

NORTH ASIA STRATEGIC HOLDINGS LIMITED

北亞策略控股有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 8080)

THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31ST DECEMBER 2016

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

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

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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 nine months and three months ended 31st December 2016, together with the comparative unaudited figures of the corresponding periods in 2015.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the nine months ended		For the three months ended	
		31st December		31st December	
		2016	2015	2016	2015
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
			(Restated)		(Restated)
Continuing operations					
Revenue	3	995,489	999,822	286,300	279,752
Cost of sales		<u>(856,664)</u>	<u>(863,347)</u>	<u>(243,025)</u>	<u>(234,288)</u>
Gross profit		138,825	136,475	43,275	45,464
Other income and gains, net		4,303	7,553	2	3,665
Selling and distribution expenses		(71,199)	(71,972)	(21,909)	(23,606)
General and administrative expenses		<u>(62,558)</u>	<u>(58,098)</u>	<u>(24,051)</u>	<u>(22,916)</u>
Operating profit/(loss)		9,371	13,958	(2,683)	2,607
Fair value loss on derivative component of convertible bond		—	(752)	—	—
Finance income	4	4,266	1,797	1,950	359
Finance costs	4	<u>(1,113)</u>	<u>(1,928)</u>	<u>1,652</u>	<u>(553)</u>
Profit before income tax from continuing operations		12,524	13,075	919	2,413
Income tax expense	5	<u>(5,239)</u>	<u>(6,097)</u>	<u>(1,026)</u>	<u>(2,191)</u>
Profit/(loss) for the period from continuing operations		7,285	6,978	(107)	222

		For the nine months ended 31st December		For the three months ended 31st December	
		2016	2015	2016	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
			(Restated)		(Restated)
Discontinued operation					
Loss for the period from a discontinued operation	9	<u>(4,136)</u>	<u>(262,990)</u>	<u>(592)</u>	<u>(6,007)</u>
Profit/(loss) for the period		<u>3,149</u>	<u>(256,012)</u>	<u>(699)</u>	<u>(5,785)</u>
Earnings/(loss) per share attributable to shareholders of the Company	6				
Basic and diluted					
— For profit/(loss) for the period (<i>HK cents</i>)		<u>0.16</u>	<u>(13.48)</u>	<u>(0.04)</u>	<u>(0.30)</u>
— For profit/(loss) for the period from continuing operations (<i>HK cents</i>)		<u>0.38</u>	<u>0.37</u>	<u>(0.01)</u>	<u>0.01</u>

Details of the dividends are disclosed in note 7 to this announcement.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the nine months ended 31st December		For the three months ended 31st December	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) for the period	<u>3,149</u>	<u>(256,012)</u>	<u>(699)</u>	<u>(5,785)</u>
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Currency translation differences of foreign operations	<u>(2,115)</u>	<u>(662)</u>	<u>(1,795)</u>	<u>(149)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX OF NIL	<u>(2,115)</u>	<u>(662)</u>	<u>(1,795)</u>	<u>(149)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>1,034</u></u>	<u><u>(256,674)</u></u>	<u><u>(2,494)</u></u>	<u><u>(5,934)</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 (discontinued on 4th November 2016);
- **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 9th February 2017.

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 new and 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>
HKFRS 14	<i>Regulatory Deferral Accounts</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>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</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

Revenue from continuing operations represents sales of goods, commission and other service income and finance leasing income. The amounts of each category of revenue recognised from continuing operations during the period are as follows:

	For the nine months ended 31st December		For the three months ended 31st December	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited) (Restated)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited) (Restated)
Sales of goods	976,941	990,733	278,567	275,644
Commission and other service income	13,228	8,848	5,282	3,903
Finance leasing income	5,320	241	2,451	205
	<u>995,489</u>	<u>999,822</u>	<u>286,300</u>	<u>279,752</u>

4 FINANCE INCOME AND COSTS

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

	For the nine months ended 31st December		For the three months ended 31st December	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Finance income:				
Interest income from bank deposits	1,038	1,079	367	359
Interest income from note receivable	—	234	—	—
Interest in discounted amounts arising from the passage of time	—	484	—	—
Interest income from held-to-maturity investments	2,764	—	1,119	—
Net foreign exchange gains on financing activities	464	—	464	—
	<u>4,266</u>	<u>1,797</u>	<u>1,950</u>	<u>359</u>
Finance costs:				
Interest on bank loans	141	822	37	225
Amortisation of liability component of convertible bond	972	953	326	325
Net foreign exchange losses/(gains) on financing activities	—	153	(2,015)	3
	<u>1,113</u>	<u>1,928</u>	<u>(1,652)</u>	<u>553</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%).

The amount of income tax expense from continuing operations recorded in the unaudited condensed consolidated statement of profit or loss represents:

	For the nine months ended 31st December		For the three months ended 31st December	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
Current taxation				
Hong Kong profits tax				
— current period	3,902	5,784	366	2,090
Mainland China corporate income tax				
— current period	1,337	225	660	101
Deferred taxation	—	88	—	—
	<u>5,239</u>	<u>6,097</u>	<u>1,026</u>	<u>2,191</u>

6 EARNINGS/(LOSS) PER SHARE

Basic 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.

	For the nine months ended 31st December					
	2016			2015		
	Continuing operations	Discontinued operation	Total	Continuing operations	Discontinued operation	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited) (Restated)	(Unaudited) (Restated)	(Unaudited) (Restated)
Profit/(loss) attributable to shareholders of the Company (HK\$'000)	<u>7,285</u>	<u>(4,136)</u>	<u>3,149</u>	<u>6,978</u>	<u>(262,990)</u>	<u>(256,012)</u>
Weighted average number of ordinary shares in issue	<u>1,914,997,244</u>	<u>1,914,997,244</u>	<u>1,914,997,244</u>	<u>1,899,724,517</u>	<u>1,899,724,517</u>	<u>1,899,724,517</u>
Basic earnings/(loss) per share (HK cents)	<u>0.38</u>	<u>(0.22)</u>	<u>0.16</u>	<u>0.37</u>	<u>(13.85)</u>	<u>(13.48)</u>

	For the three months ended 31st December					
	2016			2015		
	Continuing operations (Unaudited)	Discontinued operation (Unaudited)	Total (Unaudited)	Continuing operations (Unaudited) (Restated)	Discontinued operation (Unaudited) (Restated)	Total (Unaudited) (Restated)
Profit/(loss) attributable to shareholders of the Company (HK\$'000)	<u>(107)</u>	<u>(592)</u>	<u>(699)</u>	<u>222</u>	<u>(6,007)</u>	<u>(5,785)</u>
Weighted average number of ordinary shares in issue	<u>1,914,997,244</u>	<u>1,914,997,244</u>	<u>1,914,997,244</u>	<u>1,914,997,224</u>	<u>1,914,997,224</u>	<u>1,914,997,224</u>
Basic earnings/(loss) per share (HK cents)	<u>(0.01)</u>	<u>(0.03)</u>	<u>(0.04)</u>	<u>0.01</u>	<u>(0.31)</u>	<u>(0.30)</u>

Diluted earnings/(loss) per share

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the nine months and three months ended 31st December 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 per share amounts presented.

7 DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the nine months ended 31st December 2016 (2015: Nil).

8 EQUITY

Movements in equity are as follows:

	Share capital HK\$'000	(Unaudited) Other reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balances at 1st April 2016	19,150	1,155,915	(360,733)	814,332
Profit for the period	—	—	3,149	3,149
Currency translation differences of foreign operations	—	(3,504)	—	(3,504)
Total comprehensive income for the period	—	(3,504)	3,149	(355)
Balances at 31st December 2016	<u>19,150</u>	<u>1,152,411</u>	<u>(357,584)</u>	<u>813,977</u>

		(Unaudited)		
	Share capital HK\$ '000	Other reserves HK\$ '000	Accumulated losses HK\$ '000	Total HK\$ '000
Balances at 1st April 2015	16,150	1,129,598	(89,403)	1,056,345
Loss for the period	—	—	(256,012)	(256,012)
Currency translation differences of foreign operations	—	(662)	—	(662)
Total comprehensive income for the period	—	(662)	(256,012)	(256,674)
Issue of shares (<i>note i</i>)	3,000	27,168	—	30,168
Balances at 31st December 2015	<u>19,150</u>	<u>1,156,104</u>	<u>(345,415)</u>	<u>829,839</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.

9 DISCONTINUED OPERATION

On 4th November 2016, the Company entered into a sale and purchase agreement to dispose of its entire interests in Dragon Group and assignment of loan to Mr. Leung Kar Fai, a director of a subsidiary of Dragon Mining Overseas Limited, who was not a connected person of the Company as defined under the GEM Listing Rules. The consideration was at HK\$1. Dragon Group was engaging in provision of advisory services in mining exploration, exploitation and valuation services for mergers and acquisitions projects.

Upon the disposal of Dragon Group on 4th November 2016, the results from Dragon Group will no longer be included in the Group's results subsequent to the completion of the disposal.

The unaudited consolidated results of Dragon Group up to the date of disposal are set out as below:

	For the nine months ended 31st December		For the three months ended 31st December	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Note	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	450	8,025	47	—
Cost of sales	(207)	(1,807)	(15)	—
Gross profit from the discontinued operation	243	6,218	32	—
Other income and gains, net	35	5,150	—	66
General and administrative expenses	(4,567)	(35,144)	(777)	(6,073)
Impairment on goodwill	10 —	(237,264)	—	—
Operating loss from the discontinued operation	(4,289)	(261,040)	(745)	(6,007)
Finance income	—	—	—	—
Loss before income tax from the discontinued operation	(4,289)	(261,040)	(745)	(6,007)
Income tax expense	—	(1,950)	—	—
Loss after tax	(4,289)	(262,990)	(745)	(6,007)
Gain on disposal of the discontinued operation	153	—	153	—
Loss for the period from the discontinued operation	<u>(4,136)</u>	<u>(262,990)</u>	<u>(592)</u>	<u>(6,007)</u>

10 IMPAIRMENT OF GOODWILL

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units identified according to operating segments.

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, 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 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.

11 COMPARATIVE AMOUNTS

The comparative unaudited condensed statement of profit or loss has been re-presented as if the operation discontinued during the period had been discontinued at the beginning of the comparative period (note 9).

BUSINESS REVIEW

Financial and Business Performance

For the nine-months ended 31st December 2016 (the "9-month Period"), the Group recorded an unaudited consolidated revenue from continuing operations of approximately HK\$995,489,000, slightly decreased by 0.4% from approximately HK\$999,822,000 (restated) in the corresponding period last year. The Group recorded an unaudited consolidated net profit of approximately HK\$3,149,000 during the 9-month Period, as compared to an unaudited consolidated net loss of approximately HK\$256,012,000, which comprised an impairment of goodwill of approximately HK\$237,264,000 from the mining consulting division, in the corresponding period last year. During the 9-month Period, the Group disposed of its mining consulting division on 4th November 2016 and it was deconsolidated thereafter. Up to the date of disposal, the Group recorded an unaudited net loss of approximately HK\$4,136,000 from the mining consulting division. During the 9-month Period, the Group's operating expenditures from continuing operations amounted to approximately HK\$133,757,000 which was slightly higher than HK\$130,070,000 (restated) in the corresponding period last year.

The unaudited basic earnings per share for the 9-month Period was approximately HK0.16 cents contrary to an unaudited basic loss per share of HK13.48 cents in the corresponding period last year. At 31st December 2016, the unaudited consolidated net asset value of the Company per ordinary share was approximately HK\$0.42, which was similar to approximately HK\$0.43 as at 30th September 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 9-month Period, the unaudited revenue of the division was approximately HK\$990,169,000, representing a decrease of about 0.9% from approximately HK\$999,581,000 in the corresponding period last year and an unaudited net profit of approximately HK\$23,503,000 for the 9-month Period, representing a decrease of 13.3% from approximately HK\$27,104,000 in the corresponding period of last year. The decrease in revenue was mainly due to lacking of repeated orders from key accounts that mainly representing two major orders secured during the corresponding period last year. However, the management of American Tec has managed to maintain strong revenue performance which was largely supported by continued strong demand from smart phone manufacturing activities as well as growth in the LED production. The success by local smart phone manufacturers to win market share from leading players such as Apple and Samsung had also benefited our business as they had to expand their capacity. The division was also able to maintain the momentum with regard to new customer development and new product sales which also contributed to the overall results obtained.

During the 9-month Period, the division’s direct machine sales were approximately HK\$920,804,000, which was slightly increased from approximately HK\$917,847,000 in the corresponding period last year. However, the software sales was decreased by 22.5% from corresponding period last year of approximately HK\$15,129,000 to approximately HK\$11,729,000 in this 9-month Period. It was because of the spike in software sales last year with a mega order from a key customer where major part of revenue from software license sales. Also, the spare parts sales was approximately

HK\$44,407,000, representing a decrease of 23.1% from approximately HK\$57,757,000 in the corresponding period last year. Other service income and commission was approximately HK\$13,228,000, representing an increase of 49.5% from HK\$8,848,000 in the corresponding period last year. Such increase 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.

During the third quarter, the unaudited revenue of the division was approximately HK\$283,849,000, representing an increase of 1.5% from approximately HK\$279,547,000 in the corresponding period last year and the unaudited net profit of the division was approximately HK\$3,946,000, representing a decrease of 53.1% from approximately HK\$8,419,000 in the corresponding period last year. The decrease in unaudited net profit during the quarter was mainly due to the exchange loss arising from significant devaluation of Japanese Yen.

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 31st December 2016 was approximately HK\$131,024,000 representing an increase of 338.2% from approximately HK\$29,900,000 at 31st December 2015. NAFL mainly provides finance lease to customers of the Group’s Hi-tech Distribution and Services Division and projects involving the computer numerical control (“CNC”) machinery.

During the 9-month Period, the division generated a revenue from finance lease interest income of approximately HK\$5,320,000, representing an increase of 2,107.5% from corresponding period of last year’s HK\$241,000 and recorded an unaudited net loss of approximately HK\$586,000 representing a decrease of 0.2% from corresponding period of last year’s HK\$587,000.

During the third quarter, the division recorded an unaudited revenue from finance lease interest income of approximately HK\$2,451,000 representing an increase of 1,096.1% from HK\$205,000 in the corresponding period last year and recorded an unaudited net profit of approximately HK\$683,000, as compared to an unaudited net loss of HK\$398,000 in the corresponding period last year.

Significant increase in revenue in both the 9-month Period and the third quarter as compared to respective same period last year was due to significant increase in finance lease loan to customers since the commencement of operation of this division till the end of the 9-month Period. The amount of finance lease loan outstanding at 31st December 2016 was approximately HK\$131,024,000, which was increase by 338.2% from approximately HK\$29,900,000 at 31st December 2015.

Corporate Development

General offer by a substantial shareholder

On 5th April 2016, the Company announced that it had 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 as the Company’s 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.

Discontinued operation – Mining consulting division

The Group completed the disposal of mining consulting division on 4th November 2016 and recognised a disposal gain of HK\$153,000 and the mining consulting division was deconsolidated thereafter. Apart from the gain on disposal, the Group had recorded an unaudited net loss of approximately HK\$4,136,000 from mining consulting business up to the date of disposal during the 9-month period.

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 9-month 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 both the Hi-tech Distribution and Services Division and Finance Lease 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

The year of 2016 was ended with some positive data. The Global Purchasing Managers Index (“PMI”) finished the year on a 35 months high as all major regions showed late year manufacturing expansions (PMI>50) and probably continued to grow in early 2017 on a seasonally adjusted basis. Consumer driven volume electronic equipment production continues to be dominated by China which has a relatively strong December but is now likely to have begun its normal winter seasonal downturn. Meanwhile, the departure of manufacturing from China continues. Outbound investment surged more than 50 per cent in the first 11 months of 2016 from a year earlier, with manufacturers involved in more than one-third of China’s overseas mergers during that period. At the same time, China’s private sector investment at home rose just 3.1 per cent.

The visibility of component orders from some China-based smartphone vendors for the first quarter of 2017 has become weak recently. Smartphone inventory levels in the China market have scaled up recently as sales growth of mid-range to high-end smartphones have been slowing down, forcing some vendors to pull in component orders slowly. Global smartphone shipments are forecast to grow by 4% in 2016 to 1,490 million units after jumping by 13% to 1,430 million in 2015. Moreover, global smartphone shipments are forecast to grow by 5% in 2017, reaching 1,565 million units and are now forecast to grow at single-digit annual rates through 2020.

Worldwide PC shipments are forecast to decline by 6.4% on year in 2016. This is an improvement over August’s projection for a decline of 7.2% in 2016. While outlook for 2017 remains at negative 2.1% year-on-year growth, the absolute volumes are slightly higher based on stronger 2016 shipments. Worldwide tablet shipments are expected to decline by 12% in 2016, rounding out the year at 182.3 million shipments. The market is expected to rebound in 2018 though growth will remain in the low single digits as detachable tablets slowly gain traction. Also, worldwide semiconductor capital spending is projected to increase 2.9% in 2017, to US\$69.9 billion, this is down from 5.1% growth in 2016.

With above background in mind and the increasing awareness by the industry to move from traditional manufacturing to smart/automated production, we will strive to work closer with our partners and the development of new partners to come up with more competitive and innovative automation and software solutions. 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. At the same time, we will also closely monitor our working capital, gross profit margin, operating cost and industry developments with a view to maintain our cash flow and profitability, as well as the long term sustainability and growth of our business.

Financial Leasing 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 financial leasing 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.

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

As at 31st December 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 31st December 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 (Note b)
Lu Ying	Beneficial owner	1,016,876,428	240,000,000 (Note a)	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 31st December 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 31st December 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 31st December 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. It has expired on 31st October 2016. During the period under review, no share options have been granted pursuant to the Best Creation Scheme.

COMPETING INTERESTS

As at 31st December 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 nine months ended 31st December 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 nine months ended 31st December 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 Kin, 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 other Board committees attended the said annual general meeting.

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 nine months ended 31st December 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, 9th February 2017

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.