)	(22,139)	(42,033)
Impairment on goodwill		<u>—</u>	<u>(237,264)</u>	<u>—</u>	<u>(237,264)</u>
Operating profit/(loss)		8,510	(243,682)	4,073	(257,564)
Fair value loss on derivative component of convertible bond		—	(752)	—	(752)
Finance income	4	2,316	1,438	1,260	740
Finance costs	4	<u>(2,765)</u>	<u>(1,375)</u>	<u>(347)</u>	<u>(526)</u>
Profit/(loss) before income tax		8,061	(244,371)	4,986	(258,102)
Income tax expense	5	<u>(4,213)</u>	<u>(5,856)</u>	<u>(3,541)</u>	<u>(1,777)</u>
Profit/(loss) for the period		<u>3,848</u>	<u>(250,227)</u>	<u>1,445</u>	<u>(259,879)</u>
Earnings/(loss) per share attributable to shareholders of the Company	6				
Basic		<u>0.20</u>	<u>(13.23)</u>	<u>0.07</u>	<u>(13.57)</u>
Diluted		<u>0.20</u>	<u>(13.23)</u>	<u>0.07</u>	<u>(13.57)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30th September		For the three months ended 30th September	
	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)
Profit/(loss) for the period	<u>3,848</u>	<u>(250,227)</u>	<u>1,445</u>	<u>(259,879)</u>
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in the subsequent periods:				
Currency translation differences of foreign operations	<u>(320)</u>	<u>(513)</u>	<u>3</u>	<u>(335)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX OF NIL	<u>(320)</u>	<u>(513)</u>	<u>3</u>	<u>(335)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>3,528</u></u>	<u><u>(250,740)</u></u>	<u><u>1,448</u></u>	<u><u>(260,214)</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30th September 2016	As at 31st March 2016
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	8	12,770	6,828
Intangible assets	9	373,692	373,692
Held-to-maturity investments		23,912	32,241
Trade and other receivables	10	54,400	41,438
		464,774	454,199
Current assets			
Inventories		2,220	5,156
Held-to-maturity investments		46,959	40,102
Trade and other receivables	10	342,075	202,091
Cash and cash equivalents		411,905	592,646
		803,159	839,995
Total assets		1,267,933	1,294,194

		As at 30th September 2016 <i>HK\$'000</i> (Unaudited)	As at 31st March 2016 <i>HK\$'000</i> (Audited)
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	<i>13</i>	19,150	19,150
Reserves		<u>798,710</u>	<u>795,182</u>
Total equity	<i>13</i>	<u>817,860</u>	<u>814,332</u>
LIABILITIES			
Current liabilities			
Derivative component of convertible bond	<i>12</i>	3,673	3,673
Liability component of convertible bond	<i>12</i>	58,800	—
Trade and other payables	<i>11</i>	330,119	376,321
Income tax liabilities		<u>38,774</u>	<u>34,719</u>
		<u>431,366</u>	<u>414,713</u>
Non-current liabilities			
Liability component of convertible bond	<i>12</i>	—	58,155
Deferred tax liabilities		494	494
Deposits received		17,877	5,961
Other non-current liabilities		<u>336</u>	<u>539</u>
		<u>18,707</u>	<u>65,149</u>
Total liabilities		<u>450,073</u>	<u>479,862</u>
Total equity and liabilities		<u>1,267,933</u>	<u>1,294,194</u>
Net current assets		<u>371,793</u>	<u>425,282</u>
Total assets less current liabilities		<u>836,567</u>	<u>879,481</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Unaudited)		
	Attributable to shareholders of the Company		
	Share capital	Reserves	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balances at 1st April 2015	16,150	1,040,195	1,056,345
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 income for the period	—	(250,740)	(250,740)
Issue of shares	3,000	27,168	30,168
Balances at 30th September 2015	<u>19,150</u>	<u>816,623</u>	<u>835,773</u>
Balances at 1st April 2016	<u>19,150</u>	<u>795,182</u>	<u>814,332</u>
Comprehensive income			
Profit for the period	—	3,848	3,848
<i>Other comprehensive income</i>			
Currency translation differences of foreign operations	—	(320)	(320)
Total other comprehensive income	—	(320)	(320)
Total comprehensive income for the period	—	3,528	3,528
Balances at 30th September 2016	<u>19,150</u>	<u>798,710</u>	<u>817,860</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30th September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flows (used in)/from operations	<u>(176,899)</u>	<u>31,051</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(7,952)	(1,978)
Proceeds from disposal of items of property, plant and equipment	658	—
Receipt upon maturity of note receivable	—	47,502
Others	<u>3,788</u>	<u>1,806</u>
Net cash flows (used in)/from investing activities	<u>(3,506)</u>	<u>47,330</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	—	30,168
New bank loans	197,312	153,659
Repayment of bank loans	<u>(199,327)</u>	<u>(69,933)</u>
Net cash flows (used in)/from financing activities	<u>(2,015)</u>	<u>113,894</u>
Increase/(decrease) in cash and cash equivalents	(182,420)	192,275
Cash and cash equivalents at 1st April	592,646	486,995
Effect of foreign exchange rate changes, net	<u>1,679</u>	<u>—</u>
Cash and cash equivalents at 30th September	<u><u>411,905</u></u>	<u><u>679,270</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash at banks and cash on hand	256,122	403,277
Non-pledged time deposits with original maturity of three months or less when acquired	<u>155,783</u>	<u>275,993</u>
Cash and cash equivalents as stated in the unaudited condensed consolidated statement of financial position	<u><u>411,905</u></u>	<u><u>679,270</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:** provisions 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 that of its principal place of business is 18th Floor, Shanghai Commercial Bank Tower, 12 Queen’s Road Central, Hong Kong.

The Company’s ordinary shares are listed on 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 and authorised for issue by the Company’s Board of Directors on 3rd November 2016.

2 BASIS OF PREPARATION

This announcement 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 announcement does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31st March 2016.

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 2016, except for the adoption of the following revised standards and interpretations for the first time for the current period's financial information:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011) <i>Annual Improvements</i> <i>2012-2014 Cycle</i>	<i>Equity Method in Separate Financial Statements</i> 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 REVENUE AND SEGMENT INFORMATION

3.1 Revenue

Revenue 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 30th September		For the three months ended 30th September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Sales of goods	698,373	715,089	390,886	294,449
Commission and other service income	7,946	4,945	4,390	3,793
Consulting fee income	403	8,025	266	1,198
Finance leasing income	2,869	36	1,782	36
	<u>709,591</u>	<u>728,095</u>	<u>397,324</u>	<u>299,476</u>

3.2 Operating segment information

For management purposes, 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 sales 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, held-to-maturity investments and corporate and others.

Capital expenditure comprises additions to property, plant and equipment.

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

	Six months ended 30th September 2016			
	(Unaudited)			
	Hi-tech distribution and services operation <i>HK\$'000</i>	Mining consulting operation <i>HK\$'000</i>	Finance leasing operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue				
— Sales to external customers	<u>706,319</u>	<u>403</u>	<u>2,869</u>	<u>709,591</u>
Segment results	<u>25,213</u>	<u>(3,594)</u>	<u>(1,372)</u>	20,247
Finance income				2,316
Finance costs				(2,765)
Corporate and other unallocated expenses				<u>(11,737)</u>
Profit before income tax				8,061
Income tax expense				<u>(4,213)</u>
Profit for the period				<u>3,848</u>
Capital expenditure on segment assets	1,019	—	4,593	5,612
Corporate and other unallocated capital expenditure				<u>2,340</u>
				<u>7,952</u>
Depreciation on segment assets	841	274	169	1,284
Corporate and other unallocated depreciation				<u>348</u>
				<u>1,632</u>
Gain on disposal of items of property, plant and equipment	264	—	—	<u>264</u>

Six months ended 30th September 2015
(Unaudited)

	Hi-tech distribution and services operation <i>HK\$'000</i>	Mining consulting operation <i>HK\$'000</i>	Finance leasing operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue				
— Sales to external customers	<u>720,034</u>	<u>8,025</u>	<u>36</u>	<u>728,095</u>
Segment results	<u>23,196</u>	<u>(255,047)</u>	<u>(1,249)</u>	(233,100)
Fair value loss on derivative component of convertible bond				(752)
Finance income				1,438
Finance costs				(1,375)
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 on segment assets	1,783	148	15	1,946
Corporate and other unallocated capital expenditure				<u>32</u>
				<u>1,978</u>
Depreciation on segment assets	1,680	489	—	2,169
Corporate and other unallocated depreciation				<u>339</u>
				<u>2,508</u>
Gain on disposal of a subsidiary on segment assets	—	—	—	—
Corporate and other unallocated gain on disposal of a subsidiary, net				<u>1,848</u>
				<u>1,848</u>
Provision for impairment of trade and other receivables	—	(19,994)	—	(19,994)
Loss on disposal of items of property, plant and equipment	(48)	—	—	(48)
Impairment of goodwill	—	(237,682)	—	<u>(237,682)</u>

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

	Hi-tech distribution and services operation <i>HK\$'000</i>	Mining consulting operation <i>HK\$'000</i>	Finance leasing operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30th September 2016 (Unaudited)				
Segment assets	<u><u>603,141</u></u>	<u><u>24,348</u></u>	<u><u>150,311</u></u>	777,800
Unallocated assets:				
Held-to-maturity investments				70,871
Cash and cash equivalents				411,905
Corporate and others				<u>7,357</u>
Total assets per the unaudited condensed consolidated statement of financial position				<u><u>1,267,933</u></u>
	Hi-tech distribution and services operation <i>HK\$'000</i>	Mining consulting operation <i>HK\$'000</i>	Finance leasing operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31st March 2016 (Audited)				
Segment assets	<u><u>516,108</u></u>	<u><u>25,941</u></u>	<u><u>81,185</u></u>	623,234
Unallocated assets:				
Held-to-maturity investments				72,343
Cash and cash equivalents				592,646
Corporate and others				<u>5,971</u>
Total assets per the audited consolidated statement of financial position				<u><u>1,294,194</u></u>

Geographical information

(a) Revenue from external customers

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

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

	For the six months ended 30th September 2016 HK\$'000 (Unaudited)	For the six months ended 30th September 2015 HK\$'000 (Unaudited)
The PRC including Hong Kong	702,435	714,358
Asia – others	7,156	13,737
Total revenue	<u>709,591</u>	<u>728,095</u>

(b) Non-current assets

The non-current assets information is based on the location of assets and excludes 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 2016 HK\$'000 (Unaudited)	As at 31st March 2016 HK\$'000 (Audited)
The PRC including Hong Kong	386,433	421,926
Asia – others	29	32
	<u>386,462</u>	<u>421,958</u>

Information about a major customer

During the six months ended 30th September 2016, revenue of approximately HK\$123,440,000 (2015: HK\$111,711,000) was derived from sales by the hi-tech distribution and services operating segment to a single customer, which accounted for more than 10% of the Group's total revenue.

4 FINANCE INCOME AND COSTS

An analysis of finance income and costs is as follows:

	For the six months ended 30th September		For the three months ended 30th September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Finance income:				
Interest income from bank deposits	671	720	394	381
Interest income from note receivable	—	234	—	117
Interest in discounted amounts arising from the passage of time	—	484	—	242
Interest income from held-to-maturity investments	1,645	—	866	—
	<u>2,316</u>	<u>1,438</u>	<u>1,260</u>	<u>740</u>
Finance costs:				
Interest on bank loans	105	597	94	87
Amortisation of liability component of convertible bond	645	628	324	314
Net foreign exchange losses/ (gains) on financing activities	2,015	150	(71)	125
	<u>2,765</u>	<u>1,375</u>	<u>347</u>	<u>526</u>

5 INCOME TAX EXPENSE

The Company is exempted from taxation in Bermuda until 2035. Hong Kong profits tax has been calculated at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the period.

Subsidiaries established in Mainland China are subject to the Mainland China corporate income tax at the standard rate of 25% (2015: 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 amount of income tax expense recorded in the unaudited condensed consolidated statement of profit or loss represents:

	For the six months ended 30th September		For the three months ended 30th September	
	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)
Current taxation				
Hong Kong profits tax				
— current period	3,536	3,694	3,024	1,598
Mainland China corporate income tax				
— current period	677	124	517	91
Overseas taxation				
— current period	—	1,950	—	—
Deferred taxation	—	88	—	88
	<u>4,213</u>	<u>5,856</u>	<u>3,541</u>	<u>1,777</u>

6 EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

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

The calculation of basic earnings/(loss) per share for the six months and three months ended 30th September 2016 and 2015 are based on:

	For the six months ended 30th September 2016 (Unaudited)	For the three months ended 30th September 2016 (Unaudited)
Profit		
Profit attributable to shareholders of the Company and used in the basic earnings per share calculation (<i>HK\$ '000</i>)	<u><u>3,848</u></u>	<u><u>1,445</u></u>
Shares		
Weighted average number of ordinary shares in issue	<u><u>1,914,997,244</u></u>	<u><u>1,914,997,244</u></u>
	For the six months ended 30th September 2015 (Unaudited)	For the three months ended 30th September 2015 (Unaudited)
Loss		
Loss attributable to shareholders of the Company and used in the basic loss per share calculation (<i>HK\$ '000</i>)	<u><u>(250,227)</u></u>	<u><u>(259,879)</u></u>
Shares		
Weighted average number of ordinary shares in issue	<u><u>1,892,046,424</u></u>	<u><u>1,914,997,244</u></u>

No adjustment has been made to the basic earnings per share amount presented for the six and three months ended 30th September 2016 and 2015 in respect of a dilution as the impact of the convertible bond outstanding had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

7 DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September 2016 (2015: Nil).

8 PROPERTY, PLANT AND EQUIPMENT

HK\$'000
(Unaudited)

At 1st April 2016	6,828
Additions	7,952
Disposals	(394)
Depreciation	(1,632)
Exchange realignments	16
	12,770
At 30th September 2016	12,770
At 1st April 2015	8,468
Additions	1,978
Disposals	(516)
Depreciation	(2,508)
Exchange realignments	(13)
	7,409
At 30th September 2015	7,409

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 2016 <i>HK\$'000</i> (Unaudited)	As at 31st March 2016 <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	(243,593)	(243,593)
	373,692	373,692
	373,692	373,692

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, the Group's mining consulting division perceives increasing financial constraints in terms of availability of exploration funding to, and willingness to commit to substantiate capital investment by, the Group existing and potential customers in their capital expenditure program budget for new exploration. This has led to increasing difficulty in collection of payments and in securing commercially acceptable terms for the continuation of further works for existing projects and new contracts closing.

The deterioration in market conditions coincided with the most unexpected resignation of Mr. Jacky Chan Sik Lap ("Mr. Chan"), founder and CEO of Dragon Mining Overseas Limited and its subsidiaries (the "Dragon Group"), as announced by the Company on 8th September 2015. Shortly after Mr. Chan's departure, a few other senior members of the Dragon Group also resigned. Due to these circumstances surrounding the Dragon Group, the Group had reviewed the performance and operations of the mining consulting operation cash-generating unit and in the annual impairment testing, reassessed the recoverable amount of the Group.

Based on the value in use calculation prepared by an independent consultant, the recoverable amount of this cash-generating unit of nil as at 31st March 2016 was lower than the then carrying amount of the cash-generating unit, principally the goodwill, and accordingly a total impairment loss of HK\$243,593,000 was charged to the statement of profit or loss for the year ended 31st March 2016.

10 TRADE AND OTHER RECEIVABLES

	As at 30th September 2016 <i>HK\$'000</i> (Unaudited)	As at 31st March 2016 <i>HK\$'000</i> (Audited)
Trade and bills receivables	242,260	148,561
<i>Less: Impairment of trade receivables</i>	<u>(19,189)</u>	<u>(19,189)</u>
Trade and bills receivables, net [#] (<i>note (a)</i>)	<u>223,071</u>	<u>129,372</u>
Finance lease receivables, net	112,794	71,032
<i>Less: non-current portion*</i>	<u>(51,664)</u>	<u>(38,545)</u>
Finance lease receivables, net [#] (<i>note (b)</i>)	<u>61,130</u>	<u>32,487</u>
Prepayments	33,367	12,033
Rental and other deposits	7,395	4,770
Other receivables	20,610	27,084
<i>Less: Impairment of other receivables</i>	<u>(762)</u>	<u>(762)</u>
	60,610	43,125
<i>Less: non-current portion*</i>	<u>(2,736)</u>	<u>(2,893)</u>
Prepayments, deposits and other receivables, net [#]	<u>57,874</u>	<u>40,232</u>
[#] Total trade and other receivables, current portion	<u><u>342,075</u></u>	<u><u>202,091</u></u>
[*] Total trade and other receivables, non-current portion	<u><u>54,400</u></u>	<u><u>41,438</u></u>

(a) Trade and bills receivables, net

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

	As at 30th September 2016 HK\$'000 (Unaudited)	As at 31st March 2016 HK\$'000 (Audited)
90 days or less	161,352	109,725
91 to 180 days	46,445	9,527
181 to 270 days	13,273	10,063
271 to 365 days	1,950	6
Over 365 days	51	51
	<u>223,071</u>	<u>129,372</u>

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

(b) Finance lease receivables, net

	As at 30th September 2016 HK\$'000 (Unaudited)	As at 31st March 2016 HK\$'000 (Audited)
Gross investment in finance leases	120,625	76,907
Less: unearned finance lease income	<u>(7,831)</u>	<u>(5,875)</u>
Present value of minimum lease amounts receivables	112,794	71,032
Less: accumulated allowance for impairment (note (i))	<u>—</u>	<u>—</u>
	112,794	71,032
Less: current portion	<u>(61,130)</u>	<u>(32,487)</u>
	<u>51,664</u>	<u>38,545</u>

Note:

- (i) The directors are of the view that the credit risk inherent in the Group's outstanding finance lease receivables balances due from third party customers is low. The Group has not encountered any default in the collection of the scheduled payments of finance lease receivables. No impairment allowance was made for the finance lease receivables as at 30th September 2016 (31st March 2016: Nil).

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

	Gross amounts		Present values	
	As at 30th September 2016 HK\$'000 (Unaudited)	As at 31st March 2016 HK\$'000 (Audited)	As at 30th September 2016 HK\$'000 (Unaudited)	As at 31st March 2016 HK\$'000 (Audited)
Within 1 year	66,972	36,424	61,129	32,487
In the second year	47,972	32,691	46,115	31,005
After 2 years	5,681	7,792	5,550	7,540
	<u>120,625</u>	<u>76,907</u>	<u>112,794</u>	<u>71,032</u>

The carrying amounts of the Group's finance lease receivables are denominated in US dollars ("US\$").

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

11 TRADE AND OTHER PAYABLES

	As at 30th September 2016 HK\$'000 (Unaudited)	As at 31st March 2016 HK\$'000 (Audited)
Trade and bills payables	242,043	291,023
Accrual for operating expenses	54,044	57,132
Receipts in advance	15,808	11,402
Deposit received	261	1,853
Other payables	17,963	14,911
	<u>330,119</u>	<u>376,321</u>

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

	As at 30th September 2016 <i>HK\$'000</i> (Unaudited)	As at 31st March 2016 <i>HK\$'000</i> (Audited)
90 days or less	232,234	175,608
91 to 180 days	4,548	7,521
181 to 270 days	2,165	2,316
271 to 365 days	1,734	104,224
Over 365 days	1,362	1,354
	<u>242,043</u>	<u>291,023</u>

12 CONVERTIBLE BOND

	As at 30th September 2016 <i>HK\$'000</i> (Unaudited)	As at 31st March 2016 <i>HK\$'000</i> (Audited)
Liability component of convertible bond	<u>58,800</u>	<u>58,155</u>
Derivative component of convertible bond	<u>3,673</u>	<u>3,673</u>

On 20th August 2014, the Company issued convertible bond in the principal amount of HK\$60,000,000 to Million Land Limited, for the partial settlement of the acquisition of the entire equity interests in Dragon Mining Overseas Limited and its subsidiaries (the “Dragon Group”). 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 2016, no convertible bond was converted and the outstanding principal amount of the convertible bond was 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 2016	58,155	3,673	61,828
Amortisation of liability component of convertible bond	645	—	645
At 30th September 2016	58,800	3,673	62,473
	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	57,509	3,220	60,729

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 2016	19,150	1,155,915	(360,733)	814,332
Profit for the period	—	—	3,848	3,848
Currency translation differences of foreign operations	—	(320)	—	(320)
Total comprehensive income for the period	—	(320)	3,848	3,528
Balances at 30th September 2016	<u>19,150</u>	<u>1,155,595</u>	<u>(356,885)</u>	<u>817,860</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 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>

Note:

- (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.

14 RELATED PARTY TRANSACTIONS

Key management compensation of the Group

	For the six months ended 30th September 2016 <i>HK\$'000</i> (Unaudited)	For the six months ended 30th September 2015 <i>HK\$'000</i> (Unaudited)
Salaries, allowances and bonuses	5,134	8,259
Retirement benefits — defined contribution scheme	27	45
	<u>5,161</u>	<u>8,304</u>

15 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amount that reasonably approximate to their fair values, are as follows:

	Carrying amounts		Fair values	
	As at 30th September 2016 <i>HK\$'000</i> (Unaudited)	As at 31st March 2016 <i>HK\$'000</i> (Audited)	As at 30th September 2016 <i>HK\$'000</i> (Unaudited)	As at 31st March 2016 <i>HK\$'000</i> (Audited)
Financial assets				
Held-to-maturity investments	70,871	72,343	71,042	72,239
Trade and other receivables	396,475	243,529	396,475	243,529
	<u>467,346</u>	<u>315,872</u>	<u>467,517</u>	<u>315,768</u>
Financial liabilities				
Liability component of convertible bond	58,800	58,155	49,021	49,021
Derivative component of convertible bond	3,673	3,673	3,673	3,673
	<u>62,473</u>	<u>61,828</u>	<u>52,694</u>	<u>52,694</u>

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

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

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

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

The fair values of held-to-maturity investments are based on quoted market prices.

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 liability component of convertible bond, i.e., present value of the liability component of convertible bond. 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 (31st March 2016: Level 3) of the fair value measurement as at 30th September 2016.

Below is a summary of significant unobservable inputs to the valuation of the convertible bond:

	Valuation technique	Significant unobservable input	30th September 2016 %	31st March 2016 %	Sensitivity of the input to fair value
Convertible bond	Trinomial option pricing model	Risky discount rate	15.72	15.72	0.5% increase/(decrease) in discount rate would result in decrease/(increase) in fair value by HK\$25,000 (31st March 2016: HK\$25,000)

The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the statements of financial position, and the related changes in fair values, which are recorded in the statement of profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

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

The Group did not have any financial assets measured at fair value as at 30th September 2016 and 31st March 2016.

Liabilities measured at fair value:

As at 30th September 2016 (Unaudited)

	Quoted prices in markets (Level 1) <i>HK\$'000</i>	Fair value measurement using		
		Significant observable input (Level 2) <i>HK\$'000</i>	Significant unobservable input (Level 3) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Derivative component of convertible bond	<u>—</u>	<u>—</u>	<u>3,673</u>	<u>3,673</u>

As at 31st March 2016 (Audited)

	Quoted prices in markets (Level 1) <i>HK\$'000</i>	Fair value measurement using		
		Significant observable input (Level 2) <i>HK\$'000</i>	Significant unobservable input (Level 3) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Derivative component of convertible bond	<u>—</u>	<u>—</u>	<u>3,673</u>	<u>3,673</u>

The movements in fair value measurements in Level 3 during the period are as follows:

	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)
Derivative components of convertible bonds:		
At 1st April	3,673	2,468
Fair value loss recognised in the statement of profit or loss	<u>—</u>	<u>752</u>
At 30th September	<u>3,673</u>	<u>3,220</u>

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2015: Nil).

BUSINESS REVIEW

Financial and Business Performance

During the six months ended 30th September 2016 (the “2016 Interim Period”), the Group recorded an unaudited consolidated revenue of approximately HK\$709,591,000, slightly decreased by 2.5% from approximately HK\$728,095,000 in the corresponding period last year.

The Group recorded an unaudited consolidated net profit of approximately HK\$3,848,000 during the 2016 Interim Period, as compared to an unaudited consolidated net loss of approximately HK\$250,227,000 in the corresponding period last year, which was mainly due to an impairment of goodwill of approximately HK\$237,264,000 and provision of accounts receivables of HK\$19,994,000 from the mining consulting division in the corresponding period last year.

During the 2016 Interim Period, the Group’s operating expenditures amounted to approximately HK\$91,586,000, representing a decrease of 18.7% from approximately HK\$112,619,000 in the corresponding period last year. The decrease was mainly because the mining consulting division’s operation cost was further scaled down following the suspension of its mining projects. Furthermore, staff commission incurred by our Hi-tech distribution and services division was reduced by approximately HK\$3,806,000 from the corresponding period last year, which was in line with the decrease in revenue.

The unaudited basic earnings per share in the 2016 Interim Period was approximately HK0.20 cents contrary to an unaudited basic loss per share of HK13.23 cents in the corresponding period last year. At 30th September 2016, the unaudited consolidated net asset value of the Company per ordinary share was approximately HK\$0.43, which was similar to approximately HK\$0.43 as at 30th June 2016.

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

Hi-Tech Distribution and Services Division

The Group conducts its Hi-tech distribution and services business through its wholly-owned subsidiary, American Tec Company Limited (“American Tec”). American Tec is a leader in Asia in the business of distribution, sales and service of SMT equipment, semiconductor manufacturing equipment and software on manufacturing control, with a history of more than 30 years serving its customers in the hi-technology sector. American Tec’s team of more than 270 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 2016 Interim Period, the unaudited revenue of the division was approximately HK\$706,319,000, representing a decrease of about 1.9% from approximately HK\$720,034,000 in the corresponding period last year. The decrease in revenue was mainly due to two major orders secured during the corresponding period last year that resulted in significant increase in revenue and the saturation and consolidation of mobile phone manufacturing activities which had negatively impacted the division’s revenue during the 2016 Interim Period. However, the division has strived to win new projects from major customers and develop new customers so that the division’s revenue was only slightly decreased.

During the 2016 Interim Period, the division’s direct machine sales were approximately HK\$659,406,000, slightly decreased by 0.7% from approximately HK\$663,848,000 in the corresponding period last year, mainly due to a slowdown of the electronics manufacturing market and more cautious investment in the mobile phone manufacturing sector as demand flattens out. As a result of continuous growing of orders from our software solutions and the progressive deployment and delivery of the software projects, the software sales had achieved a growth of 1.9% from corresponding period last year’s approximately HK\$8,433,000 to approximately HK\$8,596,000 in the 2016 Interim Period. However, our spare parts sales was approximately HK\$30,371,000, representing a decrease of 29% from approximately HK\$42,808,000 in the corresponding period last year. Other service income and commission was approximately HK\$7,946,000, represented an increase of 60.7% from HK\$4,945,000, which was mainly due to the effort put into our service team that transformed it to a profit centre providing after sales service not only to our direct machine customers but also other customers that require this type of service.

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\$19,220,000 for the 2016 Interim Period, which was similar to approximately HK\$18,685,000 in the corresponding period of last year.

Financial Leasing Division

The Group conducts its financial leasing business through its wholly-owned subsidiary, North Asia Financial Leasing (Shanghai) Co., Ltd. (“NAFL”) in China (Shanghai) Pilot Free Trade Zone. The division commenced its financial leasing business from the mid of July 2015. The aggregate principal amount of finance lease loans as at 30th September 2016 was approximately HK\$112,794,000. NAFL mainly provides finance lease to customers of the Group’s Hi-tech Distribution and Services Division and a project involving the computer numerical control (“CNC”) machinery. During the 2016 Interim Period, the division generated a revenue from finance lease interest income of approximately HK\$2,869,000 and recorded a net loss of HK\$1,269,000.

Mining Consulting Division

The Group conducts its mining consulting business through its wholly-owned subsidiary, Dragon Mining Consulting Limited (“the Dragon Group”). The Dragon Group is principally engaged in providing mining technical services and valuation advisory services for mining projects in various stages. The Dragon Group’s mining technical services includes operation management, exploration management, geological and technical field services, exploration auditing, resource modelling and estimation, and other related technical services. During the 2016 Interim Period, the unaudited revenue of the division was significantly decreased by 95% to approximately HK\$403,000 from an unaudited revenue approximately HK\$8,025,000 in the corresponding period last year. The significant decrease in revenue was mainly because following the termination of a gold exploration management project in Kazakhstan and a copper-gold polymetallic project in Indonesia last year, the division had only revenue from valuation advisory services and Environmental Social and Governance (“ESG”) reporting services. The division incurred an unaudited net loss of approximately HK\$3,594,000 during the 2016 Interim Period, as compared to an unaudited net loss of approximately HK\$19,728,000 in the corresponding period last year.

Corporate Development

On 5th April 2016, the Company announced that it has been informed by Mr. Ding Yi (“Mr. Ding”), a former Director and substantial shareholder of the Company, and Ms. Lu Ying (“Ms. Lu”), a substantial shareholder of the Company, that after Mr. Ding had resigned the Company’s as executive Director and Chairman on 31st March 2016, Mr. Ding sold 400,000,000 ordinary shares in the Company to Ms. Lu for a cash consideration of HK\$30,000,000, at HK\$0.075 per Share (the “Transaction”). Immediately after the completion of the Transaction, Ms. Lu held 969,058,296 Shares, or approximately 50.6% in the total number of Shares in issue. As a result of the Transaction, Ms. Lu had increased her voting rights in the Company to more than 30% and it had triggered an obligation by Ms. Lu to make an unconditional mandatory cash offer (the “Offer”) under Rule 26 of The Codes on Takeovers and Mergers and Share Repurchases for all the ordinary shares of the Company. Details of the Transaction and the Offer are disclosed in the Company’s announcement dated 5th April 2016, joint announcement dated 18th April 2016 and the Company’s composite document dated 20th May 2016. On 10th June 2016, the Company announced that immediately after

the close of the Offer and taking into account the valid acceptances in respect of 47,818,132 ordinary shares of the Company, Ms. Lu and parties acting in concert with her were interested in an aggregate of 1,016,876,428 shares, representing approximately 53.1% of the total number of ordinary shares of the Company in issue.

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 a 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 fully utilised the amount of the net proceeds in staff costs, rental and other office expenses during the 2016 Interim Period.

OUTLOOK

Overall Summary

Market environment for the forthcoming quarter is expected to remain challenging for all business divisions of the Group. However, the management is confident in the prospects of the Hi-tech Distribution and Services Division with the launch of “Industry 4.0” initiative, coupled with the advocacy of the Chinese government in the “Smart Manufacturing 2025” project. 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

Electronics production has been well below average for at least the last two years. This is a result of decelerating growth in consumer spending on electronics. With the leading indicators getting ready to peak or slowing down already, electronics production is likely to see even slower growth in 2016. On a brighter note, China’s manufacturing purchasing managers index (PMI) has seen consecutive growth in the past three months and continued to stay above 50, indicating that manufacturing production kept stable growth. Worldwide smartphone shipments are expected to reach 1.46 billion units with a year-over-year growth rate of 1.6% in 2016 according to the latest forecast from the International Data Corporation (IDC). However, the China-based smartphone vendors have become more conservative about placing orders for parts and components due to their inventory levels continue building up in the domestic and overseas markets as they have been striving to maintain market share under fierce competition.

Furthermore, the decline of the worldwide tablet market is set to continue for the remainder of 2016 as year-over-year growth reaches an all-time low of -11.5% and shipments of 183.4 million units. Also, the PC market is expected to exhibit an 8% decline in 2016, as the installed base bottoms out and replacement cycle extensions halt. On the upside, global growth in the number of “things” connected to the Internet continues to significantly outpace the addition of human users to the World Wide Web. New connections to the “Internet of Things” are now increasing by more than 6 times the number of people being added to the “Internet of Humans” each year.

With the increasing awareness by the industry to move from traditional manufacturing to smart/intelligent production, we will continue to invest and expedite our automation and software offerings. We will also strive to work closer with our existing partners and the development of new partners to come up with more competitive and innovative solutions. At the same time, we will continue to invest in our service and support infrastructure and systems so as to attain total customer satisfaction and customer retention as well as improved operational efficiency.

Finance Lease Division

We expect our 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 finance lease division will continue to seek opportunities to provide financial leasing service in China with a view to generate a new source of revenue from financial leasing and related services. The finance lease division can also offer finance lease options to customers of our Hi-tech Distribution and Services Division to suit their financial needs.

LIQUIDITY AND FINANCIAL RESOURCES

During the 2016 Interim Period, the Group generally finance its operation with internally generated resources and banking facilities provided by its principal bankers in Hong Kong. As at 30th September 2016, the Group had no floating interest bank borrowings (31st March 2016: Nil). At 30th September 2016, the Group had held-to-maturity investments in corporate bonds at amortised cost of approximately HK\$70,871,000 (31st March 2016: HK\$72,343,000), which provide a stable investment return. All held-to-maturity investments held were denominated in United States dollars with maturity dates within 2 years from the end of the 2016 Interim Period. At 30th September 2016, the gearing ratio of the Group, which was calculated as total liabilities over the total assets was 36.9%, as compared to 37.1% as at 31st March 2016.

CONTINGENT LIABILITIES

As at 30th September 2016, the guarantees given by the Group to certain banks in respect of performance bonds and bid bonds in favour of certain contract customers amounted to HK\$3,593,000 (31st March 2016: HK\$2,118,000).

Foreign Currency Exposure

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

Employee Information

As at 30th September 2016, the Group employed 298 staff (as at 30th September 2015: 288). Total staff costs including contribution to retirement benefit schemes incurred during the six months ended 30th September 2016 amounted to approximately HK\$41,055,000 (for the six months ended 30th September 2015: HK\$44,557,000).

Capital commitments

There was no material capital commitments as at 30th September 2016.

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

As at 30th September 2016, 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 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 securities transactions by Directors.

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

As at 30th September 2016, 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) 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 Shareholders/ 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	1,016,876,428	240,000,000 <i>(Note a)</i>	53.1%
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 2016, 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) 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 2016.

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 2016, 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 2016, no share options have been granted pursuant to the Best Creation Scheme. The Best Creation Scheme has expired on 31st October 2016.

COMPETING INTERESTS

As at 30th September 2016, 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 2016.

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 2016, acting in compliance with the Code.

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

Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors, as equal board members, should attend general meetings of the Company and develop a balanced understanding of the views of shareholders. Mr. Kenneth Kon Hiu King, an Independent Non-executive Director, was unable to attend the annual general meeting of the Company held on 6th September 2016 due to other important engagement at the relevant time. However, Chairlady of the Board and the chairmen of all the other Board committees attended the said annual general meeting.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the Required Standard throughout the six months ended 30th September 2016.

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 2016 of the Company now reported on have been reviewed by the audit committee.

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

Hong Kong, 3rd November 2016

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

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