

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 2017

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 2017, together with the comparative unaudited figures of the corresponding period in 2016.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30th September		For the three months ended 30th September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited) (Restated)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited) (Restated)
Continuing operations					
Revenue	3	753,617	709,188	352,992	397,058
Cost of sales		(578,802)	(613,639)	(250,274)	(344,212)
Gross profit		174,815	95,549	102,718	52,846
Other income and gains, net		1,226	4,301	717	737
Selling and distribution expenses		(71,440)	(49,290)	(39,040)	(27,527)
General and administrative expenses		(44,821)	(38,456)	(25,196)	(19,342)
Operating profit		59,780	12,104	39,199	6,714
Fair value gain on derivative component of convertible bond		69	—	69	—
Finance income	4	1,940	2,313	672	1,259
Finance costs	4	(984)	(2,765)	(1,414)	(347)
Profit before income tax		60,805	11,652	38,526	7,626
Income tax expense	5	(8,886)	(4,213)	(4,633)	(3,541)
Profit for the period from continuing operations		51,919	7,439	33,893	4,085
Discontinued operation					
Loss for the period from a discontinued operation	6	—	(3,591)	—	(2,640)
Profit for the period		51,919	3,848	33,893	1,445

	<i>Note</i>	For the six months ended		For the three months ended	
		30th September		30th September	
		2017	2016	2017	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Unaudited)	(Restated)	(Unaudited)	(Restated)
Earnings per share attributable to ordinary shareholders of the Company	7				
Basic					
— For profit for the period (<i>HK cents</i>)		<u>2.29</u>	<u>0.20</u>	<u>1.29</u>	<u>0.07</u>
— For profit for the period from continuing operations (<i>HK cents</i>)		<u>2.29</u>	<u>0.39</u>	<u>1.29</u>	<u>0.21</u>
Diluted					
— For profit for the period (<i>HK cents</i>)		<u>1.92</u>	<u>0.16</u>	<u>1.24</u>	<u>0.06</u>
— For profit for the period from continuing operations (<i>HK cents</i>)		<u>1.92</u>	<u>0.30</u>	<u>1.24</u>	<u>0.16</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30th September		For the three months ended 30th September	
	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Profit for the period	<u>51,919</u>	<u>3,848</u>	<u>33,893</u>	<u>1,445</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>10,597</u>	<u>(320)</u>	<u>11,492</u>	<u>3</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX OF NIL	<u>10,597</u>	<u>(320)</u>	<u>11,492</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>62,516</u></u>	<u><u>3,528</u></u>	<u><u>45,385</u></u>	<u><u>1,448</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30th September 2017 <i>Notes</i> HK\$'000 (Unaudited)	As at 31st March 2017 <i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	9	31,879	10,385
Intangible assets	10	373,692	373,692
Trade and other receivables	11	69,832	75,752
		475,403	459,829
Current assets			
Held-to-maturity investments		23,248	46,419
Financial assets at fair value through profit or loss		11,906	38,244
Inventories		12,847	4,405
Trade and other receivables	11	519,716	301,821
Cash and cash equivalents		282,612	379,991
		850,329	770,880
Total assets		1,325,732	1,230,709
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	14	27,258	19,150
Reserves		828,252	824,058
Total equity	15	855,510	843,208

		As at 30th September 2017 HK\$'000 (Unaudited)	As at 31st March 2017 HK\$'000 (Audited)
LIABILITIES			
Current liabilities			
Liability component of convertible bond	13	—	59,454
Derivative component of convertible bond	13	—	241
Trade and other payables	12	420,883	292,498
Income tax liabilities		19,292	11,866
		<u>440,175</u>	<u>364,059</u>
Non-current liabilities			
Deferred tax liabilities		494	494
Deposits received		29,254	22,509
Other non-current liabilities		299	439
		<u>30,047</u>	<u>23,442</u>
Total liabilities		<u>470,222</u>	<u>387,501</u>
Total equity and liabilities		<u>1,325,732</u>	<u>1,230,709</u>
Net current assets		<u>410,154</u>	<u>406,821</u>
Total assets less current liabilities		<u>885,557</u>	<u>866,650</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>
	<i>(note 14(a))</i>		
Balances as at 1st April 2016	19,150	795,182	814,332
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 as at 30th September 2016	<u>19,150</u>	<u>798,710</u>	<u>817,860</u>
Balances as at 1st April 2017	<u>19,150</u>	<u>824,058</u>	<u>843,208</u>
Comprehensive income			
Profit for the period	—	51,919	51,919
<i>Other comprehensive income</i>			
Currency translation differences of foreign operations	—	10,597	10,597
Total other comprehensive income	—	10,597	10,597
Total comprehensive income for the period	—	62,516	62,516
Special dividend paid	—	(114,898)	(114,898)
Issue of shares upon conversion of convertible bond	8,108	51,892	60,000
Equity-settled share-based transactions <i>(note 14(b))</i>	—	4,684	4,684
Balances as at 30th September 2017	<u>27,258</u>	<u>828,252</u>	<u>855,510</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30th September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flows used in operating activities	<u>(11,554)</u>	<u>(176,899)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of property, plant and equipment	(24,556)	(7,952)
Proceeds from disposal of items of property, plant and equipment	129	658
Receipts upon maturity of held-to-maturity investments	23,171	—
Purchases of financial assets at fair value through profit or loss	(7,563)	—
Receipts from sale of financial assets at fair value through profit or loss	33,901	—
Others	1,940	3,788
	<u>27,022</u>	<u>(3,506)</u>
Net cash flows from/(used in) investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	—	197,312
Repayment of bank loans	—	(199,327)
Special dividend paid	(114,898)	—
	<u>(114,898)</u>	<u>(2,015)</u>
Net cash flows used in financing activities		
Decrease in cash and cash equivalents	(99,430)	(182,420)
Cash and cash equivalents at 1st April	379,991	592,646
Effect of foreign exchange rate changes, net	2,051	1,679
	<u>282,612</u>	<u>411,905</u>
Cash and cash equivalents at 30th September		
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash at banks and cash on hand	211,372	256,122
Non-pledged time deposits with original maturity of three months or less when acquired	71,240	155,783
	<u>282,612</u>	<u>411,905</u>
Cash and cash equivalents as stated in the unaudited condensed consolidated statement of financial position	<u>282,612</u>	<u>411,905</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;
- **finance leasing:** provision of finance to its customers via 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 7th November 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 2017.

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 2017, except for the adoption of the following revised standards and interpretations for the first time for the current period's financial information:

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
<i>Annual Improvements</i> <i>2014-2016 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 AND SEGMENT INFORMATION

3.1 Revenue

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

	For the six months ended 30th September		For the three months ended 30th September	
	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited) (Restated)	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited) (Restated)
Sales of goods	649,433	698,373	274,974	390,886
Commission and other service income	89,152	7,946	67,982	4,390
Finance leasing income	15,032	2,869	10,036	1,782
	<u>753,617</u>	<u>709,188</u>	<u>352,992</u>	<u>397,058</u>

3.2 Operating segment information

For management purposes, the Group is organised into two major reportable operating segments — hi-tech distribution and services, and finance leasing. The hi-tech distribution and services operating segment derives revenue from the sales of goods, commission and other service income. 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 on derivative component of convertible bond 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, financial assets at fair value through profit or loss, 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 from continuing operations are as follows:

	Six months ended 30th September 2017		
	(Unaudited)		
	Hi-tech distribution and services operation <i>HK\$'000</i>	Finance leasing operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
— Sales to external customers	<u>738,585</u>	<u>15,032</u>	<u>753,617</u>
Segment results	<u>66,027</u>	<u>9,855</u>	75,882
Fair value gain on derivative component of convertible bond			69
Finance income			1,940
Finance costs			(984)
Corporate and other unallocated expenses			<u>(16,102)</u>
Profit before income tax			60,805
Income tax expense			<u>(8,886)</u>
Profit for the period			<u>51,919</u>
Capital expenditure on segment assets	1,407	23,149	24,556
Corporate and other unallocated capital expenditure			<u>—</u>
			<u>24,556</u>
Depreciation of segment assets	725	1,749	2,474
Corporate and other unallocated depreciation			<u>487</u>
			<u>2,961</u>
Gain on disposal of items of property, plant and equipment	9	—	<u>9</u>

Six months ended 30th September 2016
(Unaudited)

	Hi-tech distribution and services operation <i>HK\$'000</i>	Finance leasing operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
— Sales to external customers	706,319	2,869	709,188
	<u>706,319</u>	<u>2,869</u>	<u>709,188</u>
Segment results	25,213	(1,372)	23,841
	<u>25,213</u>	<u>(1,372)</u>	<u>23,841</u>
Finance income			2,313
Finance costs			(2,765)
Corporate and other unallocated expenses			(11,737)
			<u>(11,737)</u>
Profit before income tax			11,652
Income tax expense			(4,213)
			<u>(4,213)</u>
Profit for the period from continuing operations			<u>7,439</u>
Capital expenditure on segment assets	1,019	4,593	5,612
Corporate and other unallocated capital expenditure			2,340
			<u>2,340</u>
			<u>7,952</u>
Depreciation of segment assets	841	169	1,010
Corporate and other unallocated depreciation			348
			<u>348</u>
			<u>1,358</u>
Gain on disposal of items of property, plant and equipment	264	—	264
			<u>264</u>

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

	Hi-tech distribution and services operation <i>HK\$'000</i>	Finance leasing operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30th September 2017 (Unaudited)			
Segment assets	<u><u>637,611</u></u>	<u><u>365,374</u></u>	1,002,985
Unallocated assets:			
Financial assets at fair value through profit or loss			11,906
Held-to-maturity investments			23,248
Cash and cash equivalents			282,612
Corporate and others			<u>4,981</u>
Total assets per the unaudited condensed consolidated statement of financial position			<u><u>1,325,732</u></u>
	Hi-tech distribution and services operation <i>HK\$'000</i>	Finance leasing operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31st March 2017 (Audited)			
Segment assets	<u><u>509,911</u></u>	<u><u>250,526</u></u>	760,437
Unallocated assets:			
Financial assets at fair value through profit or loss			38,244
Held-to-maturity investments			46,419
Cash and cash equivalents			379,991
Corporate and others			<u>5,618</u>
Total assets per the audited consolidated statement of financial position			<u><u>1,230,709</u></u>

Geographical information

(a) Revenue from external customers

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

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

	For the six months ended 30th September 2017 HK\$'000 (Unaudited)	For the six months ended 30th September 2016 HK\$'000 (Unaudited) (Restated)
The PRC including Hong Kong	738,222	702,032
Asia – others	15,395	7,156
	<hr/>	<hr/>
Total revenue	753,617	709,188
	<hr/> <hr/>	<hr/> <hr/>

(b) Non-current assets

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

Information about a major customer

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

During the six months ended 30th September 2016, revenue of approximately HK\$123,440,000 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 from continuing operations is as follows:

	For the six months ended 30th September		For the three months ended 30th September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited) (Restated)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited) (Restated)
Finance income:				
Interest income from bank deposits	988	668	262	393
Interest income from held-to-maturity investments	952	1,645	410	866
	<u>1,940</u>	<u>2,313</u>	<u>672</u>	<u>1,259</u>
Finance costs:				
Interest on bank loans	83	105	48	94
Amortisation of liability component of convertible bond	374	645	47	324
Net foreign exchange losses on financing activities	527	2,015	1,319	(71)
	<u>984</u>	<u>2,765</u>	<u>1,414</u>	<u>347</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% (2016: 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% (2016: 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/(credit) 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	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Current taxation				
Hong Kong profits tax				
— current period	9,922	3,536	5,704	3,024
Mainland China corporate income tax				
— current period	—	677	(35)	517
— over provision in prior periods	(1,036)	—	(1,036)	—
	<u>8,886</u>	<u>4,213</u>	<u>4,633</u>	<u>3,541</u>

6 DISCONTINUED OPERATION

On 4th November 2016, the Company entered into a sale and purchase agreement to dispose of its entire interests in Dragon Mining Overseas Limited and its subsidiaries (the “Dragon Group”) and assign a loan from the Company 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 HK\$1. The Dragon Group was engaging in provision of advisory services in mining exploration, exploitation and valuation services for mergers and acquisitions projects. The disposal of the Dragon Group was because the Group had streamlined its businesses and focus on the operation of hi-tech distribution and services division and financing leasing division.

Upon the disposal of the Dragon Group on 4th November 2016, the results from the Dragon Group were no longer included in the Group’s results.

The unaudited consolidated results of the Dragon Group for the period ended 30th September 2016 are set out as below:

	For the six months ended 30th September 2016 <i>HK\$'000</i> (Unaudited)	For the three months ended 30th September 2016 <i>HK\$'000</i> (Unaudited)
Revenue	403	266
Cost of sales	<u>(192)</u>	<u>(145)</u>
Gross profit from a discontinued operation	211	121
Other income	35	35
Finance income	3	1
General and administrative expenses	<u>(3,840)</u>	<u>(2,797)</u>
Loss before income tax from a discontinued operation	(3,591)	(2,640)
Income tax expense	<u>—</u>	<u>—</u>
Loss for the period from a discontinued operation	<u><u>(3,591)</u></u>	<u><u>(2,640)</u></u>

The net cash flows incurred by the Dragon Group are as follows:

	For the six months ended 30th September 2016 <i>HK\$'000</i> (Unaudited)
Operating activities	<u>(4,622)</u>
Net cash outflows	<u><u>(4,622)</u></u>

7 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.

Diluted earnings per share amounts for the six and three months ended 30th September 2017 and 2016 are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The convertible bond (the "Convertible Bond") is assumed to have been converted into ordinary shares, and the profit for the six and three months ended 30th September 2017 and 2016 is adjusted to exclude the interest expense on the Convertible Bond less tax effect, if any.

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

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

	For the six months ended 30th September					
	2017			2016		
	Continuing operations (Unaudited)	Discontinued operation (Unaudited)	Total (Unaudited)	Continuing operations (Unaudited) (Restated)	Discontinued operation (Unaudited) (Restated)	Total (Unaudited) (Restated)
Profit/(loss) attributable to the shareholders of the Company, used in the basic earnings per share calculation (HK\$'000)	51,919	—	51,919	7,439	(3,591)	3,848
Interest on convertible bond (HK\$'000)	374	—	374	645	—	645
Profit/(loss) attributable to the shareholders of the Company, used in the diluted earnings per share calculation (HK\$'000)	<u>52,293</u>	<u>—</u>	<u>52,293</u>	<u>8,084</u>	<u>(3,591)</u>	<u>4,493</u>
Weighted average number of ordinary shares in issue, used in the basic earnings per share calculation	2,269,450,078	N/A	2,269,450,078	1,914,997,244	1,914,997,244	1,914,997,244
Effect of dilution – weighted average number of ordinary shares:						
Convertible bond	456,357,997	N/A	456,357,997	810,810,810	810,810,810	810,810,810
Assumed issue at no consideration on deemed exercise of all share options outstanding during the period	500,427	N/A	500,427	—	—	—
Weighted average number of ordinary shares in issue, used in the diluted earnings per share calculation	<u>2,726,308,502</u>	<u>N/A</u>	<u>2,726,308,502</u>	<u>2,725,808,054</u>	<u>2,725,808,054</u>	<u>2,725,808,054</u>

	For the three months ended 30th September					
	2017			2016		
	Continuing operations (Unaudited)	Discontinued operation (Unaudited)	Total (Unaudited)	Continuing operations (Unaudited) (Restated)	Discontinued operation (Unaudited) (Restated)	Total (Unaudited) (Restated)
Profit/(loss) attributable to the shareholders of the Company, used in the basic earnings per share calculation (HK\$'000)	33,893	—	33,893	4,085	(2,640)	1,445
Interest on convertible bond (HK\$'000)	47	—	47	324	—	324
Profit/(loss) attributable to the shareholders of the Company, used in the diluted earnings per share calculation (HK\$'000)	<u>33,940</u>	<u>—</u>	<u>33,940</u>	<u>4,409</u>	<u>(2,640)</u>	<u>1,769</u>
Weighted average number of ordinary shares in issue, used in the basic earnings per share calculation	2,620,050,084	N/A	2,620,050,084	1,914,997,244	1,914,997,244	1,914,997,244
Effect of dilution – weighted average number of ordinary shares:						
Convertible bond	105,757,932	N/A	105,757,932	810,810,810	810,810,810	810,810,810
Assumed issue at no consideration on deemed exercise of all share options outstanding during the period	995,412	N/A	995,412	—	—	—
Weighted average number of ordinary shares in issue, used in the diluted earnings per share calculation	<u>2,726,803,428</u>	<u>N/A</u>	<u>2,726,803,428</u>	<u>2,725,808,054</u>	<u>2,725,808,054</u>	<u>2,725,808,054</u>

8 DIVIDENDS

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

Apart from the above, the Directors do not recommend the payment of an interim dividend for the six months ended 30th September 2017 (2016: Nil).

9 PROPERTY, PLANT AND EQUIPMENT

HK\$'000
(Unaudited)

At 1st April 2017	10,385
Additions	24,556
Disposals	(120)
Depreciation	(2,961)
Exchange realignments	19
	<hr/>
At 30th September 2017	31,879
	<hr/> <hr/>
At 1st April 2016	6,828
Additions	7,952
Disposals	(394)
Depreciation	(1,632)
Exchange realignments	16
	<hr/>
At 30th September 2016	12,770
	<hr/> <hr/>

10 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 2017 <i>HK\$'000</i> (Unaudited)	As at 31st March 2017 <i>HK\$'000</i> (Audited)
Hi-tech distribution and services operation	373,692	373,692
Mining consulting operation (discontinued on 4th November 2016)	—	—
	373,692	373,692
<i>Less:</i> Impairment loss recognised		
Mining consulting operation (discontinued on 4th November 2016)	—	—
	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.

11 TRADE AND OTHER RECEIVABLES

	As at 30th September 2017 HK\$'000 (Unaudited)	As at 31st March 2017 HK\$'000 (Audited)
Trade and bills receivables	252,437	121,124
Less: Impairment of trade receivables	—	—
	<hr/>	<hr/>
Trade and bills receivables, net (<i>note (a)</i>)	252,437	121,124
	<hr/>	<hr/>
Finance lease receivables, net (<i>note (b)</i>)	224,883	175,617
Less: non-current portion*	(65,842)	(72,657)
	<hr/>	<hr/>
Finance lease receivables, net, current portion (<i>note (b)</i>)	159,041	102,960
	<hr/>	<hr/>
Prepayments	51,001	12,374
Rental and other deposits	4,759	4,518
Leased assets [#]	15,490	14,921
Other receivables	40,978	49,019
Less: Impairment of other receivables	—	—
	<hr/>	<hr/>
	112,228	80,832
Less: non-current portion*	(3,990)	(3,095)
	<hr/>	<hr/>
Prepayments, deposits and other receivables, net, current portion	108,238	77,737
	<hr/>	<hr/>
Total trade and other receivables, current portion	519,716	301,821
	<hr/> <hr/>	<hr/> <hr/>
*Total trade and other receivables, non-current portion	69,832	75,752
	<hr/> <hr/>	<hr/> <hr/>

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

(a) Trade and bills receivables, net

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

	As at 30th September 2017 HK\$'000 (Unaudited)	As at 31st March 2017 HK\$'000 (Audited)
90 days or less	206,532	109,700
91 to 180 days	37,117	9,126
181 to 270 days	8,581	1,252
271 to 365 days	11	—
Over 365 days	196	1,046
	<u>252,437</u>	<u>121,124</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 2017 HK\$'000 (Unaudited)	As at 31st March 2017 HK\$'000 (Audited)
Gross investment in finance leases	241,890	188,570
Less: unearned finance lease income	<u>(17,007)</u>	<u>(12,953)</u>
Present value of minimum lease amounts receivables	224,883	175,617
Less: accumulated allowance for impairment (note (i))	<u>—</u>	<u>—</u>
	224,883	175,617
Less: current portion	<u>(159,041)</u>	<u>(102,960)</u>
Non-current portion	<u>65,842</u>	<u>72,657</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 2017 (31st March 2017: 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 2017 HK\$'000 (Unaudited)	As at 31st March 2017 HK\$'000 (Audited)	As at 30th September 2017 HK\$'000 (Unaudited)	As at 31st March 2017 HK\$'000 (Audited)
Within 1 year	156,907	113,045	159,041	102,960
In the second year	77,165	72,015	60,952	69,227
After 2 years	7,818	3,510	4,890	3,430
	<u>241,890</u>	<u>188,570</u>	<u>224,883</u>	<u>175,617</u>

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

12 TRADE AND OTHER PAYABLES

	As at 30th September 2017 HK\$'000 (Unaudited)	As at 31st March 2017 HK\$'000 (Audited)
Trade and bills payables	162,052	158,194
Accrual for operating expenses	129,889	53,810
Receipts in advance	55,724	38,388
Deposit received	14,183	6,616
Other payables	59,035	35,490
	<u>420,883</u>	<u>292,498</u>

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

	As at 30th September 2017 HK\$'000 (Unaudited)	As at 31st March 2017 HK\$'000 (Audited)
90 days or less	140,306	145,468
91 to 180 days	12,446	7,216
181 to 270 days	8,088	1,486
271 to 365 days	—	1,272
Over 365 days	1,212	2,752
	162,052	158,194

13 CONVERTIBLE BOND

	As at 30th September 2017 HK\$'000 (Unaudited)	As at 31st March 2017 HK\$'000 (Audited)
Liability component of convertible bond	—	59,454
Derivative component of convertible bond	—	241

On 20th August 2014, the Company issued convertible bond in the principal amount of HK\$60,000,000 to Million Land Limited, for the partial settlement of the acquisition of the entire equity interests in Dragon Mining Overseas Limited and its subsidiaries (the “Dragon Group”) and the shareholder’s loan owed by the Dragon Group to its then shareholder. The maturity date of the convertible bond 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). On 10th July 2017, the conversion price of the Convertible Bond was adjusted from HK\$0.25 to HK\$0.074 upon the same date the payment of a special dividend, which was defined in the instrument constituting the Convertible Bond as constituting a capital distribution, was made by the Company.

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

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

14 SHARE CAPITAL

(a) Share capital of the Company

	Ordinary shares of HK\$0.01 each		Preference shares of HK\$0.01 each		Total
	Number of shares '000	Ordinary share capital HK\$'000	Number of shares '000	Preference share capital HK\$'000	HK\$'000
Authorised:					
At 1st April 2016, 31st March 2017, 1st April 2017 and 30th September 2017	40,000,000	400,000	30,000,000	300,000	700,000
Issued:					
At 1st April 2016, 31st March 2017 and 1st April 2017	1,914,997	19,150	—	—	19,150
Issue of shares upon conversion of convertible bond (<i>note</i>)	810,811	8,108	—	—	8,108
At 30th September 2017	2,725,808	27,258	—	—	27,258

Note:

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

(b) Share options of the Company

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

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

	Weighted average exercise price per share HK\$	Number of options
As at 1st April 2016, 31st March 2017 and 1st April 2017	—	—
Granted during the period	0.115	73,232,000
As at 30th September 2017	0.115	73,232,000

The share options are exercisable commencing on the date of grant with a validity period of 10 years from the date of grant. As at 30th September 2017, none of the options granted during the period have been exercised.

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

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

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

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

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

15 EQUITY

Movements in equity are as follows:

	(Unaudited)				
	Share capital <i>HK\$'000</i> <i>(note 14(a))</i>	Other reserves <i>HK\$'000</i>	Share option reserves <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balances as at 1st April 2017	19,150	1,154,170	—	(330,112)	843,208
Profit for the period	—	—	—	51,919	51,919
Currency translation differences of foreign operations	—	10,597	—	—	10,597
Total comprehensive income for the period	—	10,597	—	51,919	62,516
Special dividend paid <i>(Note 8)</i>	—	(114,898)	—	—	(114,898)
Issue of shares upon conversion of convertible bond <i>(Note 14(a))</i>	8,108	51,892	—	—	60,000
Equity-settled share-based transactions <i>(Note 14(b))</i>	—	—	4,684	—	4,684
Balances as at 30th September 2017	<u>27,258</u>	<u>1,101,761</u>	<u>4,684</u>	<u>(278,193)</u>	<u>855,510</u>

	(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 as 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 as at 30th September 2016	<u>19,150</u>	<u>1,155,595</u>	<u>(356,885)</u>	<u>817,860</u>	

16 RELATED PARTY TRANSACTIONS

Key management compensation of the Group

	For the six months ended 30th September 2017 <i>HK\$'000</i> (Unaudited)	For the six months ended 30th September 2016 <i>HK\$'000</i> (Unaudited)
Salaries, allowances and bonuses	6,846	5,134
Retirement benefits — defined contribution scheme	32	27
Equity-settled share option expenses	2,285	—
	<u>9,163</u>	<u>5,161</u>

17 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 2017 <i>HK\$'000</i> (Unaudited)	As at 31st March 2017 <i>HK\$'000</i> (Audited)	As at 30th September 2017 <i>HK\$'000</i> (Unaudited)	As at 31st March 2017 <i>HK\$'000</i> (Audited)
Financial assets				
Held-to-maturity investments	<u>23,248</u>	<u>46,419</u>	<u>23,965</u>	<u>46,756</u>
Financial liabilities				
Liability component of convertible bond	<u>—</u>	<u>59,454</u>	<u>—</u>	<u>56,627</u>

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

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

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

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

The 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 of the fair value measurement as at 31st March 2017.

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

	Valuation technique	Significant unobservable input	30th September 2017 %	31st March 2017 %	Sensitivity of the input to fair value
Convertible bond	Trinomial option pricing model	Risky discount rate	N/A	15.72	0.5% increase/(decrease) in discount rate would result in decrease/(increase) in fair value by HK\$25,000 as at 31st March 2017

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 2017 and 31st March 2017.

The Group did not have any financial liabilities measured at fair value as at 30th September 2017.

Liabilities measured at fair value:

As at 31st March 2017 (Audited)

	Fair value measurement using			Total <i>HK\$'000</i>
	Quoted prices in markets (Level 1) <i>HK\$'000</i>	Significant observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>	
Derivative component of convertible bond	—	—	241	241

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

	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Derivative components of convertible bond:		
At 1st April	241	3,673
Fair value gain recognised in the statement of profit or loss	(69)	—
Conversion of convertible bond	(172)	—
At 30th September	—	3,673

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 (2016: Nil).

BUSINESS REVIEW

Financial and Business Performance

During the six months ended 30th September 2017 (the “Interim Period”), the Group recorded an unaudited consolidated revenue of approximately HK\$753,617,000, representing an increase of 6.2% from approximately HK\$709,188,000 (restated) in the corresponding period last year. The increase in revenue was mainly because of continued strong demand for SMT equipment from our existing customers of the hi-tech distribution and service division, mainly driven by manufacture of smartphone, network and communication and automotive electronics and wearable devices, etc. In addition, the finance leasing division had continued to grow significantly that its revenue was increased by 423.9% to HK\$15,032,000 from HK\$2,869,000 in the corresponding period last year.

During the Interim Period, the Group recorded an unaudited consolidated net profit of approximately HK\$51,919,000 representing an increase of 1,249.2% from approximately HK\$3,848,000 in the corresponding period last year. The increase in net profit was mainly due to 197.7% year on year increase in net profit from our hi-tech distribution and service division. During the Interim Period, this division had improved its gross profit margin associated with an increase from the commission sales, and repeated orders from the existing customers, which continued to upgrade their manufacturing capacity. In addition, the finance leasing division recorded a net profit of approximately HK\$9,752,000 contrary to a net loss of approximately HK\$1,269,000 in the corresponding period last year. During the Interim Period, the Group’s operating expenditures amounted to approximately HK\$116,261,000, representing an increase of 32.5% from approximately HK\$87,746,000 (restated) in the corresponding period last year. The increase in the operating expenditures was mainly due to increase in selling and distribution expenses which were increased in line with revenue.

The unaudited basic earnings per share in the Interim Period was approximately HK2.29 cents, representing an increase of 1,045% from approximately HK0.20 cents in the corresponding period last year. As at 30th September 2017, the unaudited consolidated net asset value of the Company per ordinary share was approximately HK\$0.31, which was decreased by HK\$0.13 from approximately HK\$0.44 as at 31st March 2017, mainly due to a special dividend of HK\$0.06 per ordinary share which was declared on 8th June 2017 and increased in number of issued shares upon conversion of convertible bond during the Interim Period.

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

Hi-Tech Distribution and Services Division

The Group conducts its Hi-tech distribution and services business through its wholly-owned subsidiary, American Tec Company Limited (“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 230 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 Interim Period, the unaudited revenue of the division was approximately HK\$738,585,000 representing an increase of about 4.6% from approximately HK\$706,319,000 in the corresponding period last year. The reason of increase was mainly due to continued strong demand for SMT equipment from our existing customers both in the telecommunication and industrial market segments. During the Interim Period, the division’s direct machine sales was approximately HK\$611,313,000, representing a decrease of 7.3% from approximately HK\$659,406,000 in the corresponding period last year. However, the shortfall of direct machine sales was mitigated by the division’s commission and other services income, it recorded approximately HK\$89,152,000 in commission and other service income, representing an increase of 1,021.9% from approximately HK\$7,946,000 in the corresponding period last year. This significant increase in commission and other service income was mainly due to new production lines purchased by one of our local key customers and the equipment was for the production of new model smartphone and related components. The Division’s spare parts sales were approximately HK\$31,461,000, slightly increased 3.6% from approximately HK\$30,371,000 in the corresponding period last year. The Division’s software sales were approximately HK\$6,659,000, decreased by 22.5% from approximately HK\$8,596,000 in the corresponding period last year.

With management’s successful effort in securing high margin commission and other service business and placing effective cost controls, American Tec has managed to achieve a record high unaudited net profit of approximately HK\$57,220,000 for the Interim Period, which was approximately HK\$19,220,000 in the corresponding period of last year.

Financial Leasing Division

The Group conducts its finance leasing business through its wholly-owned subsidiary, North Asia Financial Leasing (Shanghai) Co., Ltd. (“NAFL”) in China (Shanghai) Pilot Free Trade Zone. NAFL mainly provides finance lease to customers of the Group’s hi-tech distribution and services division and semi-conductor.

During the Interim Period, the division generated revenue from finance lease interest income of approximately HK\$15,032,000, representing an increase of 423.9% from approximately HK\$2,869,000 in the corresponding period last year and recorded a net profit of approximately HK\$9,752,000 as compared to a net loss of HK\$1,269,000 in last year. As at 30th September 2017, the aggregate principal amount of finance lease loans was HK\$224,883,000 representing an increase by 99.4% from HK\$112,794,000 as at 30th September 2016.

OUTLOOK

Overall Summary

The management is confident in the prospects in both of the hi-tech distribution and services division and the finance leasing 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

Globally electronic industry is doing reasonably well in the third quarter 2017. Based on preliminary third quarter regional electronic equipment shipment data, consolidated global sales were up 6.3% against same period 2016. In China, the general economic sentiment over first nine months 2017 remain modest positive. The China Purchasing Managers Indices leading indicator for first nine months 2017 maintain between 51.3 and 52.4. Smartphone manufacturers, major SMT equipment buyers are expected do modest well in next five years. International Data Corporation (“IDC”) predicted global smartphone shipment volumes will grow 4.2% in 2017 and 4.4% in 2018 with a compound annual growth rate (“CAGR”) of 3.8% over the 2016-2021 forecast. Shipments are forecast to reach 1.53 billion units in 2017 and grow to 1.77 billion in 2021. Per IDC, second quarter data shows the top four brands in terms of global shipments are Samsung (23.3%), Apple (12.0%), Huawei (11.3%) and Oppo (8.4%). IDC also predicted that it is very likely Huawei will overtake Apple in 2017 or 2018. China is still the largest base of smartphone manufacturers. Ministry of Industry and Information Technology of the People’s Republic of China disclosed that China produced 1,262.8 million smartphones in the first eight months of 2017, representing a 2.8 percent growth year on year. The results of other electronic products are mix. The production of TV was not doing well during first eight months of 2017 and experienced a drop of 5.2% against same period last year. The integrated circuit sector soared 24.7 percent from a year earlier. Per Digitime Research, global tablet shipments dropped 17.9% year on year to 33.39 million units in the second quarter 2017.

Based on above market information, the demand for SMT equipment had also reached a record high for the first eight months of 2017 (as published by the China’s customs report) with total of 9,474 units imported into China, representing an increase of 56 percent against same period last year. However, with the traditional manufacturing peak season ends around October and the announcement of more new products (mobile phone and mobile devices) launching in the third quarter of 2017, we anticipate slowdown of the need for more manufacturing capacity in the coming quarter.

With above background in mind and the increasing awareness by the industry to move from traditional manufacturing to smart/intelligent production, we will continue to invest and expedite our automation offerings as well as integrated solutions. We will also strive to work closer with our partners to come up with more competitive and innovative solutions. We will continue to invest in our service and support infrastructure and systems so as to attain total customer satisfaction and customer retention. 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.

Finance Leasing Division

China's finance leasing business grew at a faster pace in the first quarter of the year 2017. According to "China's financial leasing industry development report in the first quarter of 2017" (China Leasing Blue Book — released by China Leasing Union and Tianjin Binhai Financial Leasing Research Institute), the number of finance lease companies in China wholly owned by foreign enterprise was increased from 6,872 companies to 7,346 companies and the principal loan amount was increased by 3.7% to RMB1,730 billion as at 31st March 2017.

Finance leasing business is currently gaining more attention and acceptance in Southern and Eastern China, especially in view of the demand on the automation upgrades and transformation for electronics manufacturing and metal processing industry. According to the China's industrial output in the first three quarters of 2017 published by the PRC and the steady growth trend in profit, we believe that concrete development paths and policies were established following the 19th Communist Party of China National Congress in October of 2017. With the Group's financial platform in Hong Kong and abundant industry experience (in particular in high-tech manufacturing equipment), the Group's leasing business will remain focus on the equipment finance leasing on SMT, semiconductor packaging and testing and CNC parts processing, so as to provide diversified solutions and services for customers while closely monitor the equipment finance leasing demand in other growing areas for a solid and rapid expansion in new business and income.

LIQUIDITY AND FINANCIAL RESOURCES

During the Interim Period, the Group generally finance its operation with internally generated resources and banking facilities provided by its principal bankers in Hong Kong. As at 30th September 2017, the Group had no floating interest bank borrowings (31st March 2017: Nil). At 30th September 2017, the Group had held-to-maturity investments in corporate bonds at amortised cost of approximately HK\$23,248,000 (31st March 2017: HK\$46,419,000), which provide a stable investment return. All held-to-maturity investments held were denominated in United States dollars with maturity dates within 1 year from the end of the Interim Period. At 30th September 2017, the gearing ratio of the Group, which was calculated as total liabilities over the total assets was 35.5%, as compared to 31.5% as at 31st March 2017.

Contingent Liabilities

As at 30th September 2017, 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\$3,496,000 (31st March 2017: HK\$3,262,000).

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 2017, the Group employed 250 staff (as at 30th September 2016: 298). Total staff costs including contribution to retirement benefit schemes incurred during the six months ended 30th September 2017 amounted to approximately HK\$38,256,000 (for the six months ended 30th September 2016: HK\$41,055,000).

Capital commitments

There was no material capital commitments as at 30th September 2017.

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

As at 30th September 2017, the Directors and chief executive of the Company and their respective associates had the following interests or short positions in the shares and/or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by Directors:

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

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

Note:

(a) *The above approximate percentages of the shareholdings are based on 2,725,808,054 ordinary shares in issue as at 30th September 2017.*

Save as disclosed above, as at 30th September 2017, none of the Directors and chief executive of the Company or their respective associates had any interests or short positions in the securities of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors.

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

As at 30th September 2017, so far as is known to the Directors and chief executive of the Company, the following person (other than the Directors and chief executive of the Company whose interests were disclosed above) had interests or short positions in the shares and/or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

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

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

Note:

(a) *The above approximate percentage of the shareholding is based on 2,725,808,054 ordinary shares in issue as at 30th September 2017.*

Save as disclosed above, the Directors and the chief executive of the Company were not aware of any person (other than the Directors or chief executive of the Company the interests of which were disclosed above) who has any interests or short positions in the securities of the Company that were required to be entered in the register of the Company pursuant to Section 336 of the SFO as at 30th September 2017.

SHARE OPTION SCHEME

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

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

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

Note:

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

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

Fair value of share options and assumptions

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

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

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

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

COMPETING INTERESTS

As at 30th September 2017, 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 2017.

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 2017, 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.

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 2017.

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

Set out below are the change of information of Directors required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules:

1. On 13th January 2017, Mr. Joseph Chan Nap Kee obtained the license for Type 4 (advising on securities) under the SFO (Chapter 571) and was appointed as an executive director, principal and responsible officer of Oriental Patron Securities Limited.
2. On 9th October 2017, Mr. Pierre Tsui Kwong Ming was appointed as the chief executive officer and ceased to be the chief financial officer of American Tec Company Limited.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference that set out the authorities and duties of the committee adopted by the Board. The committee comprises three independent non-executive Directors and is chaired by Mr. Joseph Liang Hsien Tse who has appropriate professional qualifications and experience in financial matters. The terms of reference of the audit committee are aligned with the provisions set out in the Code. The committee's principal duties are to ensure the adequacy and effectiveness of the accounting and financial controls of the Group, oversee the performance of internal control systems, risk management and financial reporting process, monitor the integrity of the financial statements and compliance with statutory and listing requirements and to oversee independence and qualifications of the external auditors.

The unaudited condensed consolidated financial information for the six months ended 30th September 2017 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, 7th November 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.