

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 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.

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the nine months ended		For the three months ended	
		31st December		31st December	
		2017	2016	2017	2016
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Continuing operations					
Revenue	3	1,101,459	995,489	347,842	286,300
Cost of sales		(860,768)	(856,664)	(281,966)	(243,025)
Gross profit		240,691	138,825	65,876	43,275
Other income and gains, net		2,157	4,303	931	2
Selling and distribution expenses		(99,450)	(71,199)	(28,010)	(21,909)
General and administrative expenses		(64,146)	(62,558)	(19,325)	(24,051)
Operating profit/(loss)		79,252	9,371	19,472	(2,683)
Fair value gain on derivative component of convertible bond		69	—	—	—
Finance income	4	2,595	4,266	655	1,950
Finance costs	4	(1,066)	(1,113)	(82)	1,652
Profit before income tax from continuing operations		80,850	12,524	20,045	919
Income tax expense	5	(12,081)	(5,239)	(3,195)	(1,026)
Profit/(loss) for the period from continuing operations		68,769	7,285	16,850	(107)

		For the nine months ended		For the three months ended	
		31st December		31st December	
		2017	2016	2017	2016
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Discontinued operation					
Loss for the period from a discontinued operation	7	—	(4,136)	—	(592)
Profit/(loss) for the period		68,769	3,149	16,850	(699)
Earnings/(loss) per share attributable to shareholders of the Company	6				
Basic					
— For profit/(loss) for the period (<i>HK cents</i>)		2.84	0.16	0.62	(0.04)
— For profit/(loss) for the period from continuing operations (<i>HK cents</i>)		2.84	0.38	0.62	(0.01)
Diluted					
— For profit/(loss) for the period (<i>HK cents</i>) (<i>restated</i>)		2.53	0.15	0.62	(0.04)
— For profit/(loss) for the period from continuing operations (<i>HK cents</i>) (<i>restated</i>)		2.53	0.30	0.62	(0.01)

Details of the dividends are disclosed in note 8 to this announcement.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the nine months ended 31st December		For the three months ended 31st December	
	2017	2016	2017	2016
	<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>68,769</u>	<u>3,149</u>	<u>16,850</u>	<u>(699)</u>
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Currency translation differences of foreign operations	<u>11,196</u>	<u>(2,115)</u>	<u>599</u>	<u>(1,795)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX OF NIL	<u>11,196</u>	<u>(2,115)</u>	<u>599</u>	<u>(1,795)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>79,965</u></u>	<u><u>1,034</u></u>	<u><u>17,449</u></u>	<u><u>(2,494)</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;
- **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 8th February 2018.

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 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 2014-2016 Cycle</i>	Amendments to a number of HKFRSs

The adoption of the above revised HKFRSs has had no significant financial effect on this 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	
	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Sales of goods	962,536	976,941	313,102	278,567
Commission and other service income	116,856	13,228	27,704	5,282
Finance leasing income	22,067	5,320	7,036	2,451
	<u>1,101,459</u>	<u>995,489</u>	<u>347,842</u>	<u>286,300</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	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Finance income:				
Interest income from bank deposits	1,492	1,038	504	367
Interest income from held-to-maturity investments	1,103	2,764	151	1,119
Net foreign exchange gains on financing activities	—	464	—	464
	<u>2,595</u>	<u>4,266</u>	<u>655</u>	<u>1,950</u>
Finance costs:				
Interest on bank loans	83	141	—	37
Amortisation of liability component of convertible bond	374	972	—	326
Net foreign exchange losses/(gains) on financing activities	609	—	82	(2,015)
	<u>1,066</u>	<u>1,113</u>	<u>82</u>	<u>(1,652)</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%).

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	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current taxation				
Hong Kong profits tax				
— current period	12,607	3,902	2,685	366
Mainland China corporate income tax				
— current period	1,209	1,337	1,209	660
— over provision in prior periods	(1,735)	—	(699)	—
	<u>12,081</u>	<u>5,239</u>	<u>3,195</u>	<u>1,026</u>

6 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 nine and three months ended 31st December 2017 and nine months ended 31st December 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 nine and three months ended 31st December 2017 and nine months ended 31st December 2016 is adjusted to exclude the interest expense on the Convertible Bond less tax effect, if any.

No adjustment has been made to the basic loss per share amounts presented for the three months ended 31st December 2016 in respect of a dilution as the impact of the Convertible Bond outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

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). 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 nine months ended 31st December					
	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)	68,769	—	68,769	7,285	(4,136)	3,149
Interest on convertible bond (HK\$'000)	374	—	374	972	—	972
Profit/(loss) attributable to the shareholders of the Company, used in the diluted earnings per share calculation (HK\$'000)	<u>69,143</u>	<u>—</u>	<u>69,143</u>	<u>8,257</u>	<u>(4,136)</u>	<u>4,121</u>
Weighted average number of ordinary shares in issue, used in the basic earnings per share calculation	2,422,122,466	N/A	2,422,122,466	1,914,997,244	1,914,997,244	1,914,997,244
Effect of dilution – weighted average number of ordinary shares:						
Convertible bond	303,685,502	N/A	303,685,502	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	<u>2,692,947</u>	<u>N/A</u>	<u>2,692,947</u>	<u>—</u>	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares in issue, used in the diluted earnings per share calculation	<u>2,728,500,915</u>	<u>N/A</u>	<u>2,728,500,915</u>	<u>2,725,808,054</u>	<u>2,725,808,054</u>	<u>2,725,808,054</u>

	For the three months ended 31st December					
	2017			2016		
	Continuing operations (Unaudited)	Discontinued operation (Unaudited)	Total (Unaudited)	Continuing operations (Unaudited)	Discontinued operation (Unaudited)	Total (Unaudited)
Profit/(loss) attributable to the shareholders of the Company, used in the basic and diluted earnings per share calculation (HK\$'000)	<u>16,850</u>	<u>—</u>	<u>16,850</u>	<u>(107)</u>	<u>(592)</u>	<u>(699)</u>
Weighted average number of ordinary shares in issue, used in the basic earnings per share calculation	2,725,808,016	N/A	2,725,808,016	1,914,997,244	1,914,997,244	1,914,997,244
Effect of dilution – weighted average number of ordinary shares:						
Assumed issue at no consideration on deemed exercise of all share options outstanding during the period	<u>8,049,564</u>	<u>N/A</u>	<u>8,049,564</u>	<u>—</u>	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares in issue, used in the diluted earnings per share calculation	<u>2,733,857,580</u>	<u>N/A</u>	<u>2,733,857,580</u>	<u>1,914,997,244</u>	<u>1,914,997,244</u>	<u>1,914,997,244</u>

7 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 at HK\$1. 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 Dragon Group on 4th November 2016, the results from Dragon Group were no longer be included in the Group’s results.

The unaudited consolidated results of Dragon Group for the period ended 31st December 2016 are set out as below:

	For the nine months ended 31st December 2016 HK\$'000 (Unaudited)	For the three months ended 31st December 2016 HK\$'000 (Unaudited)
Revenue	450	47
Cost of sales	<u>(207)</u>	<u>(15)</u>
Gross profit from the discontinued operation	243	32
Other income and gains, net	35	—
General and administrative expenses	<u>(4,567)</u>	<u>(777)</u>
Loss before income tax from the discontinued operation	(4,289)	(745)
Income tax expense	<u>—</u>	<u>—</u>
Loss after tax	(4,289)	(745)
Gain on disposal of the discontinued operation	<u>153</u>	<u>153</u>
Loss for the period from the discontinued operation	<u><u>(4,136)</u></u>	<u><u>(592)</u></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 nine months ended 31st December 2017 (2016: Nil).

9 EQUITY

Movements in equity are as follows:

	Share capital <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	(Unaudited) Share option reserves <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balances at 1st April 2017	19,150	1,154,170	—	(330,112)	843,208
Profit for the period	—	—	—	68,769	68,769
Currency translation differences of foreign operations	—	11,196	—	—	11,196
Total comprehensive income for the period	—	11,196	—	68,769	79,965
Special dividend paid	—	(114,898)	—	—	(114,898)
Issue of shares upon conversion of convertible bond (<i>note (a)</i>)	8,108	51,892	—	—	60,000
Equity-settled share based transactions (<i>note (b)</i>)	—	—	4,684	—	4,684
Balances at 31st December 2017	<u>27,258</u>	<u>1,102,360</u>	<u>4,684</u>	<u>(261,343)</u>	<u>872,959</u>

	Share capital <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	(Unaudited) Share option reserves <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balances at 1st April 2016	19,150	1,155,915	—	(360,733)	814,332
Profit for the period	—	—	—	3,149	3,149
Currency translation differences of foreign operations	—	(2,115)	—	—	(2,115)
Total comprehensive income for the period	—	(2,115)	—	3,149	1,034
Balances at 31st December 2016	<u>19,150</u>	<u>1,153,800</u>	<u>—</u>	<u>(357,584)</u>	<u>815,366</u>

Note:

- (a) On 13th July 2017, the Company 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 share options
As at 1st April 2016, 31st March 2017 and 1st April 2017	—	—
Granted during the period	0.115	<u>73,232,000</u>
As at 31st December 2017	0.115	<u><u>73,232,000</u></u>

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 31st December 2017, none of the share options granted during the nine months ended 31st December 2017 have been exercised.

The fair value of the share options granted during the nine months ended 31st December 2017, determined using a binomial model, was approximately HK\$4,684,000. The Group had recognised a share option expense of HK\$4,684,000 during the nine months ended 31st December 2017.

The fair value of equity-settled share options granted during the nine months ended 31st December 2017 was determined as at the date of grant using a binomial model, taking into account the terms and conditions upon which the share 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 share 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 share options granted was incorporated into the measurement of fair value.

BUSINESS REVIEW

Financial and Business Performance

During the nine months ended 31st December 2017 (the “9-month Period”), the Group recorded an unaudited consolidated revenue of approximately HK\$1,101,459,000, representing an increase of 10.6%% from approximately HK\$995,489,000 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 services division, mainly driven by manufacture of smartphone, network and communication and automotive electronics and wearable devices, etc.

During the 9-month Period, the Group recorded an unaudited consolidated net profit of approximately HK\$68,769,000 representing an increase of 2,083.8% from approximately HK\$3,149,000 in the corresponding period last year. The increase in net profit was mainly due to 221.9% year on year increase in net profit from our hi-tech distribution and service division. During the 9-month Period, the Group had improved its gross profit margin mainly because the hi-tech distribution and service division’s increase in commission sales and repeated orders from the existing customers, which continued to upgrade their manufacturing capacity. During the 9-month Period, the Group’s operating expenditures amounted to approximately HK\$163,596,000, representing an increase of 22.3% from approximately HK\$133,757,000 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 9-month Period was approximately HK2.84 cents, representing an increase of 1,675% from approximately HK0.16 cents in the corresponding period last year. As at 31st December 2017, the unaudited consolidated net asset value of the Company per ordinary share was approximately HK\$0.32, which was increased by HK\$0.01 from approximately HK\$0.31 as at 30th September 2017.

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 240 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\$1,079,392,000 representing an increase of about 9.0% from approximately HK\$990,169,000 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 9-month Period, the division's direct machine sales was approximately HK\$904,404,000, representing a decrease of 1.8% from approximately HK\$920,804,000 in the corresponding period last year. The shortfall of direct machine sales was mitigated by the division's commission and other services income, it recorded approximately HK\$116,856,000 in commission and other service income, representing an increase of 783.4% from approximately HK\$13,229,000 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\$48,128,000, slightly increased 8.4% from approximately HK\$44,407,000 in the corresponding period last year. The Division's software sales were approximately HK\$10,004,000, decreased by 14.7% from approximately HK\$11,729,000 in the corresponding period last year.

During the third quarter, the unaudited revenue of the division was approximately HK\$340,806,000, representing an increase of 20.1% from approximately HK\$283,849,000 in the corresponding period last year and the unaudited net profit of the division was approximately HK\$18,434,000, representing an increase of 367.2% from approximately HK\$3,946,000 in the corresponding period last year. The increase in unaudited net profit during the quarter was mainly due to the significant increase of approximately HK\$22,422,000 or 424% in commission income during the third quarter as compared to 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\$75,654,000 for the 9-month Period, which was approximately HK\$23,503,000 in the corresponding period 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 9-month Period, the division generated revenue from finance lease income of approximately HK\$22,067,000, representing an increase of 314.8% from approximately HK\$5,320,000 in the corresponding period last year and recorded a net profit of approximately HK\$13,636,000 as compared to a net loss of HK\$586,000 in last year.

During the third quarter, the division recorded an unaudited revenue from finance lease income of approximately HK\$7,036,000 representing an increase of 187% from HK\$2,451,000 in the corresponding period last year and recorded an unaudited net profit of approximately HK\$3,884,000, representing an increase of 468.7% from approximately HK\$683,000 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 periods last year was due to significant increase in finance lease loans to customers and the aggregate amount of finance lease loans outstanding at 31st December 2017 was approximately HK\$299,336,000, which was increased by 128.5% from approximately HK\$131,024,000 at 31st December 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

Global electronic equipment sales were up almost 5% in the third quarter of 2017 against the same quarter in 2016. The third quarter of 2017 finished strong and most electronic manufacturing sectors are expected to continue their expansion in 2018. Gartner opined that mobile phone sales are expected to grow by 2.4% in year 2018 against year 2017.

In China, the general economic sentiment for whole year 2017 remain modest positive. The China Purchasing Managers Indices leading indicator for the year 2017 maintained at level about 50, indicating cautious optimistic economic outlook. 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 units in 2021. Canalys in its China mobile phone shipment report found that 119 million mobile phones shipped in third quarter of year 2017, representing a contraction of 5%. The top three brands are Huawei, OPPO, and VIVO, representing 19%, 18% and 17% of the China market respectively. Apple, in decreasing trend mode occupied number 5 by market share.

Based on above market information, the demand for SMT equipment had also reached a record high for the first eleven months of the year of 2017 (as published by the China’s customs report) with total of 13,027 units imported into China, representing an increase of 53 percent against same period last year. However, with the traditional manufacturing low season, 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 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

In 2017, the global finance leasing business continued its rapid development with a strong momentum. Currently, the United States, the PRC and the United Kingdom top the chart as the three leading countries in the aggregate amount of finance leasing. The total number of finance leasing corporations in the PRC amounted to 8,218 as at June 2017, representing an increase of 15.2% from 7,136 at the end of 2016. Nevertheless, given the increasingly stringent assessment and regulatory requirements in general, being granted a finance leasing license is gradually more difficult. As at the end of June 2017, the total balance of finance leasing contracts amounted to RMB 5,600 billion, representing an increase of 5.1% compared with RMB 5,330 billion at the end of 2016 and demonstrating a slowdown in overall growth (Source: the Qianzhan Industry Institute (前瞻產業研究院)). Likewise, the finance leasing business, which the Company is engaged in, underwent more favorable development in 2017 with the continuous steady growth of SMT on the back of up-and-coming manufacturing of mobile phone-based consumer electronics brands in the Mainland China, yet financing needs were predominantly from small and medium-sized customers, the majority of which being original equipment manufacturing (OEM) factories. Benefitting from the support of the nation's policy on the microchip industry, semiconductor packaging and testing underwent rapid development. In addition to repeated orders from existing customers with recurring financing needs, the number of new financing lease customers also shot up, thereby becoming the main driving force of our business growth. It is projected that following the trial run of 5G communications technologies, finance leasing in SMT and semiconductor packaging and testing will continue its satisfactory growth in 2018.

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 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.

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

As at 31st December 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 31st December 2017.

Save as disclosed above, as at 31st December 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 31st December 2017, so far as is known to the Directors and chief executive of the Company, the following persons (other than the Directors and chief executive of the Company whose interests were disclosed above) had interests or short positions in the shares and/or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

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

Name of Shareholder	Capacity	Number of ordinary shares held	Number of underlying shares 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 shareholding is based on 2,725,808,054 ordinary shares in issue as at 31st December 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 31st December 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*	Number of share options					
				Outstanding as at 1st April 2017	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 31st December 2017
					(Note)				
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 determined 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 share 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 share options. The significant assumptions used in the calculation of the values of the share options were risk-free interest rate, expected life of share options, expected volatility and expected dividend yield. The measurement date used in the valuation model was the date on which the share options were granted.

The values of share options determined 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 the share 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 the share option.

COMPETING INTERESTS

As at 31st December 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 nine months ended 31st December 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 nine months ended 31st December 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.

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 nine months ended 31st December 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, 8th February 2018

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.