

NORTH ASIA STRATEGIC HOLDINGS LIMITED

北亞策略控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8080)

ANNUAL RESULTS FOR THE YEAR ENDED 31ST MARCH 2018

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 GEM of the Stock Exchange (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” or the “Directors”) of North Asia Strategic Holdings Limited (the “Company”) presents the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31st March 2018, together with the comparative figures of the corresponding year ended 31st March 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31st March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Continuing operations			
Revenue	3	1,655,450	1,295,754
Cost of sales		<u>(1,301,850)</u>	<u>(1,086,142)</u>
Gross profit		353,600	209,612
Other income and gains, net		2,916	2,605
Selling and distribution expenses		(136,880)	(102,045)
General and administrative expenses		<u>(90,713)</u>	<u>(75,040)</u>
Operating profit		128,923	35,132
Fair value gain on the derivative component of convertible bond		69	3,432
Finance income	4	3,138	5,797
Finance costs	4	<u>(549)</u>	<u>(1,471)</u>
Profit before income tax from continuing operations	5	131,581	42,890
Income tax expense	6	<u>(23,370)</u>	<u>(8,133)</u>
Profit for the year from continuing operations		<u>108,211</u>	<u>34,757</u>
Discontinued operation			
Loss for the year from a discontinued operation	7	<u>—</u>	<u>(4,136)</u>
PROFIT FOR THE YEAR		<u>108,211</u>	<u>30,621</u>
Earnings per share attributable to ordinary shareholders of the Company			
Basic	8		
— For profit for the year (<i>HK cents</i>)		<u>4.33</u>	<u>1.60</u>
— For profit for the year from continuing operations (<i>HK cents</i>)		<u>4.33</u>	<u>1.81</u>
			<i>(Restated)</i>
Diluted			
— For profit for the year (<i>HK cents</i>)		<u>3.98</u>	<u>1.05</u>
— For profit for the year from continuing operations (<i>HK cents</i>)		<u>3.98</u>	<u>1.20</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31st March 2018

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit for the year	<u>108,211</u>	<u>30,621</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Currency translation differences of foreign operations	<u>25,635</u>	<u>(1,745)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX OF NIL		
	<u>25,635</u>	<u>(1,745)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>133,846</u></u>	<u><u>28,876</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31st March 2018

	<i>Notes</i>	2018 HK\$'000	2017 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		50,320	10,385
Intangible assets		373,692	373,692
Trade and other receivables	<i>11</i>	102,459	75,752
		526,471	459,829
Current assets			
Held-to-maturity investments	<i>10</i>	—	46,419
Financial assets at fair value through profit or loss		36,044	38,244
Derivative financial instrument		1,010	—
Inventories		133,511	4,405
Trade and other receivables	<i>11</i>	816,987	301,821
Cash and cash equivalents		231,292	379,991
		1,218,844	770,880
Total assets		1,745,315	1,230,709
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	<i>14</i>	27,258	19,150
Reserves	<i>15</i>	899,582	824,058
Total equity		926,840	843,208
LIABILITIES			
Current liabilities			
Liability component of convertible bond	<i>12</i>	—	59,454
Derivative component of convertible bond	<i>12</i>	—	241
Trade and other payables	<i>13</i>	745,845	292,498
Income tax liabilities		24,441	11,866
		770,286	364,059

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current liabilities		
Deferred tax liabilities	494	494
Deposits received	47,440	22,509
Other non-current liabilities	255	439
	<u>48,189</u>	<u>23,442</u>
Total liabilities	<u>818,475</u>	<u>387,501</u>
Total equity and liabilities	<u>1,745,315</u>	<u>1,230,709</u>
Net current assets	<u>448,558</u>	<u>406,821</u>
Total assets less current liabilities	<u>975,029</u>	<u>866,650</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31st March 2018

	Attributable to shareholders of the Company		
	Issued capital <i>HK\$'000</i> <i>(note 14)</i>	Reserves <i>HK\$'000</i> <i>(note 15)</i>	Total <i>HK\$'000</i>
Balances as at 1st April 2016	19,150	795,182	814,332
Comprehensive income			
Profit for the year	—	30,621	30,621
<i>Other comprehensive income</i>			
Currency translation differences of foreign operations	—	(1,745)	(1,745)
Total other comprehensive income	—	(1,745)	(1,745)
Total comprehensive income for the year	—	28,876	28,876
Balances as at 31st March 2017 and 1st April 2017	19,150	824,058	843,208
Comprehensive income			
Profit for the year	—	108,211	108,211
<i>Other comprehensive income</i>			
Currency translation differences of foreign operations	—	25,635	25,635
Total other comprehensive income	—	25,635	25,635
Total comprehensive income for the year	—	133,846	133,846
Special dividend paid (<i>note 9</i>)	—	(114,898)	(114,898)
Issue of shares upon conversion of convertible bond <i>(note 14)</i>	8,108	51,892	60,000
Equity-settled share-based transactions	—	4,684	4,684
Balances as at 31st March 2018	27,258	899,582	926,840

NOTES

1. General information

North Asia Strategic Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) are principally engaged in the following businesses during the year:

- **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;
- **leasing:** provision of finance to its customers via a wide array of assets under finance lease arrangements and operating 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 GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

This announcement is presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

This announcement has been approved for issue by the Company’s board of directors on 7th June 2018.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of this announcement is set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 *Basis of preparation*

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the derivative financial instrument, financial assets at fair value through profit or loss and the derivative component of convertible bond, which have been measured at fair value.

2.2 *Changes in accounting policies and disclosures*

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvement to HKFRSs 2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12</i>

- (a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.
- (b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.
- (c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group does not have any subsidiary classified as a disposal group held for sale as at 31st March 2018 and so no additional information is required to be disclosed.

3. Revenue and segment information

3.1 Revenue

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

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of goods	1,486,610	1,265,364
Commission and other service income	136,008	21,361
Income from leasing arrangements	32,832	9,029
	<u>1,655,450</u>	<u>1,295,754</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 leasing operation. The hi-tech distribution and services operating segment derives revenue from the sale of goods, commission and other service income. The leasing operating segment derives revenue from finance leasing and operating lease arrangements.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before income tax. The adjusted profit/loss before income tax is measured consistently with the Group's profit/loss before tax except that finance income, finance costs, fair value gain/loss from the Group's financial instruments as well as corporate and other unallocated expenses are excluded from such measurement.

Segment assets consist primarily of property, plant and equipment, intangible assets, other non-current assets, inventories and trade and other receivables. Unallocated assets comprise cash and cash equivalents, derivative financial instrument, financial assets at fair value through profit or loss, held-to-maturity investments and corporate and others.

Segment liabilities consist primarily of trade and other payables, deposits received and other non-current liabilities. Unallocated liabilities comprise deferred tax liabilities, income tax liabilities, convertible bond and corporate and others.

Capital expenditure comprises additions to property, plant and equipment.

There are no significant sales between the operating segments during the years ended 31st March 2018 and 2017. The operating results from continuing operations for the year are as follows:

	Year ended 31st March 2018		
	Hi-tech distribution and services operation <i>HK\$'000</i>	Leasing operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
— Sales to external customers	1,622,619	32,831	1,655,450
Segment results	141,368	15,415	156,783
Fair value gain on the derivative component of convertible bond			69
Finance income			3,138
Finance costs			(549)
Corporate and other unallocated expenses			(27,860)
Profit before income tax from continuing operations			131,581
Income tax expense			(23,370)
Profit for the year from continuing operations			108,211
Capital expenditure	19,852	34,939	54,791
Depreciation	2,649	7,863	10,512
Corporate and other unallocated depreciation			964
			11,476
Gain on disposal of property, plant and equipment	178	537	715

	Year ended 31st March 2017		
	Hi-tech distribution and services operation <i>HK\$'000</i>	Leasing operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
— Sales to external customers	<u>1,286,725</u>	<u>9,029</u>	<u>1,295,754</u>
Segment results	<u>62,492</u>	<u>1,294</u>	63,786
Fair value gain on derivative component of convertible bond			3,432
Finance income			5,797
Finance costs			(1,471)
Corporate and other unallocated expenses			<u>(28,654)</u>
Profit before income tax from continuing operations			42,890
Income tax expense			<u>(8,133)</u>
Profit for the year from continuing operations			<u>34,757</u>
Capital expenditure	1,075	4,786	5,861
Corporate and other unallocated capital expenditure			<u>2,385</u>
			<u>8,246</u>
Depreciation	1,624	775	2,399
Corporate and other unallocated depreciation			<u>879</u>
			<u>3,278</u>
Loss on disposal of property, plant and equipment	<u>(407)</u>	<u>—</u>	<u>(407)</u>

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

	Hi-tech distribution and services operation <i>HK\$'000</i>	Leasing operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31st March 2018			
ASSETS	1,043,238	428,724	1,471,962
Segment assets			
Unallocated assets:			
Financial assets at fair value through profit or loss			36,044
Derivative financial instrument			1,010
Cash and cash equivalents			231,292
Corporate and others			<u>5,007</u>
Total assets per the consolidated statement of financial position			<u><u>1,745,315</u></u>
LIABILITIES			
Segment liabilities	679,586	112,618	792,204
Unallocated liabilities:			
Deferred tax liabilities			494
Income tax liabilities			24,441
Corporate and others			<u>1,336</u>
Total liabilities per the consolidated statement of financial position			<u><u>818,475</u></u>

	Hi-tech distribution and services operation <i>HK\$'000</i>	Leasing operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31st March 2017			
ASSETS	509,911	250,526	760,437
Segment assets			
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			5,618
			1,230,709
Total assets per the consolidated statement of financial position			1,230,709
LIABILITIES			
Segment liabilities	237,525	76,783	314,308
Unallocated liabilities:			
Deferred tax liabilities			494
Income tax liabilities			11,866
Derivative component of convertible bond			241
Liability component of convertible bond			59,454
Corporate and others			1,138
			387,501
Total liabilities per the consolidated statement of financial position			387,501

Geographical information

(a) Revenue from external customers

The Group's activities are conducted predominantly in Hong Kong, Mainland China 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 for the leasing operation segment.

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
The PRC including Hong Kong	1,624,446	1,281,658
Asia – others	31,004	14,096
	<u>1,655,450</u>	<u>1,295,754</u>

(b) *Non-current assets*

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

Information about major customers

During each of the years ended 31st March 2017 and 2018, there was no single customer that contributed 10% or more of the Group's revenue for these years.

4. Finance income and costs

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Finance income:		
Interest income from bank deposits	2,035	1,758
Interest income from held-to-maturity investments	1,103	3,021
Net foreign exchange gains on financing activities	—	1,018
	<u>3,138</u>	<u>5,797</u>
Finance costs:		
Interest on bank loans	84	172
Amortisation of liability component of convertible bond	373	1,299
Net foreign exchange loss on financing activities	92	—
	<u>549</u>	<u>1,471</u>

5. Profit before income tax

The Group's profit before income tax from continuing operations is arrived at after charging/(crediting):

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Cost of inventories sold	1,250,184	1,077,481
Other costs	<u>51,666</u>	<u>8,661</u>
Cost of sales	<u>1,301,850</u>	<u>1,086,142</u>
Net foreign exchange loss/(gains)	1,074	(3,319)
Depreciation of property, plant and equipment	11,476	3,278
Employment costs	118,447	109,963
Minimum lease payments under operating leases	13,776	13,119
Loss/(gain) on disposal of property, plant and equipment, net	(715)	407
Auditor's remuneration	<u>1,930</u>	<u>2,080</u>

6. 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% (2017: 16.5%) on the estimated assessable profit for the year.

Subsidiaries established in the Mainland China are subject to Mainland China corporate income tax at the standard rate of 25% (2017: 25%).

Taxation on overseas (other than Hong Kong and Mainland China) profits has been calculated on the estimated assessable profits for the year at the applicable rates of taxation prevailing in the jurisdictions in which the Group operates. For the year ended 31st March 2018, NAS American Tec (Shenzhen) Co. Limited, a subsidiary of the Company, was entitled to a preferential tax rate of 15% as it is recognised as a high technology enterprise.

The amounts of income tax expense from continuing operations recorded in the consolidated statement of profit or loss represent:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current taxation		
Hong Kong profits tax		
— current year	20,590	6,611
Mainland China corporate income tax		
— current year	3,239	1,522
— over-provision in prior year	<u>(459)</u>	<u>—</u>
	<u>23,370</u>	<u>8,133</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 merges and acquisitions projects. The disposal of Dragon Group was because management intended to streamline its businesses and focus on the operation of hi-tech distribution and services division and leasing operation 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.

	2017 <i>HK\$’000</i>
Net assets disposed of:	
Trade and other receivables	18,827
Cash and cash equivalents	416
Trade and other payables	(720)
Income tax payables	(18,676)
	<u>(153)</u>
Gain on disposal of a discontinued operation	<u>153</u>
	<u>—</u>
Satisfied by:	
Cash	<u>—</u>

The results of Dragon Group for the year (up to the date of disposal) are presented below:

	2017 <i>HK\$'000</i>
Revenue	450
Cost of sales	(207)
Other income and gains	35
Finance income	—
General and administrative expenses	(4,567)
Impairment on goodwill	—
	<hr/>
Loss before tax	(4,289)
Income tax expense	—
	<hr/>
Loss after tax	(4,289)
Gain on disposal of a discontinued operation	153
	<hr/>
Loss for the year from a discontinued operation	<u>(4,136)</u>
Loss per share, from the discontinued operation:	
Basic and diluted (<i>HK cents</i>)	<u>(0.21)</u>

The calculations of basic and diluted earnings per share from the discontinued operation are based on:

	2017
Loss attributable to shareholders of the Company from the discontinued operation (<i>HK\$'000</i>)	<u>(4,136)</u>
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	<u>1,914,997,244</u>

No adjustment had been made to the basic loss per share from a discontinued operation presented for the year ended 31st March 2017 in respect of a dilution as the impact of the convertible bond outstanding during the year had an anti-dilutive effective on the basic loss per share from a discontinued operation presented.

8. Earnings/(loss) per share

Basic earnings/(loss) per share was 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 year.

Diluted earnings per share amount was calculated by adjusting the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares. The convertible bond was assumed to have been converted into ordinary shares, and the profit for the year was adjusted to exclude the interest expense on convertible bond and fair value gain on the derivative component of 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 a special dividend by the Company on the same date which, according to the instrument constituting the convertible bond, constituted a Capital Distribution (as defined in the instrument) as it was not paid out of the 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 calculations of basic and diluted earnings/(loss) per share are based on:

	2018	2017
	HK\$'000	HK\$'000
Earnings/(loss)		
Profit/(loss) attributable to the shareholders of the Company, used in the basic earnings per share calculation (HK\$'000)		
From continuing operations	108,211	34,757
From a discontinued operation	—	(4,136)
	108,211	30,621
Interest on convertible bond	374	1,299
Fair value gain on derivative component of convertible bond	(69)	(3,432)
Profit attributable to the shareholders of the Company, used in the diluted earnings per share calculation	108,516	28,488
Attributable to:		
Continuing operations	108,516	32,624
Discontinued operation	—	(4,136)
	108,516	28,488
	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue, used in the basic earnings per share calculation	2,497,003,886	1,914,997,244
Effect of dilution – weighted average number of ordinary shares:		
Convertible bond	228,804,146	810,810,810
Assumed issuing at no consideration on deemed exercise of all share options outstanding during the year	3,911,738	—
Weighted average number of ordinary shares in issue, used in the diluted earnings per share calculation	2,729,719,770	2,725,808,054

9. 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 was paid on 10th July 2017.

The Directors do not recommend the payment of a final dividend for the year ended 31st March 2018 (2017: Nil).

10. Held-to-maturity investments

	2018 HK\$'000	2017 HK\$'000
Listed debt investments, at amortised cost	—	46,419
Less: current portion	—	(46,419)
	<u>—</u>	<u>—</u>

As at 31st March 2017, the effective interest rates of the held-to-maturity investments ranged from 3.2% to 7.0% per annum and these investments have been matured between May 2017 and December 2017.

11. Trade and other receivables

	2018 HK\$'000	2017 HK\$'000
Trade and bills receivables	385,453	121,124
Less: Impairment of trade receivables	—	—
Trade and bills receivables, net (<i>note (a)</i>)	<u>385,453</u>	<u>121,124</u>
Finance lease receivables, net (<i>note (b)</i>)	316,697	175,617
Less: non-current portion*	<u>(98,738)</u>	<u>(72,657)</u>
Finance lease receivables, net, current portion	<u>217,959</u>	<u>102,960</u>
Prepayments	117,242	12,374
Rental and other deposits	5,699	4,518
Leased assets [#]	1,129	14,921
Other receivables	93,226	49,019
Less: Impairment of other receivables	—	—
Prepayments, deposits and other receivables, net	<u>217,296</u>	<u>80,832</u>
Less: non-current portion*	<u>(3,721)</u>	<u>(3,095)</u>
Prepayments, deposits and other receivables, net, current portion	<u>213,575</u>	<u>77,737</u>
Total trade and other receivables, current portion	<u>816,987</u>	<u>301,821</u>
* Total trade and other receivables, non-current portion	<u>102,459</u>	<u>75,752</u>

The leased assets represents payments made by the Group 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 under the leased assets and accordingly recognise 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:

	2018	2017
	HK\$'000	HK\$'000
90 days or less	355,374	109,700
91 to 180 days	14,898	9,126
181 to 270 days	12,195	1,252
271 to 365 days	2,102	—
Over 365 days	884	1,046
	385,453	121,124

(b) Finance lease receivables, net

	2018	2017
	HK\$'000	HK\$'000
Gross investment in finance leases	341,455	188,570
Less: unearned finance lease income	(24,758)	(12,953)
Present value of minimum lease amounts receivables	316,697	175,617
Less: accumulated allowance for impairment (note (i))	—	—
	316,697	175,617
Less: current portion	(217,959)	(102,960)
Non-current portion	98,738	72,657

Note:

- (i) The directors of the Company 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 31st March 2018 and 2017.

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	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	240,301	113,045	217,959	102,960
After 1 year but not more than 2 years	97,650	72,015	95,619	69,227
After 2 years	3,504	3,510	3,119	3,430
	<u>341,455</u>	<u>188,570</u>	<u>316,697</u>	<u>175,617</u>

12. Convertible bond

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Liability component of convertible bond	<u>—</u>	<u>59,454</u>
Derivative component of convertible bond	<u>—</u>	<u>241</u>

On 20th August 2014, the Company issued convertible bond in the principal amount of HK\$60,000,000 to Million Land Limited, for the partial settlement of the acquisition of the entire equity interests in Dragon Mining Overseas Limited and its subsidiaries 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 of the payment of a special dividend, which was defined in the instrument constituting the convertible bond as constituting a capital distribution, 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 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>	Derivative component <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April 2016	58,155	3,673	61,828
Amortisation of the liability component of convertible bond (<i>note 4</i>)	1,299	—	1,299
Fair value gain on the derivative component of convertible bond	—	(3,432)	(3,432)
	<u>59,454</u>	<u>241</u>	<u>59,695</u>
At 31st March 2017 and 1st April 2017	59,454	241	59,695
Amortisation of the liability component of convertible bond (<i>note 4</i>)	374	—	374
Fair value gain on the derivative component of convertible bond	—	(69)	(69)
Conversion of convertible bond	(59,828)	(172)	(60,000)
	<u>—</u>	<u>—</u>	<u>—</u>
At 31st March 2018	<u>—</u>	<u>—</u>	<u>—</u>

13. Trade and other payables

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade and bills payables (<i>note (a)</i>)	495,169	158,194
Accrual for operating expenses	94,626	53,810
Receipts in advance	83,002	38,388
Deposits received	20,021	6,616
Other payables	53,027	35,490
	<u>745,845</u>	<u>292,498</u>

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

	2018 HK\$'000	2017 <i>HK\$'000</i>
90 days or less	455,678	145,468
91 to 180 days	29,761	7,216
181 to 270 days	952	1,486
271 to 365 days	3,118	1,272
Over 365 days	<u>5,660</u>	<u>2,752</u>
	<u>495,169</u>	<u>158,194</u>

14. Share capital

	Ordinary shares of HK\$0.01 each		Preference shares of HK\$0.01 each		Total HK\$'000
	Number of shares '000	Ordinary share capital HK\$'000	Number of shares '000	Preference share capital HK\$'000	
Authorised:					
At 31st March 2017 and 2018	<u>40,000,000</u>	<u>400,000</u>	<u>30,000,000</u>	<u>300,000</u>	<u>700,000</u>
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>)	<u>810,811</u>	<u>8,108</u>	<u>—</u>	<u>—</u>	<u>8,108</u>
At 31st March 2018	<u>2,725,808</u>	<u>27,258</u>	<u>—</u>	<u>—</u>	<u>27,258</u>

Note:

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.

15. Reserves

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Cumulative translation adjustments <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balances at 1st April 2016	84,477	1,071,190	—	248	(360,733)	795,182
Profit for the year	—	—	—	—	30,621	30,621
Currency translation differences of foreign operations	—	—	—	(1,745)	—	(1,745)
Total comprehensive income for the year	—	—	—	(1,745)	30,621	28,876
Balances at 31st March 2017 and at 1st April 2017	84,477	1,071,190	—	(1,497)	(330,112)	824,058
Profit for the year	—	—	—	—	108,211	108,211
Currency translation differences of foreign operations	—	—	—	25,635	—	25,635
Total comprehensive income for the year	—	—	—	25,635	108,211	133,846
Special dividend paid	—	(114,898)	—	—	—	(114,898)
Issue of shares upon conversion of convertible bond	51,892	—	—	—	—	51,892
Equity-settled share-based transactions	—	—	4,684	—	—	4,684
Balances at 31st March 2018	<u>136,369</u>	<u>956,292</u>	<u>4,684</u>	<u>24,138</u>	<u>(221,901)</u>	<u>899,582</u>

CHAIRLADY'S STATEMENT

General Overview

During the year, our Group recorded a consolidated net profit of approximately HK\$108.2 million on a revenue of approximately HK\$1,655.5 million, representing an increase of 253.4% and 27.8% from last year, respectively. The increase in revenue was mainly because of continued strong demand for Surface Mount Technology (“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. Our leasing division also had shown remarkable progress in establishing a lending portfolio and developed synergy effect with our Group’s operations in the hi-tech distribution and services business.

Division Highlights

i) Hi-Tech Distribution and Services Division

During the year, the division achieved a net profit of approximately HK\$120.3 million, representing an increase of 121.2% from approximately HK\$54.4 million in last year, and a revenue of approximately HK\$1,622.6 million, representing an increase of 26.1% from approximately HK\$1,286.7 million in last year.

China’s import of SMT machines surged in 2017. The unit of SMT machines imported has been increased by approximately 52.6% in 2017 against 2016. The cause of import increase is largely due to strong demand from smartphone manufacturers, network & communication manufacturers and automotive electronics manufacturers. American Tec Company Limited (“AMT”), as leading electronic manufacturing equipment distributor and service provider, is well positioned to capture this expanded market. AMT’s management team will continue to maintain a close partnership and collaboration with its key business partner, Fuji Corporation (previous know as Fuji Machine MFG Co., Ltd.), a manufacturer of high precision, leading edge technology SMT machines and other industry leading peripheral equipment suppliers and business partners, in seizing the opportunities of smart manufacturing transformation under China’s vision of China Manufacturing 2025.

ii) Leasing Division

During the year, the leasing division had continued to grow satisfactory and recorded a revenue of approximately HK\$32.8 million, representing an increase of 263.6% from approximately HK\$9.0 million in last year. As at 31st March 2018, the aggregate principal amount of finance lease loans amounted to approximately HK\$316.7 million, representing an increase of 80.3% from approximately HK\$175.6 million in last year.

OUTLOOK

In the coming year, the global economy will be challenging with the political uncertainty, the trade war between with United States and China and other uncertainty due to the expected US interest rate rise. On the other hand, we expect the momentum of global economy will remain a steady growth and lead to a low unemployment rate, the domestic demand will stay resilient as consumer spending growth is likely to remain moderate but steady. Our Group will strive to gain further market share of our hi-tech distribution and services division by providing better services and enhancing the marketing program. The leasing division is expected to have a moderate growth and produce synergy effect with the Group's business operations. Going forward, the Group will continue to enhance the operational efficiency of varies business divisions with an aim to improve their profitability and increase shareholders' value.

APPRECIATION

We believe our long-term investment strategy, setting operating goals, motivating our staff and sharing success with business partners will be essential elements for the Group's success. I would like to take this opportunity to express my sincere gratitude to our business partners, our customers, the Board and our employees for their trust and support in the year. On behalf of the Board, I would also like to offer our utmost appreciation to our shareholders for their confidence in our Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial and Business Performance

During the year ended 31st March 2018 (the "year"), the Group recorded a consolidated revenue of approximately HK\$1,655,450,000, representing a 27.7% growth from approximately HK\$1,295,754,000 in last year. The increase in revenue was mainly due to approximately 26.1% year on year increase in revenue from our hi-tech distribution and services division which was a result of continuing strong demand for SMT equipment from our existing customers of the manufacture of smartphone, network and communication and automotive electronics and wearable devices, etc.. During the year, the Group recorded a consolidated net profit of approximately HK\$108,211,000, increased by 253.4% from HK\$30,621,000 in last year. The Group had improved its gross profit margin during the year mainly due to significant increase in commission sales associated with repeated orders from the existing customers, which continued to upgrade their manufacturing capacity.

During the year, the Group's operating expenditures amounted to approximately HK\$227,056,000, representing an increase of 28.2% from approximately HK\$177,085,000 in last year. The increase in operating expenditures was mainly due to an increase in selling and distribution expenses which were increased in line with revenue. Furthermore, the Group recorded basic earnings per share of approximately HK\$4.33 cents in the year, representing 170.62% increase from HK\$1.60 cents in last year.

Below is a 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 (“AMT”). AMT 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. AMT’s team of more than 190 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. AMT 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 year, the revenue of the division was approximately HK\$1,622,619,000 representing an increase of 26.1% from approximately HK\$1,286,725,000 in last year. The reason of increase was mainly due to continued strong demand for SMT equipment from our existing and new customers both in the telecommunication and industrial market segments. During the year, the division’s direct machine sales was approximately HK\$1,391,021,000, representing an increase of 16.7% from approximately HK\$1,191,616,000 in last year. The division recorded approximately HK\$136,008,000 in commission and other service income, representing an increase of 536.7% from approximately HK\$21,361,000 in 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\$84,728,000, increased 46.6% from approximately HK\$57,813,000 in last year. The Division’s software sales were approximately HK\$10,862,000, decreased by 31.8% from approximately HK\$15,935,000 in last year.

On profit side, during the year, the net profit of the division was approximately HK\$120,329,000, representing an increase of 121.2% from approximately HK\$54,398,000 in last year. The significant increase was mainly due to favorable business mix and higher sales volume. AMT’s management has taken various measures to maintain operating cost efficiency and has achieved expected profitability despite an increasing challenging market.

Leasing Division

The Group conducts its leasing business through its wholly-owned subsidiary, North Asia Financial Leasing (Shanghai) Co., Ltd. (“NAFL”) in China Shanghai Pilot Free Trade Zone. NAFL provides finance and operating lease arrangements to customers of the Group’s hi-tech distribution and services division and projects. During the year, the division generated a revenue from the leasing business of approximately HK\$32,831,000, representing an increase of 263.6% from approximately

HK\$9,029,000 in last year and recorded a net profit of approximately HK\$14,491,000, representing an increase of 8.2 times from approximately HK\$1,570,000 in last year. As at 31st March 2018, the aggregate principal amount of finance lease loans was HK\$316,697,000, representing an increase by 80.3% from HK\$175,617,000 as at 31st March 2017.

Outlook

Overall Summary

The encouraging results achieved in this year has further enhanced the confidence of the management in the prospects in both the hi-tech distribution and services division and leasing division. We expect to see another boom in SMT industry in the coming few years following the wide range upgrade of mobile devices to telecom station equipment from 4G to 5G telecom network. The 5G network offers ultra-fast network speed for future auto pilot vehicle and virtual reality applications. Our customers including some leading telecommunication companies in China will play a vital role in the 5G transformation and provide immense opportunities to the SMT industry. We will embrace the opportunities offered by 5G transformation and continue to manage cash, cost and risks and, to build our strength by working with our management teams to improve capability and efficiency.

Hi-tech Distribution and Services Division

According to International Data Corporation (“IDC”), smartphone vendors’ shipment declined 2.4% from 344.4 million units shipped in the first quarter of 2017 to 336.1 million units during the first quarter of 2018. The China market was the biggest driver of this decline. Despite this short-term disappointing performance, IDC is still very optimistic about smart phone’s future. IDC predicted that the worldwide smartphone market will reach a total of 1.49 billion units shipped in 2018 and reach 1.68 billion units in 2022 at a compound annual growth rate (“CAGR”) of 2.8%, driven by the increasing demand for the new artificial intelligence, augmented reality and virtual reality, contextually aware, and 5G functionalities.

The future of smartphone market was hindered by the potential trade war between China and United States, the two largest economy in the world. The sanction of US Government against a Chinese tele-communication manufacturing company became a black swan in 2018. We will continue to monitor the latest development and work closely with our partners to come up with more competitive and innovative solutions. We will also 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.

Leasing Division

In 2017, the global leasing business continued its rapid development with a strong momentum. The 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 finance 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, 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 hi-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.

Liquidity and Financial Resources

During the year, the Group generally finance its operation with internally generated resources and banking facilities provided by its principal bankers in Hong Kong. As at 31st March 2018, the Group had no interest-bearing bank borrowing (2017: Nil). As at 31st March 2018, the Group had banking facilities of approximately HK\$373,850,000 (2017: approximately HK\$676,105,000) from several banks for trade financing. As at 31st March 2018, banking facilities of approximately HK\$352,460,000 were utilised by the Group (2017: approximately HK\$146,910,000). These facilities were secured by corporate guarantees of approximately HK\$373,850,000 (2017: approximately HK\$676,104,000) provided by the Company. At 31st March 2018, the Group had no held-to-maturity investments in Corporate bonds (2017: HK\$46,419,000). As at 31st March 2018, the Group had total assets of approximately HK\$1,745,315,000 (2017: approximately HK\$1,230,709,000) and total liabilities of approximately HK\$818,475,000 (2017: approximately HK\$387,501,000). The gearing ratio of the Group, which was calculated as total liabilities over total assets was 46.9% (2017: 31.5%).

Contingent Liabilities

As at 31st March 2018, 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\$4,459,000 (2017: HK\$3,262,000).

Net Asset Value

Consolidated net asset value per ordinary share attributable to ordinary shareholders of the Company was approximately HK\$0.34 as at 31st March 2018, decreased by HK\$0.1 from approximately HK\$0.44 as at 31st March 2017.

Number of Employees and Remuneration Policies

As at 31st March 2018, the Group employed 250 (2017: 289) staff. Salaries and annual bonuses are determined according to positions and performance of the employees. Remuneration policies are reviewed annually by the management and remuneration packages are structured to take into account the comparable level of the market. The Group provides on-the-job training and training subsidies to its employees in addition to pension schemes and medical insurance. Total staff costs from continuing operations including contribution to retirement benefit schemes incurred during the year amounted to approximately HK\$118,447,000 (2017: HK\$109,963,000).

The Company operates a share option scheme for the purpose of providing incentives and rewards to Directors, employees and eligible participants who contributed or will contribute to the Group.

Capital Commitments

The Group's contractual commitments are primarily related to the operating lease commitments of its office premises and certain of its office equipment under operating lease arrangements. The Group's operating lease commitments amounted to approximately HK\$31 million in aggregate as at 31st March 2018 (2017: HK\$19 million).

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 year ended 31st March 2018.

CORPORATE GOVERNANCE PRACTICES

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. Throughout the year ended 31st March 2018, the Company complied with all the Code provisions with the exceptions addressed below and, where appropriate, adopted the recommended best practices set out in 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 dealing 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 during the year ended 31st March 2018.

AUDIT COMMITTEE

During the year and up to the date of this announcement, the audit committee comprised of, namely Mr. Joseph Liang Hsien Tse, Mr. Kenneth Kon Hiu King, and Mr. Joseph Chan Nap Kee, all being independent non-executive Directors. The committee is chaired by Mr. Joseph Liang Hsien Tse who has appropriate professional qualifications and experience in financial matters.

The Board has adopted a set of the revised terms of reference of the audit committee to align with the provisions set out in the Code in March 2016. 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 audit committee meets at least four times a year to discuss any area of concern during the audits or reviews and at least twice of the meetings shall be with the external auditors. The audit committee reviews the quarterly, interim and annual reports before submission to the Board. Senior representatives of the external auditors, executive Directors and senior management are invited to attend the meetings, if required.

During the year, the audit committee has approved the nature and scope of the statutory audits, and reviewed the quarterly, interim and annual financial statements of the Group, and was content that the accounting policies and standards of the Group are in accordance with the current best practices in Hong Kong.

The Group's annual results for the year ended 31st March 2018 have been reviewed by the audit committee.

On behalf of the Board
North Asia Strategic Holdings Limited
Zhang Yifan
Chairlady and Executive Director

Hong Kong, 7th June 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.