

NORTH ASIA STRATEGIC HOLDINGS LIMITED

北亞策略控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8080)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2019

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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 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”) of North Asia Strategic Holdings Limited (the “Company”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30th September 2019, together with the comparative unaudited figures of the corresponding period in 2018.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30th September		For the three months ended 30th September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	3	1,779,852	1,423,023	1,263,259	721,510
Cost of sales		<u>(1,567,706)</u>	<u>(1,187,278)</u>	<u>(1,125,811)</u>	<u>(589,139)</u>
Gross profit		212,146	235,745	137,448	132,371
Other income and gains, net		8,705	1,019	6,542	638
Selling and distribution expenses		<u>(80,500)</u>	<u>(96,453)</u>	<u>(48,290)</u>	<u>(55,843)</u>
General and administrative expenses		<u>(69,311)</u>	<u>(56,330)</u>	<u>(43,823)</u>	<u>(28,875)</u>
Operating profit		71,040	83,981	51,877	48,291
Finance income	4	4,465	687	2,836	382
Finance costs	4	<u>(1,021)</u>	<u>(629)</u>	<u>(667)</u>	<u>(626)</u>
Profit before income tax		74,484	84,039	54,046	48,047
Income tax expense	5	<u>(9,592)</u>	<u>(14,414)</u>	<u>(6,733)</u>	<u>(7,184)</u>
PROFIT FOR THE PERIOD		<u>64,892</u>	<u>69,625</u>	<u>47,313</u>	<u>40,863</u>
			(Restated)		(Restated)
Earnings per share attributable to ordinary shareholders of the Company	6				
Basic (HK cents)		<u>23.8</u>	<u>25.5</u>	<u>17.4</u>	<u>15.0</u>
Diluted (HK cents)		<u>23.8</u>	<u>25.5</u>	<u>17.4</u>	<u>15.0</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30th September		For the three months ended 30th September	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Profit for the period	<u>64,892</u>	<u>69,625</u>	<u>47,313</u>	<u>40,863</u>
OTHER COMPREHENSIVE INCOME				
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Currency translation differences of foreign operations	<u>(17,632)</u>	<u>(27,961)</u>	<u>(9,335)</u>	<u>(20,367)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX OF NIL	<u>(17,632)</u>	<u>(27,961)</u>	<u>(9,335)</u>	<u>(20,367)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>47,260</u></u>	<u><u>41,664</u></u>	<u><u>37,978</u></u>	<u><u>20,496</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30th September 2019 <i>Notes</i> HK\$'000 (Unaudited)	As at 31st March 2019 <i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	8	59,688	68,404
Intangible assets	8	373,692	373,692
Right-of-use assets		28,396	—
Trade and other receivables	9	76,416	52,568
Deferred tax assets		2,843	1,564
		541,035	496,228
Current assets			
Financial assets at fair value through profit or loss		80,857	36,760
Inventories		106,100	38,396
Trade and other receivables	9	1,193,087	620,335
Pledged deposit		—	4,239
Cash and cash equivalents		698,701	619,260
		2,078,745	1,318,990
Total assets		2,619,780	1,815,218
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	11	27,258	27,258
Reserves		1,012,235	961,542
Total equity	12	1,039,493	988,800

		As at 30th September 2019 <i>HK\$'000</i> (Unaudited)	As at 31st March 2019 <i>HK\$'000</i> (Audited)
LIABILITIES			
Current liabilities			
Other borrowing		47,409	—
Trade and other payables	10	1,473,667	794,017
Lease liabilities		12,440	—
Income tax liabilities		14,550	11,524
		<u>1,548,066</u>	<u>805,541</u>
Non-current liabilities			
Lease liabilities		16,182	—
Deposits received		15,897	20,735
Other non-current liabilities		142	142
		<u>32,221</u>	<u>20,877</u>
Total liabilities		<u><u>1,580,287</u></u>	<u><u>826,418</u></u>
Total equity and liabilities		<u><u>2,619,780</u></u>	<u><u>1,815,218</u></u>
Net current assets		<u><u>530,679</u></u>	<u><u>513,449</u></u>
Total assets less current liabilities		<u><u>1,071,714</u></u>	<u><u>1,009,677</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Unaudited)		
	Attributable to shareholders of the Company		
	Share capital <i>HK\$'000</i>	Reserves <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balances as at 1st April 2018	27,258	899,582	926,840
Effect of adoption of HKFRS 15, net of tax	—	(15,100)	(15,100)
Restated balances as at 1st April 2018	27,258	884,482	911,740
Comprehensive income			
Profit for the period	—	69,625	69,625
<i>Other comprehensive income</i>			
Currency translation differences of foreign operations	—	(27,961)	(27,961)
Total other comprehensive income	—	(27,961)	(27,961)
Total comprehensive income for the period	—	41,664	41,664
Balances as at 30th September 2018	<u>27,258</u>	<u>926,146</u>	<u>953,404</u>
Balances as at 1st April 2019	<u>27,258</u>	<u>961,542</u>	<u>988,800</u>
Comprehensive income			
Profit for the period	—	64,892	64,892
<i>Other comprehensive income</i>			
Currency translation differences of foreign operations	—	(17,632)	(17,632)
Total other comprehensive income	—	(17,632)	(17,632)
Total comprehensive income for the period	—	47,260	47,260
Equity-settled share-based transactions (<i>note 11(b)</i>)	—	3,433	3,433
Balances as at 30th September 2019	<u>27,258</u>	<u>1,012,235</u>	<u>1,039,493</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30th September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flows from operating activities	<u>75,823</u>	<u>44,353</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of property, plant and equipment	(13,757)	(27,744)
Proceeds from disposal of items of property, plant and equipment	14,929	—
Purchases of financial assets at fair value through profit or loss	(79,337)	—
Receipts from sale of financial assets at fair value through profit or loss	37,119	—
Others	<u>8,704</u>	<u>1,003</u>
Net cash flows used in investing activities	<u>(32,342)</u>	<u>(26,741)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank and other loans	47,174	9,367
Repayment of bank loans	—	(9,367)
Principal portion of lease payments	<u>(6,675)</u>	<u>—</u>
Net cash flows from financing activities	<u>40,499</u>	<u>—</u>
Increase in cash and cash equivalents	83,980	17,612
Cash and cash equivalents at 1st April	619,260	231,292
Effect of foreign exchange rate changes, net	<u>(4,539)</u>	<u>(3,170)</u>
Cash and cash equivalents at 30th September	<u><u>698,701</u></u>	<u><u>245,734</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash at banks and cash on hand	404,089	229,076
Non-pledged time deposits with original maturity of three months or less when acquired	<u>294,612</u>	<u>16,658</u>
Cash and cash equivalents as stated in the unaudited condensed consolidated statement of financial position	<u><u>698,701</u></u>	<u><u>245,734</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;
- **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 and authorised for issue by the Company’s board of directors on 7th November 2019.

2 BASIS OF PREPARATION

This announcement has been prepared to comply with the disclosure requirements of the Rules Governing the Listing of Securities on GEM 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 consolidated financial statements for the year ended 31st March 2019.

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 consolidated financial statements for the year ended 31st March 2019, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1st April 2019.

Amendments to HKFRS 9 HKFRS 16	<i>Prepayment Features with Negative Compensation Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases* and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's unaudited condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

- (a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1st April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of accumulated losses at 1st April 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1st April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for its office properties and warehouses. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1st April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1st April 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1st April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1st April 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

The impacts arising from the adoption of HKFRS 16 as at 1st April 2019 are as follows:

	Increase <i>HK\$'000</i> (Unaudited)
Asset	
Increase in right-of-use assets	<u>15,844</u>
Liability	
Increase in lease liabilities	<u>15,844</u>

The lease liabilities as at 1st April 2019 reconciled to the operating lease commitments as at 31st March 2019 is as follows:

	<i>HK\$'000</i> (Unaudited)
Operating lease commitments as at 31st March 2019	17,859
Weighted average incremental borrowing rate as at 1st April 2019	<u>5.4%</u>
Discounted operating lease commitments as at 1st April 2019	16,714
<i>Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31st March 2020</i>	<u>(870)</u>
Lease liabilities as at 1st April 2019	<u>15,844</u>

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual consolidated financial statements for the year ended 31st March 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1st April 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Amounts recognised in the condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets — Office properties and warehouses HK\$'000 (Unaudited)	Lease liabilities HK\$'000 (Unaudited)
As at 1st April 2019	15,844	15,844
Additions	19,874	19,874
Depreciation charge	(6,411)	—
Interest expense	—	494
Payments	—	(6,675)
Exchange realignment	(911)	(915)
As at 30th September 2019	28,396	28,622

The Group recognised rental expenses from short-term leases of HK\$471,000 for the six months ended 30th September 2019.

- (b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any significant impact on the Group’s unaudited condensed consolidated financial information.

3 REVENUE AND SEGMENT INFORMATION

3.1 Revenue

An analysis of revenue is as follows:

	For the six months ended 30th September		For the three months ended 30th September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from contracts with customers (note)				
Recognised at a point in time:				
Sales of goods	1,739,541	1,342,965	1,241,291	669,769
Recognised over time:				
Commission and other service income	9,903	50,069	6,187	33,136
	<u>1,749,444</u>	<u>1,393,034</u>	<u>1,247,478</u>	<u>702,905</u>
Revenue from other source				
Income from leasing arrangements	30,408	29,989	15,781	18,605
	<u>1,779,852</u>	<u>1,423,023</u>	<u>1,263,259</u>	<u>721,510</u>
<i>Note:</i>				
<u>Disaggregated revenue information</u>				
<i>Geographic markets</i>				
The PRC including				
Hong Kong	1,550,016	1,375,444	1,057,714	694,808
Asia — others	199,428	17,590	189,764	8,097
	<u>1,749,444</u>	<u>1,393,034</u>	<u>1,247,478</u>	<u>702,905</u>
Total revenue from contracts with customers	<u>1,749,444</u>	<u>1,393,034</u>	<u>1,247,478</u>	<u>702,905</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. The hi-tech distribution and services operating segment derives revenue from the sales 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 resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before income tax. The adjusted profit/loss before income tax is measured consistently with the Group's profit/loss before tax except that finance income, finance costs, fair value gain/loss from the Group's financial instruments as well as corporate and other unallocated expenses are excluded from such measurement.

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

Capital expenditure comprises additions to property, plant and equipment.

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

	For the six months ended 30th September 2019 (Unaudited)		
	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><u>1,749,444</u></u>	<u><u>30,408</u></u>	<u><u>1,779,852</u></u>
Segment results	<u><u>73,238</u></u>	<u><u>14,156</u></u>	87,394
Changes in fair value of financial assets at fair value through profit or loss			1,820
Finance income			4,465
Finance costs			(1,021)
Corporate and other unallocated expenses			<u>(18,174)</u>
Profit before income tax			74,484
Income tax expense			<u>(9,592)</u>
Profit for the period			<u><u>64,892</u></u>
Capital expenditure	2,530	10,937	13,467
Corporate and other unallocated capital expenditure			<u>290</u>
			<u><u>13,757</u></u>
Depreciation	8,876	7,016	15,892
Corporate and other unallocated depreciation			<u>566</u>
			<u><u>16,458</u></u>
(Reversal of)/impairment of trade receivables	9,591	(1,212)	8,379
Gain on disposal of items of property, plant and equipment	<u><u>4,140</u></u>	<u><u>349</u></u>	<u><u>4,489</u></u>

For the six months ended 30th September 2018
(Unaudited)

	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>1,393,034</u>	<u>29,989</u>	<u>1,423,023</u>
Segment results	<u>73,457</u>	<u>10,607</u>	84,064
Finance income			687
Finance costs			(629)
Corporate and other unallocated expenses			<u>(83)</u>
Profit before income tax			84,039
Income tax expense			<u>(14,414)</u>
Profit for the period			<u>69,625</u>
Capital expenditure on segment assets	2,391	24,498	26,889
Corporate and other unallocated capital expenditure			<u>855</u>
			<u>27,744</u>
Depreciation of segment assets	2,965	8,082	11,047
Corporate and other unallocated depreciation			<u>610</u>
			<u>11,657</u>

The segment assets 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>
As at 30th September 2019 (Unaudited)			
Segment assets	<u>1,441,070</u>	<u>394,241</u>	1,835,311
Unallocated assets:			
Deferred tax assets			2,843
Financial assets at fair value through profit or loss			80,857
Cash and cash equivalents			698,701
Corporate and others			<u>2,068</u>
Total assets per the unaudited condensed consolidated statement of financial position			<u>2,619,780</u>

	Hi-tech distribution and services operation <i>HK\$'000</i>	Leasing operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31st March 2019 (Audited)			
Segment assets	<u>826,934</u>	<u>324,704</u>	1,151,638
Unallocated assets:			
Deferred tax assets			1,564
Financial assets at fair value through profit or loss			36,760
Pledged deposit			4,239
Cash and cash equivalents			619,260
Corporate and others			<u>1,757</u>
Total assets per the consolidated statement of financial position			<u>1,815,218</u>

Geographical information

(a) Revenue from external customers

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

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

	For the six months ended	
	30th September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The PRC including Hong Kong	1,580,424	1,405,433
Asia — others	199,428	17,590
Total revenue	<u>1,779,852</u>	<u>1,423,023</u>

(b) Non-current assets

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

Information about major customers

During the six months ended 30th September 2019, revenue of approximately HK\$1,046,459,000 (2018: HK\$294,318,000) was derived from sales to two customers (2018: a single customer) of the hi-tech distribution and services operating segment, which accounted for more than 10% of the Group's total revenue.

Revenue from each major customer is set out as below:

	For the six months ended	
	30th September	
	2019	2018
	HK\$'000	HK\$'000
Customer 1	855,406	N/A*
Customer 2	191,053	N/A*
Customer 3	N/A*	294,318

* Less than 10% of the Group's total revenue.

4 FINANCE INCOME AND COSTS

An analysis of finance income and costs is as follows:

	For the six months ended 30th September		For the three months ended 30th September	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Finance income:				
Interest income from bank deposits	<u>4,465</u>	<u>687</u>	<u>2,836</u>	<u>382</u>
Finance costs:				
Interest portion of lease payment	494	—	288	—
Interest on bank and other loans	527	279	379	276
Net foreign exchange losses on financing activities	<u>—</u>	<u>350</u>	<u>—</u>	<u>350</u>
	<u>1,021</u>	<u>629</u>	<u>667</u>	<u>626</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% (2018: 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% (2018: 25%). 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.

* *For identification purpose only*

The amounts of income tax expense/(credit) recorded in the unaudited condensed consolidated statement of profit or loss represent:

	For the six months ended 30th September		For the three months ended 30th September	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Current taxation				
Hong Kong profits tax				
— current period	7,994	11,034	7,664	8,107
Mainland China corporate income tax				
— current period	2,878	3,380	667	(923)
Deferred	(1,280)	—	(1,598)	—
	<u>9,592</u>	<u>14,414</u>	<u>6,733</u>	<u>7,184</u>

6 EARNINGS PER SHARE

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

The basic and diluted earnings per share amounts for the period ended 30th September 2018 had been adjusted to reflect the Share Consolidation (as defined in note 11(a)) of the Company.

The calculation of the diluted earnings per share amounts for the six months ended 30th September 2018 and 2019 was based on the profit for the period attributable to ordinary shareholders of the Company. The weighted average number of ordinary shares used in the calculation was the total of the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options.

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

	For the six months ended 30th September		For the three months ended 30th September	
	2019 (Unaudited)	2018 (Unaudited) (Restated)	2019 (Unaudited)	2018 (Unaudited) (Restated)
Earnings				
Profit attributable to shareholders of the Company, used in the basic and diluted earnings per share calculation (HK\$'000)	<u>64,892</u>	<u>69,625</u>	<u>47,313</u>	<u>40,863</u>
Shares				
Weighted average number of ordinary shares in issue, used in the basic earnings per share calculation	272,580,805	272,580,805	272,580,805	272,580,805
Effect of dilution — weighted average number of ordinary shares:				
Assumed to have been issued at no consideration on deemed exercise of all share options outstanding during the period	<u>4,461</u>	<u>195,151</u>	<u>8,872</u>	<u>—</u>
Weighted average number of ordinary shares in issue, used in the diluted earnings per share calculation	<u>272,585,266</u>	<u>272,775,956</u>	<u>272,589,677</u>	<u>272,580,805</u>

7 DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September 2019 (2018: Nil).

8 CAPITAL EXPENDITURE

	Property, plant and equipment <i>HK\$'000</i> (Unaudited)	Intangible assets <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
At 1st April 2019	68,404	373,692	442,096
Additions	13,757	—	13,757
Disposals	(10,440)	—	(10,440)
Depreciation	(10,047)	—	(10,047)
Exchange realignments	(1,986)	—	(1,986)
	<hr/>	<hr/>	<hr/>
At 30th September 2019	59,688	373,692	433,380
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 1st April 2018	50,320	373,692	424,012
Additions	27,744	—	27,744
Disposals	(5,198)	—	(5,198)
Depreciation	(11,657)	—	(11,657)
Exchange realignments	(4,039)	—	(4,039)
	<hr/>	<hr/>	<hr/>
At 30th September 2018	57,170	373,692	430,862
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

9 TRADE AND OTHER RECEIVABLES

	As at 30th September 2019 <i>HK\$'000</i> (Unaudited)	As at 31st March 2019 <i>HK\$'000</i> (Audited)
Trade receivables	945,128	389,103
<i>Less: Impairment of trade receivables</i>	<u>(16,606)</u>	<u>(7,015)</u>
	928,522	382,088
Bills receivable	<u>4,820</u>	<u>2,259</u>
	933,342	384,347
Trade and bills receivables, net (<i>note (a)</i>)	<u>933,342</u>	<u>384,347</u>
Finance lease receivables	208,702	217,048
<i>Less: Impairment of finance lease receivables</i>	<u>(618)</u>	<u>(1,830)</u>
	208,084	215,218
Finance lease receivables, net (<i>note (b)</i>)	<u>208,084</u>	<u>215,218</u>
<i>Less: non-current portion*</i>	<u>(72,083)</u>	<u>(50,401)</u>
	136,001	164,817
Finance lease receivables, net, current portion (<i>note (b)</i>)	<u>136,001</u>	<u>164,817</u>
Prepayments, deposits and other receivables	128,077	73,338
<i>Less: non-current portion*</i>	<u>(4,333)</u>	<u>(2,167)</u>
	123,744	71,171
Prepayments, deposits and other receivables, net, current portion	<u>123,744</u>	<u>71,171</u>
Total trade and other receivables, current portion	<u><u>1,193,087</u></u>	<u><u>620,335</u></u>
* Total trade and other receivables, non-current portion	<u><u>76,416</u></u>	<u><u>52,568</u></u>

(a) *Trade and bills receivables, net*

The Group's trading terms with its customers are mainly on letters of credit or documents against payment, and in some cases granting a credit period of 5 to 180 days, except for new customers, where payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Since the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances.

An ageing analysis of trade and bills receivables, based on the invoice date and net of loss allowance, as at the end of the reporting period is as follows:

	As at 30th September 2019 HK\$'000 (Unaudited)	As at 31st March 2019 HK\$'000 (Audited)
90 days or less	904,110	306,442
91 to 180 days	18,149	60,432
181 to 270 days	4,194	3,171
271 to 365 days	778	8,402
Over 365 days	6,111	5,900
	<u>933,342</u>	<u>384,347</u>

(b) *Finance lease receivables, net*

	As at 30th September 2019 HK\$'000 (Unaudited)	As at 31st March 2019 HK\$'000 (Audited)
Gross investment in finance leases	228,707	239,143
Less: unearned finance lease income	<u>(20,005)</u>	<u>(22,095)</u>
Present value of minimum lease amounts receivables	208,702	217,048
Less: accumulated allowance for impairment	<u>(618)</u>	<u>(1,830)</u>
	208,084	215,218
Less: current portion	<u>(136,001)</u>	<u>(164,817)</u>
Non-current portion	<u>72,083</u>	<u>50,401</u>

Gross amounts and present values

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

	Gross amounts		Present values	
	As at 30th September 2019 HK\$'000 (Unaudited)	As at 31st March 2019 HK\$'000 (Audited)	As at 30th September 2019 HK\$'000 (Unaudited)	As at 31st March 2019 HK\$'000 (Audited)
Within one year	152,053	188,679	136,405	169,555
In the second year	61,244	50,464	57,345	47,493
In the third to fifth year	15,410	—	14,952	—
	<u>228,707</u>	<u>239,143</u>	<u>208,702</u>	<u>217,048</u>

10 TRADE AND OTHER PAYABLES

	As at 30th September 2019 HK\$'000 (Unaudited)	As at 31st March 2019 HK\$'000 (Audited)
Trade and bills payables (<i>note (a)</i>)	1,091,806	471,190
Contract liabilities (<i>note (b)</i>)	126,925	121,415
Accrual for operating expenses	106,289	91,938
Receipts in advance	16,662	10,812
Deposit received	33,584	46,526
Other payables	98,401	52,136
	<u>1,473,667</u>	<u>794,017</u>

Note:

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

	As at 30th September 2019 HK\$'000 (Unaudited)	As at 31st March 2019 HK\$'000 (Audited)
90 days or less	850,889	267,342
91 to 180 days	163,740	142,619
181 to 270 days	22,318	3,312
271 to 365 days	51,287	56,710
Over 365 days	3,572	1,207
	<u>1,091,806</u>	<u>471,190</u>

(b) The amount represents deposits received from customers, which will be recognised as the Group's revenue when the control of the goods is transferred to customers.

11 SHARE CAPITAL

(a) Share capital of the Company

	Ordinary shares of HK\$0.01 each		Preference shares of HK\$0.01 each		
	Number of shares '000	Ordinary share capital HK\$'000	Number of shares '000	Preference share capital HK\$'000	Total HK\$'000
Authorised:					
At 1st April 2018					
— HK\$0.01 each	40,000,000	400,000	30,000,000	300,000	700,000
Share Consolidation (note)	<u>(36,000,000)</u>	<u>—</u>	<u>(27,000,000)</u>	<u>—</u>	<u>—</u>
At 31st March 2019, 1st April 2019 and 30th September 2019					
— HK\$0.1 each	<u>4,000,000</u>	<u>400,000</u>	<u>3,000,000</u>	<u>300,000</u>	<u>700,000</u>
Issued:					
At 1st April 2018	2,725,808	27,258	—	—	27,258
Share Consolidation (note)	<u>(2,453,227)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31st March 2019, 1st April 2019 and 30th September 2019					
	<u>272,581</u>	<u>27,258</u>	<u>—</u>	<u>—</u>	<u>27,258</u>

Note:

On 26th March 2019, the Company completed the consolidation of every ten issued and unissued ordinary shares of HK\$0.01 each into one consolidated ordinary share of HK\$0.10 each and every ten unissued preference shares of HK\$0.01 each into one preference share of HK\$0.10 each (the “Share Consolidation”).

(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 2018	0.115	73,232,000
Adjustment as a result of Share Consolidation	—	<u>(65,908,800)</u>
As at 31st March 2019	1.15	7,323,200
Granted during the period	0.82	<u>7,608,000</u>
As at 30th September 2019	0.98	<u><u>14,931,200</u></u>

The share options are exercisable commencing on the date of grant with a validity period of 10 years from the dates of grant (i.e. 7,323,200 and 7,608,000 share options granted on 16th August 2017 and 26th June 2019, respectively). As at 30th September 2019, none of the share options granted have been exercised.

The fair value of the share options granted during the six months ended 30th September 2019, determined using a binomial model, was approximately HK\$3,433,000. The Group had recognised a share option expense of HK\$3,433,000 during the six months ended 30th September 2019.

The fair value of equity-settled share options granted during the six months ended 30th September 2019 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 (%)	74.808
Risk-free interest rate (%)	1.830
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.

At the end of the reporting period, the Company had 14,931,200 share options outstanding under the 2014 Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 14,931,200 additional ordinary shares of the Company and additional share capital of HK\$1,493,120 and share premium of HK\$13,167,120 (before issue expenses).

At the date of approval of this announcement, the Company had 14,931,200 share options outstanding under the 2014 Scheme, which represented approximately 5.5% of the Company's shares in issue as at the date.

12 EQUITY

Movements in unaudited consolidated equity are as follows:

	Share capital <i>HK\$'000</i> <i>(note 11(a))</i>	(Unaudited) Other reserves <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balances as at 1st April 2019	27,258	1,097,445	(135,903)	988,800
Profit for the period	—	—	64,892	64,892
Currency translation differences of foreign operations	—	(17,632)	—	(17,632)
Total comprehensive income for the period	—	(17,632)	64,892	47,260
Equity-settled share-based transactions <i>(Note 11(b))</i>	—	3,433	—	3,433
Balances as at 30th September 2019	<u>27,258</u>	<u>1,083,246</u>	<u>(71,011)</u>	<u>1,039,493</u>
	Share capital <i>HK\$'000</i> <i>(note 11(a))</i>	(Unaudited) Other reserves <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Previously reported balances as at 1st April 2018	27,258	1,121,483	(221,901)	926,840
Effect of adoption of HKFRS 15	—	—	(15,100)	(15,100)
Restated balances at 1st April 2018	27,258	1,121,483	(237,001)	911,740
Profit for the period	—	—	69,625	69,625
Currency translation differences of foreign operations	—	(27,961)	—	(27,961)
Total comprehensive income for the period	—	(27,961)	69,625	41,664
Balances as at 30th September 2018	<u>27,258</u>	<u>1,093,522</u>	<u>(167,376)</u>	<u>953,404</u>

13 RELATED PARTY TRANSACTIONS

Key management compensation of the Group

	For the six months ended 30th September 2019 HK\$'000 (Unaudited)	For the six months ended 30th September 2018 HK\$'000 (Unaudited)
Salaries, allowances and bonuses	6,450	5,872
Equity-settled share option expenses	1,532	—
Retirement benefits — defined contribution scheme	36	36
	<u>8,018</u>	<u>5,908</u>

14 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

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

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

Assets measured at fair value:

	Quoted prices in markets (Level 1) <i>HK\$'000</i>	Fair value measurement using Significant observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>	Total <i>HK\$'000</i>
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As at 30th September 2019
(Unaudited)

Financial assets at fair value
through profit or loss

80,857	—	—	80,857
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	Quoted prices in markets (Level 1) <i>HK\$'000</i>	Fair value measurement using Significant observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>	Total <i>HK\$'000</i>
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As at 31st March 2019
(Audited)

Financial assets at fair value
through profit or loss

36,760	—	—	36,760
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The Group did not have any financial liabilities measured at fair value as at 30th September 2019 and 31st March 2019.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30th September 2018: Nil).

BUSINESS REVIEW

Financial and Business Performance

During the six months ended 30th September 2019 (the “Interim Period”), the Group recorded an unaudited consolidated revenue of approximately HK\$1,779,852,000, representing an increase of 25.1% from approximately HK\$1,423,023,000 in the corresponding period last year. During the Interim Period, the revenue from the hi-tech distribution and services division and the leasing division were increased by 25.6% and 1.4% respectively compared with the corresponding period last year.

During the Interim Period, the Group’s hi-tech distribution and services division had achieved a moderate growth compared with the corresponding period last year. Despite the Group recorded a retreat in revenue in previous quarter, it has regained the growth momentum in the second quarter thanks to the fulfillment of huge unprecedented orders received from a customer that has executed strategic purchasing plan in response to the abrupt changes in manufacturing environment under the China-United States trade war. Furthermore, as influenced by the trade war between United States and China, some of our customers became cautious in purchasing SMT equipment for expansion and opt for an operating lease arrangement instead of buying the machines. Thus, there was a growth in the operating lease business and simultaneously there was also a decrease in the scale of finance lease arrangements as well as the finance lease interest income.

During the Interim Period, the Group’s general and administrative expenses were increased by 23.0% to approximately HK\$69,311,000 from approximately HK\$56,330,000 in the corresponding period last year. Such increase was mainly due to the recognition of share option expenses of approximately HK\$3,433,000 in staff costs of the Group arising from granting of share options and an expected credit loss of approximately HK\$8,379,000 on receivables. Since a significant amount of the revenue in the Interim Period was generated from huge orders from a customer and the gross profit margin of these orders are relatively lower than other customers, the Group had adjusted the related selling incentive of these orders such that the selling and distribution expenses was reduced by 16.5% to approximately HK\$80,500,000 from approximately HK\$96,453,000 in the corresponding period last year such that the Group’s total operating cost can be brought down by 1.9% to approximately HK\$149,811,000 from approximately HK\$152,783,000 in the corresponding period last year. During the Interim Period, the Group recorded an unaudited consolidated net profit of approximately HK\$64,892,000, representing a slight decrease of 6.8% from approximately HK\$69,625,000 in the corresponding period last year. The unaudited basic earnings per share in the Interim Period was approximately HK23.8 cents, representing a decrease of 6.7% from approximately HK25.5 cents in the corresponding period last year. As at 30th September 2019, the unaudited consolidated net asset value of the Company per ordinary share was approximately HK\$3.8, which was increased by HK\$0.2 from approximately HK\$3.6 as at 31st March 2019.

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 (“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 230 engineers and customer care staff are located in more than 25 cities in China, South-East Asia, Vietnam and India. Customers include most of the major telecom and electronic equipment manufacturers in the world. 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 Interim Period, the unaudited revenue of the division was approximately HK\$1,749,444,000, representing an increase of 25.6% from approximately HK\$1,393,034,000 in the corresponding period last year. The reason of increase was mainly due to the fulfillment of huge unprecedented orders received in the Interim Period from a customer that has executed strategic purchasing plan in response to the abrupt changes in manufacturing environment under the China-United States trade war.

During the Interim Period, the division’s direct machine sales was approximately HK\$1,696,762,000, representing an increase of 30.4% from approximately HK\$1,300,777,000 in the corresponding period last year. The increase of direct machine sales was largely due to the fulfillment of huge unprecedented orders received in the Interim Period from a customer that has executed strategic purchasing plan in response to the abrupt changes in manufacturing environment under the China-United States trade war. The division’s spare parts and software sales were approximately HK\$42,260,000 and HK\$519,000, representing an increase of 1.2% and 18.8%, respectively, from approximately HK\$41,751,000 and HK\$437,000 in the corresponding period last year. However, commission and other services income was approximately HK\$9,903,000, representing a decrease of 80.2% from approximately HK\$50,069,000 in the corresponding period last year. The decline was mainly due to one of our local key customers had a very significant commission order for its new smartphone production factories in the corresponding period last year which was not repeated in the Interim Period.

With our continuous effort in control operating cost, expanding customer portfolio and market share enabling us to deliver robust financial results. During the Interim Period, the division recorded an unaudited net profit of approximately HK\$65,851,000 against approximately HK\$67,468,000 in the corresponding period last year.

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 and Fuji North Asia Financial Leasing (Shenzhen) Co., Ltd. (“FNAFL”) in Qianhai Shenzhen-Hongkong Modern Service Industry Cooperation Zone. The leasing division provides finance and operating lease arrangements to customers of the Group’s hi-tech distribution and services division and other projects.

During the Interim Period, the division generated a revenue from the leasing business of approximately HK\$30,408,000, representing an increase of 1.4% from approximately HK\$29,989,000 in the corresponding period last year and recorded a net profit of approximately HK\$14,006,000, against approximately HK\$14,134,000 in the corresponding period last year. As at 30th September 2019, the aggregate principal amount of finance lease loans was approximately HK\$208,084,000, representing a decrease of 3.3% from approximately HK\$215,218,000 as at 31st March 2019. During the Interim Period, the leasing division engaged more effort and resources in operating lease business since the new customers were cautious on the scale of finance lease arrangements.

OUTLOOK

Overall Summary

Although the Group's revenue recorded a retreat in the previous quarter, it has regained the growth momentum in the second quarter. The management continues to have confidence in the prospects of both the hi-tech distribution and services division and leasing division in the coming quarters. To follow the roadmap of China's 5G infrastructure development and its commercialisation, which offer ultra-fast wireless network speed for future auto pilot vehicle and virtual reality and virtual augmented applications. Our customers including some leading telecommunication companies in China will speed up the upgrade of mobile devices as well as telecom station equipment in the forthcoming 5G transformation. We will embrace the immense 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

Smartphone market, where most of our customers depends on is not very promising at least in short term. Globally, smartphone shipments declined 2.3% year on year in the second quarter of 2019 for the strongest quarterly performance since second quarter of 2018, according to preliminary data from the International Data Corporation (IDC) report, Worldwide Quarterly Mobile Phone Tracker. Smartphone vendors shipped a total of 333.2 million phones in second quarter of 2019, which was up 6.5% over the previous quarter. In China, the smartphone shipments stood at 98 million units in the second quarter of year 2019, down 6% from the same period last year, which is better than the expected 9% contraction by IDC. This trend may suggest some recovery is underway in China. Fueled by growth across India and many South-East Asia countries excluding Japan and China, this region continued the strong momentum from 2018 with shipments up more than 3% in the second quarter of 2019, according to IDC.

Although smartphone business challenges continue in the rest of year 2019, IDC in its latest report, Worldwide Quarterly Mobile Phone Tracker, August 2019 forecasted a modest market recovery starting from second half of 2019 till 2020. IDC opined that after the commercial deployment of 5G in 2019, the smartphone shipment is expected to reach 1.6% growth in 2020 representing 8.9% of the worldwide smartphone shipments in 2020 and continue to grow to 28.1% of the worldwide smartphone shipments by 2023.

Global economy continues to be clouded by trade war between the United States and China. Although there may be a temporary trade deal between the two countries, the global economic situation is still looked fragile without a permanent trade deal. The retaliatory tariffs between the two largest economies have hurt business and consumer confidence and investment. In its twice-yearly World Economic Outlook, IMF slashes global growth forecast again from 3.2% in its July forecast to just 3% in its October forecast. The 3% forecast growth, down from 3.8% as recently as 2017 is the slowest rate of expansion since the 2009 global recession. The IMF blamed the slowdown on trade fights, Brexit uncertainty and other geopolitical crises. The fund predicted the global big four economies of the US, China, the EU and Japan will have no improvement in their growth rates over the next five years.

We will continue to monitor the latest development and work closely with our partners to come up with competitive and innovative solution. As a leading SMT distributor and related service provider in Asia, we will continue to invest in our service and support infrastructure to meet the customer satisfaction. At the same time, we will continue to closely monitor our working capital, gross margin, operating cost and industry developments with a view to maintaining our cash flow and profitability, as well as the long-term sustainability and growth of our business.

Leasing Division

The inclusion of certain China Technology companies in Entity List by the United States Department of Commerce, Bureau of Industry and Security had caused turmoil in China hi-tech OEM industry. The American technology manufacturing company, Flex had closed Plants making Huawei phones in China. It forced Huawei to seek alternative OEM partners in preparation of the upcoming 5G transformation and deployment. This uncertainty situation and expected huge demand of 5G devices offer an opportunity for the Group's leasing business in the SMT market.

For risk management purposes, customers became more cautious in purchasing equipment and turned to purchase by way of leasing mainly due to the uncertainties over future policies and development. Based on our projection, leasing in SMT, semi-conductor packaging and testing will continue its growth in 2020. With the Group's financial platform in Hong Kong and abundant industry experience, especially in hi-tech manufacturing equipment, the Group's finance and operating lease businesses will remain focus on SMT and semi-conductor packaging equipment leasing to provide our customers with diversified solutions and services. Furthermore, the Group will closely monitor other different equipment leasing demands to achieve a solid and rapid expansion in new business and income.

LIQUIDITY AND FINANCIAL RESOURCES

During the Interim Period, the Group generally finance its operation with internally generated resources and banking facilities provided by its principal bankers in Hong Kong. As at 30th September 2019, the Group had floating interest borrowings of approximately HK\$47,409,000 which was denominated in Hong Kong dollar (31st March 2019: Nil). At 30th September 2019, the gearing ratio of the Group, which was calculated as total liabilities over the total assets was 60.3%, as compared to 45.5% as at 31st March 2019.

Contingent Liabilities

As at 30th September 2019, 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\$1,438,000 (31st March 2019: HK\$1,403,000).

Foreign Currency Exposure

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

Employee Information

As at 30th September 2019, the Group employed 297 staff (as at 30th September 2018: 267). Total staff costs including contribution to retirement benefit schemes incurred during the six months ended 30th September 2019 amounted to approximately HK\$48,681,000 (for the six months ended 30th September 2018: HK\$43,755,000).

Capital Commitments

There was no material capital commitments as at 30th September 2019.

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

As at 30th September 2019, 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	5,449,600	1.99%
Pierre Tsui Kwong Ming	Beneficial owner	472,000	0.17%
Joseph Liang Hsien Tse	Beneficial owner	472,000	0.17%
Joseph Chan Nap Kee	Beneficial owner	472,000	0.17%
Kenneth Kon Hiu King	Beneficial owner	472,000	0.17%

Note:

- (a) The above approximate percentages of the shareholdings are based on 272,580,805 ordinary shares in issue as at 30th September 2019.

Save as disclosed above, as at 30th September 2019, none of the Directors and chief executive of the Company or their respective associates had any interests or short positions in the securities of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors.

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

As at 30th September 2019, so far as is known to the Directors and chief executive of the Company, the following person (other than the Directors and chief executive of the Company whose interests were disclosed above) had interests or short positions in the shares and/or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

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

Name of Shareholder	Capacity	Number of ordinary shares held	Number of underlying shares held (Share Options)	Approximate percentage of shares and underlying shares held (Note a)
Lu Ying	Beneficial owner	40,000,000	544,000	67.25%
	Interest of controlled corporation (Note b)	142,768,723	—	
Sincere Ardent Limited	Beneficial owner (Note b)	142,768,723	—	52.37%

Notes:

- (a) The above approximate percentages of the shareholdings are based on 272,580,805 ordinary shares in issue as at 30th September 2019.
- (b) Sincere Ardent Limited is wholly owned by Ms. Lu Ying. By virtue of Part XV of the SFO, Ms. Lu Ying is deemed to be interested in the shares held by Sincere Ardent Limited.

Save as disclosed above, the Directors and the chief executive of the Company were not aware of any person (other than the Directors or chief executive of the Company the interests of which were disclosed above) who has any interests or short positions in the securities of the Company that were required to be entered in the register of the Company pursuant to Section 336 of the SFO as at 30th September 2019.

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 (Note)	Exercise period	Exercise price*	Number of share options					Outstanding as at 30th September 2019
				Outstanding as at 1st April 2019	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
Executive Directors									
Zhang Yifan	16th August 2017	16th August 2017 to 15th August 2027	HK\$1.15	2,725,600	—	—	—	—	2,725,600
	26th June 2019	26th June 2019 to 25th June 2029	HK\$0.82	—	2,724,000	—	—	—	2,724,000
Pierre Tsui Kwong Ming	16th August 2017	16th August 2017 to 15th August 2027	HK\$1.15	200,000	—	—	—	—	200,000
	26th June 2019	26th June 2019 to 25th June 2029	HK\$0.82	—	272,000	—	—	—	272,000
Independent non-executive Directors									
Joseph Liang Hsien Tse	16th August 2017	16th August 2017 to 15th August 2027	HK\$1.15	200,000	—	—	—	—	200,000
	26th June 2019	26th June 2019 to 25th June 2029	HK\$0.82	—	272,000	—	—	—	272,000
Joseph Chan Nap Kee	16th August 2017	16th August 2017 to 15th August 2027	HK\$1.15	200,000	—	—	—	—	200,000
	26th June 2019	26th June 2019 to 25th June 2029	HK\$0.82	—	272,000	—	—	—	272,000
Kenneth Kon Hiu King	16th August 2017	16th August 2017 to 15th August 2027	HK\$1.15	200,000	—	—	—	—	200,000
	26th June 2019	26th June 2019 to 25th June 2029	HK\$0.82	—	272,000	—	—	—	272,000
Sub-Total				3,525,600	3,812,000	—	—	—	7,337,600
Substantial Shareholder									
Lu Ying	16th August 2017	16th August 2017 to 15th August 2027	HK\$1.15	272,000	—	—	—	—	272,000
	26th June 2019	26th June 2019 to 25th June 2029	HK\$0.82	—	272,000	—	—	—	272,000
Employees of the Group									
Employees	16th August 2017	16th August 2017 to 15th August 2027	HK\$1.15	3,525,600	—	—	—	—	3,525,600
	26th June 2019	26th June 2019 to 25th June 2029	HK\$0.82	—	3,524,000	—	—	—	3,524,000
Total				7,323,200	7,608,000	—	—	—	14,931,200

Note:

The closing price per share immediately before 16th August 2017 and 26th June 2019, the dates of grant, was HK\$1.15 (after adjustment of share consolidation on 26th March 2019) and HK\$0.82 respectively.

* 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:

	Date of grant	
	16th August 2017	26th June 2019
Expected dividend yield (%)	0.000	0.000
Expected volatility (%)	79.012	74.808
Risk-free interest rate (%)	2.030	1.830
Expected life of share options (year)	10.000	10.000
Fair value of the total share options granted	HK\$4,684,000	HK\$3,433,000

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 30th September 2019, none of the Directors or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30th September 2019.

CORPORATE GOVERNANCE CODE

The Company endeavours to maintain high standards of corporate governance in the interests of shareholders, and follows the principles set out in the Corporate Governance Code (the "Code") contained in Appendix 15 of the GEM Listing Rules. Except for the deviations described below, no Director is aware of any information which would reasonably indicate that the Company is not, or was not at any time during the six months ended 30th September 2019, acting in compliance with the Code.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the Required Standard throughout the six months ended 30th September 2019.

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

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

On 19th June 2019, Mr. Joseph Chan Nap Kee relinquished as chief executive officer, and remain as chairman and executive director of Kaisun Holdings Limited (Stock Code: 8203).

AUDIT COMMITTEE

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

The unaudited condensed consolidated financial information for the six months ended 30th September 2019 of the Company now reported on has been reviewed by the audit committee.

By Order of the Board

NORTH ASIA STRATEGIC HOLDINGS LIMITED

Zhang Yifan

Chairlady and Executive Director

Hong Kong, 7th November 2019

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.