

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 2020

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

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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 2020, together with the comparative unaudited figures of the corresponding period in 2019.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30th September		For the three months ended 30th September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3	1,258,521	1,779,852	638,053	1,263,259
Cost of sales		(1,031,061)	(1,567,706)	(512,143)	(1,125,811)
Gross profit		227,460	212,146	125,910	137,448
Other income and gains, net		18,155	8,705	8,639	6,542
Selling and distribution expenses		(65,903)	(80,500)	(37,474)	(48,290)
General and administrative expenses		(72,615)	(69,311)	(41,759)	(43,823)
Other expenses		—	—	52	—
Operating profit		107,097	71,040	55,368	51,877
Finance income	4	1,664	4,465	656	2,836
Finance costs	4	(708)	(1,021)	(322)	(667)
Profit before income tax		108,053	74,484	55,702	54,046
Income tax expense	5	(20,575)	(9,592)	(10,755)	(6,733)
PROFIT FOR THE PERIOD		<u>87,478</u>	<u>64,892</u>	<u>44,947</u>	<u>47,313</u>
Earnings per share attributable to ordinary shareholders of the Company	6				
Basic (HK cents)		<u>32.1</u>	23.8	<u>16.5</u>	<u>17.4</u>
Diluted (HK cents)		<u>32.1</u>	23.8	<u>16.5</u>	<u>17.4</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30th September		For the three months ended 30th September	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Profit for the period	<u>87,478</u>	<u>64,892</u>	<u>44,947</u>	<u>47,313</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>6,827</u>	<u>(17,632)</u>	<u>8,399</u>	<u>(9,335)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX OF NIL	<u>6,827</u>	<u>(17,632)</u>	<u>8,399</u>	<u>(9,335)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>94,305</u></u>	<u><u>47,260</u></u>	<u><u>53,346</u></u>	<u><u>37,978</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30th September 2020 <i>HK\$'000</i> (Unaudited)	As at 31st March 2020 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	8	74,066	58,053
Intangible assets	8	373,692	373,692
Right-of-use assets		17,618	24,066
Trade and other receivables	9	30,876	56,825
Deferred tax assets		914	813
		497,166	513,449
Current assets			
Financial assets at fair value through profit or loss		196,298	71,258
Inventories		980,907	851,007
Trade and other receivables	9	715,161	646,672
Pledged deposits		340	777
Cash and cash equivalents		859,294	705,310
		2,752,000	2,275,024
Total assets		3,249,166	2,788,473
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	11	27,258	27,258
Reserves		1,155,511	1,061,206
Total equity	12	1,182,769	1,088,464

		As at 30th September 2020 <i>HK\$'000</i> (Unaudited)	As at 31st March 2020 <i>HK\$'000</i> (Audited)
LIABILITIES			
Current liabilities			
Bank and other borrowings		53,026	53,697
Trade and other payables	10	1,941,340	1,576,062
Lease liabilities		12,102	13,041
Income tax liabilities		34,718	22,533
		<u>2,041,186</u>	<u>1,665,333</u>
Non-current liabilities			
Other borrowings		4,313	6,311
Lease liabilities		6,035	11,483
Deposits received		14,644	16,663
Other non-current liabilities		219	219
		<u>25,211</u>	<u>34,676</u>
Total liabilities		<u><u>2,066,397</u></u>	<u><u>1,700,009</u></u>
Total equity and liabilities		<u><u>3,249,166</u></u>	<u><u>2,788,473</u></u>
Net current assets		<u><u>710,814</u></u>	<u><u>609,691</u></u>
Total assets less current liabilities		<u><u>1,207,980</u></u>	<u><u>1,123,140</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Unaudited)		
	Attributable to shareholders of the Company		
	Share capital	Reserves	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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	—	<u>(17,632)</u>	<u>(17,632)</u>
Total other comprehensive income	—	<u>(17,632)</u>	<u>(17,632)</u>
Total comprehensive income for the period	—	<u>47,260</u>	<u>47,260</u>
Equity-settled share-based transactions (<i>note 11(b)</i>)	—	<u>3,433</u>	<u>3,433</u>
Balances as at 30th September 2019	<u><u>27,258</u></u>	<u><u>1,012,235</u></u>	<u><u>1,039,493</u></u>
Balances as at 1st April 2020	<u>27,258</u>	<u>1,061,206</u>	<u>1,088,464</u>
Comprehensive income			
Profit for the period	—	87,478	87,478
<i>Other comprehensive income</i>			
Currency translation differences of foreign operations	—	<u>6,827</u>	<u>6,827</u>
Total other comprehensive income	—	<u>6,827</u>	<u>6,827</u>
Total comprehensive income for the period	—	<u>94,305</u>	<u>94,305</u>
Balances as at 30th September 2020	<u><u>27,258</u></u>	<u><u>1,155,511</u></u>	<u><u>1,182,769</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30th September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flows from operating activities	<u>294,574</u>	<u>75,823</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(35,679)	(13,757)
Proceeds from disposal of items of property, plant and equipment	15,043	14,929
Purchases of financial assets at fair value through profit or loss	(116,244)	(79,337)
Receipts from sale of financial assets at fair value through profit or loss	—	37,119
Others	<u>2,104</u>	<u>8,704</u>
Net cash flows used in investing activities	<u>(134,776)</u>	<u>(32,342)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank and other borrowings	—	47,174
Repayment of bank and other borrowings	(2,978)	—
Principal portion of lease payments	<u>(6,388)</u>	<u>(6,675)</u>
Net cash flows (used in)/from financing activities	<u>(9,366)</u>	<u>40,499</u>
Increase in cash and cash equivalents	150,432	83,980
Cash and cash equivalents at 1st April	705,310	619,260
Effect of foreign exchange rate changes, net	<u>3,552</u>	<u>(4,539)</u>
Cash and cash equivalents at 30th September	<u><u>859,294</u></u>	<u><u>698,701</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash at banks and on hand	734,983	404,089
Non-pledged time deposits with original maturity of three months or less when acquired	<u>124,311</u>	<u>294,612</u>
Cash and cash equivalents as stated in the unaudited condensed consolidated statement of financial position	<u><u>859,294</u></u>	<u><u>698,701</u></u>

Notes:

1 GENERAL INFORMATION

The Group is principally engaged in the following businesses during the period:

- **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 trading of lease assets; 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”).

In the opinion of the directors, the immediate holding company and ultimate holding company is Sincere Ardent Limited, which was incorporated in the British Virgin Islands (“BVI”).

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 5th November 2020.

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 2020.

The accounting policies adopted in the preparation of this unaudited condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31st March 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The adoption of the above revised HKFRSs has had no significant impact on the Group's result and financial position.

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	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Revenue from contracts with customers (note)				
Recognised at a point in time:				
Sales of goods	1,098,994	1,739,541	538,836	1,241,291
Recognised over time:				
Commission and other service income	119,893	9,903	77,366	6,187
	1,218,887	1,749,444	616,202	1,247,478
Revenue from other sources				
Income from finance lease arrangements	9,543	11,886	4,477	4,998
Income from operating lease arrangements	30,091	18,522	17,374	10,783
	1,258,521	1,779,852	638,053	1,263,259
<i>Note:</i>				
<u>Disaggregated revenue information</u>				
<i>Geographic markets</i>				
The PRC including				
Hong Kong	1,180,938	1,550,016	597,161	1,057,714
Asia — others	37,949	199,428	19,041	189,764
Total revenue from contracts with customers	1,218,887	1,749,444	616,202	1,247,478

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, and trading of lease assets.

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 pledged deposits, cash and cash equivalents, financial assets at fair value through profit or loss, deferred tax assets and corporate and others.

Capital expenditure comprises additions to property, plant and equipment.

There were 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 2020 (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>1,211,707</u>	<u>46,814</u>	<u>1,258,521</u>
Segment results	<u>95,377</u>	<u>17,837</u>	113,214
Changes in fair value of financial assets at fair value through profit or loss			8,796
Finance income			1,664
Finance costs			(708)
Corporate and other unallocated expenses			<u>(14,913)</u>
Profit before income tax			108,053
Income tax expense			<u>(20,575)</u>
Profit for the period			<u>87,478</u>
Capital expenditure	1,780	33,887	35,667
Corporate and other unallocated expenditure			<u>12</u>
			<u>35,679</u>
Depreciation	3,149	10,493	13,642
Corporate and other unallocated depreciation			<u>229</u>
			<u>13,871</u>
(Reversal of impairment)/impairment of trade and finance lease receivables, net	552	(114)	438
Gain on disposal of items of property, plant and equipment	<u>3,157</u>	<u>4,556</u>	<u>7,713</u>

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>1,749,444</u>	<u>30,408</u>	<u>1,779,852</u>
Segment results	<u>73,238</u>	<u>14,156</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>64,892</u>
Capital expenditure	2,530	10,937	13,467
Corporate and other unallocated expenditure			<u>290</u>
			<u>13,757</u>
Depreciation	8,876	7,016	15,892
Corporate and other unallocated depreciation			<u>566</u>
			<u>16,458</u>
(Reversal of impairment)/impairment of trade and finance lease receivables, net	9,591	(1,212)	8,379
Gain on disposal of items of property, plant and equipment	<u>4,140</u>	<u>349</u>	<u>4,489</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 2020 (Unaudited)			
Segment assets	<u>1,750,905</u>	<u>439,788</u>	2,190,693
Unallocated assets:			
Deferred tax assets			914
Financial assets at fair value through profit or loss			196,298
Pledged deposit			340
Cash and cash equivalents			859,294
Corporate and others			<u>1,627</u>
Total assets per the unaudited condensed consolidated statement of financial position			<u>3,249,166</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 2020 (Audited)			
Segment assets	<u>1,668,775</u>	<u>339,483</u>	2,008,258
Unallocated assets:			
Deferred tax assets			813
Financial assets at fair value through profit or loss			71,258
Pledged deposits			777
Cash and cash equivalents			705,310
Corporate and others			<u>2,057</u>
Total assets per the consolidated statement of financial position			<u>2,788,473</u>

Geographical information

(a) Revenue from external customers

The Group's activities are conducted predominantly in the 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 service operating segment 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	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The PRC including Hong Kong	1,220,572	1,580,424
Asia — others	37,949	199,428
	<u>1,258,521</u>	<u>1,779,852</u>

(b) Non-current assets

The geographic information of non-current assets 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 2020, revenue of HK\$546,787,000 (2019: HK\$1,046,459,000) was derived from sales to three customers (2019: two customers) 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	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer 1	292,618	N/A*
Customer 2	127,632	N/A*
Customer 3	126,537	N/A*
Customer 4	N/A*	855,406
Customer 5	N/A*	191,053
	<u>N/A*</u>	<u>191,053</u>

* 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		For the three months ended	
	30th September		30th September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Finance income:				
Interest income from bank deposits	<u>1,664</u>	<u>4,465</u>	<u>656</u>	<u>2,836</u>
Finance costs:				
Interest on bank and other borrowings	<u>308</u>	<u>527</u>	<u>136</u>	<u>379</u>
Interest on lease liabilities	<u>400</u>	<u>494</u>	<u>186</u>	<u>288</u>
	<u>708</u>	<u>1,021</u>	<u>322</u>	<u>667</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% (2019: 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% (2019: 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 and new technology enterprise.

* *For identification purpose only*

The amounts of income tax expense 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	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Current taxation				
Hong Kong profits tax				
— current period	14,223	7,994	7,165	7,664
Mainland China corporate income tax				
— current period	6,452	2,878	3,662	667
Deferred	(100)	(1,280)	(72)	(1,598)
	<u>20,575</u>	<u>9,592</u>	<u>10,755</u>	<u>6,733</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.

No adjustment had been made to the basic earnings per share amount presented for the six months ended 30th September 2020 in respect of a dilution as the impact of the share options had an anti-dilutive effect in the basic earnings per share amount presented.

The calculation of the diluted earnings per share amounts for the six months ended 30th September 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	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings				
Profit attributable to shareholders of the Company, used in the basic and diluted earnings per share calculation (HK\$'000)	<u>87,478</u>	<u>64,892</u>	<u>44,947</u>	<u>47,313</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>—</u>	<u>4,461</u>	<u>—</u>	<u>8,872</u>
Weighted average number of ordinary shares in issue, used in the diluted earnings per share calculation	<u>272,580,805</u>	<u>272,585,266</u>	<u>272,580,805</u>	<u>272,589,677</u>

7 DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September 2020 (2019: 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 2020	58,053	373,692	431,745
Additions	35,679	—	35,679
Disposals	(7,329)	—	(7,329)
Depreciation	(13,871)	—	(13,871)
Exchange realignments	1,534	—	1,534
	<hr/>	<hr/>	<hr/>
At 30th September 2020	74,066	373,692	447,758
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
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/>

9 TRADE AND OTHER RECEIVABLES

	As at 30th September 2020 <i>HK\$'000</i> (Unaudited)	As at 31st March 2020 <i>HK\$'000</i> (Audited)
Trade receivables	515,881	306,724
<i>Less: Impairment of trade receivables</i>	<u>(9,142)</u>	<u>(8,590)</u>
	506,739	298,134
Bills receivable	<u>2,255</u>	<u>143,277</u>
Trade and bills receivables, net (<i>note (a)</i>)	<u>508,994</u>	<u>441,411</u>
Finance lease receivables	127,756	192,923
<i>Less: Impairment of finance lease receivables</i>	<u>(220)</u>	<u>(334)</u>
Finance lease receivables, net (<i>note (b)</i>)	127,536	192,589
<i>Less: non-current portion*</i>	<u>(27,106)</u>	<u>(52,317)</u>
Finance lease receivables, net, current portion (<i>note (b)</i>)	<u>100,430</u>	<u>140,272</u>
Prepayments, deposits and other receivables, net, current portion	109,507	69,497
<i>Less: non-current portion*</i>	<u>(3,770)</u>	<u>(4,508)</u>
Prepayments, deposits and other receivables, net, current portion	<u>105,737</u>	<u>64,989</u>
Total trade and other receivables, current portion	<u><u>715,161</u></u>	<u><u>646,672</u></u>
* Total trade and other receivables, non-current portion	<u><u>30,876</u></u>	<u><u>56,825</u></u>

(a) Trade and bills receivables, net

The Group's trading terms with its customers of hi-tech distribution and service operation 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. In respect of the Group's leasing operation, trade receivables are settled based on the terms stipulated in the lease agreements. 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 2020 <i>HK\$'000</i> (Unaudited)	As at 31st March 2020 <i>HK\$'000</i> (Audited)
90 days or less	430,776	355,953
91 to 180 days	23,341	39,131
181 to 270 days	13,593	33,458
271 to 365 days	6,303	10,759
Over 365 days	34,981	2,110
	<u>508,994</u>	<u>441,411</u>

(b) Finance lease receivables, net

	As at 30th September 2020 <i>HK\$'000</i> (Unaudited)	As at 31st March 2020 <i>HK\$'000</i> (Audited)
Gross investment in finance leases	135,616	208,224
<i>Less:</i> Unearned finance lease income	<u>(7,860)</u>	<u>(15,301)</u>
Present value of minimum lease amounts receivables	127,756	192,923
<i>Less:</i> Accumulated allowance for impairment	<u>(220)</u>	<u>(334)</u>
	127,536	192,589
<i>Less:</i> Current portion	<u>(100,430)</u>	<u>(140,272)</u>
Non-current portion	<u>27,106</u>	<u>52,317</u>

At 30th September 2020, certain of the Group's borrowings were secured by finance lease receivable of HK\$8,554,000 (31st March 2020: HK\$12,095,000).

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 2020 <i>HK\$'000</i> (Unaudited)	As at 31st March 2020 <i>HK\$'000</i> (Audited)	As at 30th September 2020 <i>HK\$'000</i> (Unaudited)	As at 31st March 2020 <i>HK\$'000</i> (Audited)
Within one year	107,200	153,147	100,870	142,772
After one year but not more than two years	28,416	55,077	26,886	50,151
	<u>135,616</u>	<u>208,224</u>	<u>127,756</u>	<u>192,923</u>

10 TRADE AND OTHER PAYABLES

	As at 30th September 2020 <i>HK\$'000</i> (Unaudited)	As at 31st March 2020 <i>HK\$'000</i> (Audited)
Trade and bills payables (<i>note</i>)	634,116	1,114,272
Accrual for operating expenses	177,543	165,993
Receipts in advance	65,566	3,681
Contract liabilities	999,430	246,701
Deposit received	21,494	21,319
Other payables	43,191	24,096
	<u>1,941,340</u>	<u>1,576,062</u>

Note:

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

	As at 30th September 2020 <i>HK\$'000</i> (Unaudited)	As at 31st March 2020 <i>HK\$'000</i> (Audited)
90 days or less	354,032	1,015,791
91 to 180 days	192,806	38,085
181 to 270 days	66,151	25,201
271 to 365 days	13,902	32,582
Over 365 days	7,225	2,613
	<u>634,116</u>	<u>1,114,272</u>

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 <i>HK\$'000</i>	Number of shares '000	Preference share capital <i>HK\$'000</i>	Total <i>HK\$'000</i>
Authorised:					
At 1st April 2019, 31st March 2020, 1st April 2020 and 30th September 2020 — 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 2019, 31st March 2020, 1st April 2020 and 30th September 2020	<u>272,581</u>	<u>27,258</u>	<u>—</u>	<u>—</u>	<u>27,258</u>

(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 2019	1.15	7,323,200
Granted during the period	0.82	<u>7,608,000</u>
As at 31st March 2020, 1st April 2020 and 30th September 2020	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 2020, 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\$1,493,000 and share premium of HK\$13,139,000 (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 HK\$'000 (note 11(a))	Other reserves HK\$'000	(Unaudited) (Accumulated losses)/ retained earnings HK\$'000	Total HK\$'000
Balances as at 1st April 2020	27,258	1,086,133	(24,927)	1,088,464
Profit for the period	—	—	87,478	87,478
Currency translation differences of foreign operations	—	6,827	—	6,827
Total comprehensive income for the period	—	6,827	87,478	94,305
Balances as at 30th September 2020	<u>27,258</u>	<u>1,092,960</u>	<u>62,551</u>	<u>1,182,769</u>

	Share capital HK\$'000 (note 11(a))	Other reserves HK\$'000	(Unaudited) Accumulated losses HK\$'000	Total HK\$'000
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 (Note 11(b))	—	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>

13 RELATED PARTY TRANSACTIONS

Key management compensation of the Group

	For the six months ended 30th September 2020 HK\$'000 (Unaudited)	For the six months ended 30th September 2019 HK\$'000 (Unaudited)
Salaries, allowances and bonuses	6,896	6,450
Equity-settled share option expenses	—	1,532
Retirement benefits — defined contribution scheme	36	36
	<u>6,932</u>	<u>8,018</u>

14 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and other receivables, trade and other payables and bank and other borrowings 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>
As at 30th September 2020 (Unaudited)				

Financial assets at fair value through profit or loss	<u>196,298</u>	<u>—</u>	<u>—</u>	<u>79,987</u>
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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>
As at 31st March 2020 (Audited)				

Financial assets at fair value through profit or loss	<u>71,258</u>	<u>—</u>	<u>—</u>	<u>71,258</u>
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The Group did not have any financial liabilities measured at fair value as at 30th September 2020 and 31st March 2020.

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 2019: Nil).

BUSINESS REVIEW

Financial and Business Performance

During the six months ended 30th September 2020 (the “Interim Period”), the Group recorded an unaudited consolidated revenue of approximately HK\$1,258,521,000, representing a decrease of 29.3% from approximately HK\$1,779,852,000 in the corresponding period last year. The decrease in revenue was mainly due to the impact of COVID-19 pandemic and our Group’s direct machines sales from our hi-tech distribution and services division has been dropped by 38.9% as compared with corresponding period last year. In turn, more customers opt for operating leasing of machines under the adverse economic environment, the Group’s revenue contributed by the leasing division were increased by 54.0% as compared with the corresponding period last year mainly due to the continued growth in operating lease business.

The Group’s total operating expenses during the Interim Period, amounted to approximately HK\$138,518,000, representing a decrease of 7.5% from approximately HK\$149,811,000 in the corresponding period last year. Such decrease was due to the Group continued to implement its cost control, to manage the selling and distribution expenses with adjustments on selling incentive. During the Interim Period, the selling and distribution expenses was reduced by 18.1% to approximately HK\$65,903,000 from approximately HK\$80,500,000 in the corresponding period last year, which was attributable to the expenses arising from granting of share option during the corresponding period last year but no such expense during this Interim Period.

During the Interim Period, our Group achieved a moderate growth in terms of profitability compared with the corresponding period last year. It recorded an unaudited consolidated net profit of approximately HK\$87,478,000, representing an increase of 34.8% from HK\$64,892,000 in the corresponding period last year. Such increase was mainly due to a significant increase in commission and other services income from our hi-tech distribution and services division, resulting in an improvement of the Group’s gross profit margin from 11.9% in the corresponding period last year to 18.1% in the Interim Period.

The unaudited basic earnings per share in the Interim Period was approximately HK32.1 cents, representing an increase of 34.9% from approximately HK23.8 cents in the corresponding period last year. As at 30th September 2020, the unaudited consolidated net asset value of the Company per ordinary share was approximately HK\$4.34, which was increased by HK\$0.35 from approximately HK\$3.99 as at 31st March 2020.

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\$1,211,707,000, representing a decrease of 30.7% from approximately HK\$1,749,444,000 in the corresponding period last year. The main reason for the decline was an unprecedented large order in the same period last year, from a client executing a strategic procurement plan in response to a sudden change in the manufacturing environment during the US-China trade war. Another reason for decline in revenue was due to the lock down in China in fighting COVID-19 pandemic that caused the delay of installation of machine sold, a pre-condition for the recognition of the corresponding revenue.

The division’s direct machine sales during the Interim Period, was approximately HK\$1,036,011,000, representing a decrease of 38.9% from approximately HK\$1,696,762,000 in the corresponding period last year. The decline in direct machine sales was largely due to a sudden change in the manufacturing environment during the trade war between China and the United States. The division’s spare parts and software sales were approximately HK\$55,802,000, representing an increase of 30.4% from approximately HK\$42,779,000 in the corresponding period last year. The division’s commission and other services income was approximately HK\$119,894,000, representing an increase of 1,110.7% from approximately HK\$9,903,000 in the corresponding period last year. Increase in commission sales was mainly because we had completed a very large commission order from one of our key local customers for its new 5G smartphone manufacturing plant in the Interim Period.

During the Interim Period, the division recorded an unaudited net profit of approximately HK\$80,321,000 against approximately HK\$65,853,000 in the corresponding period last year although the division recorded a decrease in revenue. The increase in net profit was mainly attributable to the change in sales mix which involved a significant increase in commission sales, and contributed to an increase in the division's gross profit from 11.2% in corresponding period last year to 17.0% in the Interim Period. To continue deliver robust financial results, AMT management recognizes the challenge ahead and will continue to make major investments into IT infrastructure and ERP system so as to improve AMT's operational and logistic efficiency. Many customers have been pursuing supply chain rebalancing plans, by expanding their existing factories to South East Asia countries and India over the recent years. In response, AMT opened a new regional headquarters ("HQ") office in Singapore last year, to allow us to better serve the new customer demand in the South East Asia region.

Leasing Division

The Group conducts its leasing business through its wholly-owned subsidiaries, 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\$46,814,000, representing an increase of 54.0% from approximately HK\$30,408,000 in the corresponding period last year and recorded a net profit of approximately HK\$13,483,000, against approximately HK\$14,006,000 in the corresponding period last year. The increase in revenue was mainly due to the growth in the operating lease business which offer flexible supply of SMT machines to our customers and continuous to expand its customers base. During the Interim Period, the new customers were cautious on expansion of their production facilities and preferred to use operating lease than finance lease. As at 30th September 2020, the aggregate principal amount of finance lease loans was approximately HK\$127,537,000, representing a decrease of 33.8% from approximately HK\$192,589,000 as at 31st March 2020. During the Interim Period, the interest income derived from finance lease loans has decreased by approximately 19.7% from corresponding period last year which is in line with the decrease in finance lease loans.

OUTLOOK

Overall Summary

The outbreak of second wave of COVID-19 pandemic in Europe and the United States ("US") will further delay the expected recovery of the world economy and we expect to see more lockdown ahead. Some industries like manufacturing and airline were severely hurt. In McKinsey's global survey on economic sentiment published in September 2020, the results of survey showed an increasing number of executives expressed that their prediction of economic conditions will be improved six months after. Despite the optimistic expectation, without COVID-19 vaccine, the

future of global economy is still vulnerable. International Monetary Fund (“IMF”) has updated its 2020 global economic growth rate to -4.4%. This posts uncertainty to the world economy in the coming year before having widespread COVID-19 vaccination. Facing the COVID-19 challenge, many countries had lockdown and more companies shifted to have their staff working from home. Some companies even permanently adopt work from home policy. At the same time, it also creates new opportunities like augmented reality (“AR”), virtual reality (“VR”), online conferencing. With the implementation of superfast 5G mobile network, we expect this will speed up the hardware development for AR, VR and 5G smartphone. In the coming years, 5G mobile network offers an opportunity for SMT industry following the wide range upgrade of mobile devices and telecom station equipment. Some of our major customers are leading telecommunication companies in China which will play a vital role in the 5G transformation and provide immense opportunities to the SMT industry. We will embrace the 5G transformation opportunities and continue to manage cash, cost and risks and, to build our strength by working with our management teams to improve capability and efficiency.

Going forward, the Group seeks to continue to expand its business and to enhance the operational efficiency of various business divisions with a view to improving their profitability and increase shareholders’ value.

Hi-Tech Distribution and Services Division

Canalys, a leading global technology market analyst firm, reported that the global smartphone market plummeted by 14% in Q2 2020 against same period previous year caused by the COVID-19 pandemic. The worldwide smartphone market fell to 285 million units, a second consecutive quarter of falling. International Data Corporation (“IDC”) update its global mobile phone forecast in September 2020 in its “Worldwide Mobile Phone Forecast Update, 2020–2024” that the worldwide mobile phone market will shrink 13.8% from the 1.796 billion units shipped in 2019 to 1.548 billion unit shipments in 2020 and annual shipment of worldwide mobile phone is expected to reach 1.698 billion units by 2024, resulting in a CAGR of -1.1% from 2019 to 2024.

AMT will continue to make meaningful investment into the South East Asia region. The objective of this regional HQ is to develop independent sales, service, supply chain and financing functions, supplement our existing operations and develop new market and customers. To achieve the aim of expanding customer portfolio and increasing market share, AMT has obtained new distributorships of three industry leading suppliers from USA, Europe and Asia. The new distributorships will help us to expand our footprint to cover the semi-conductor market in addition to the SMT market. AMT will assess from time to time the resources needed for these new product distributorships, which may require significant expansion of the sales and service cohort. For the SMT market in China, we have seen more and more demand for faster delivery time. AMT might need to increase our inventory level in order to cope with customer demand.

AMT will also continue to monitor the latest development and work closely with our business partners to come up with competitive and innovative solutions. As a leading SMT distributor and related service provider in Asia, we will continue to invest in our service and support infrastructure such as ERP system and logistic and warehousing facilities to meet the customer satisfaction. At the same time, we will continue to closely monitor our working capital requirement and explore funding opportunities to cope with the business expansion needs. We will also strive to maintain profitable gross margin and control operating cost and monitor industry developments with a view to enhancing our cash flow, profitability as well as the long-term sustainability. In addition, AMT will always be looking for way to improve our competitive strengths through organic growth or industry consolidation.

Leasing Division

In the second quarter of 2020, with the effective containment of COVID-19 pandemic in China, the pandemic was still spreading across most parts of the world yet its influence on domestic leasing business became less profound. We observed that a significant rebound in leasing demands, most of which, however, were restocking orders from overseas distributors and short-term transfer orders from abroad to China due to incomplete supply chain after looking into the market. Thus, such phenomenon does not indicate a full recovery to pre COVID-19 levels in long run.

With the effective pandemic containment in the Greater China region and recovery of domestic economy, certain industries which manufacture small and household electronic appliances have been experiencing growing leasing demand, largely reflecting in the demand for work- and education-related remote electronics such as computers and tablets, order requests from overseas 5G base stations; and demand for product upgrade in livelihood-oriented industries such as water, electricity and gas driven by domestic economic stimulus measures. At the same time, there was a prominent decline in leasing demand along the supply chain of certain major domestic manufacturers of electronic communication equipment and from related enterprises.

As the pandemic remains stable and the pressing need of economic recovery arises among various countries, we expect that overseas supply chain and production will gradually resume and domestic electronics manufacturers will no longer receive restocking orders and short-term transfer orders, resulting in a significant drop in leasing demand for the third quarter. Nevertheless, the leasing business will not experience much fluctuation, as it is supported and supplemented by the demand for domestic consumer electronics.

Leveraging on the Group's platforms in Hong Kong and Singapore and extensive industry experience together with high efficiency in resources integration and project execution capabilities of the leasing team. For our operating lease business, our development focus will continue to be on SMT equipment in 2020, and for our direct financing lease operation, we will also closely monitor the international situation, market development and policy adjustments, in order to capture suitable business opportunities in semiconductor and other industries. The operating lease operation has seen significant demand for restocking orders and short-term transfer orders from key accounts due to the surrounding uncertainties. We will continue to assess the situation and make appropriate resource allocation. The division also looks to expand through organic growth or acquisition. The goal of the division is to become an innovative finance service provider in the Greater Bay area of Hong Kong and Shenzhen.

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 2020, the Group had a secured floating interest borrowings of approximately HK\$48,598,000 which was denominated in US Dollar (31st March 2020: HK\$48,598,000) and certain secured other borrowing of HK\$8,741,000 (31st March 2020: HK\$11,410,000). At 30th September 2020, the gearing ratio of the Group, which was calculated as total liabilities over the total assets was 63.6%, as compared to 61.0% as at 31st March 2020.

Contingent Liabilities

As at 30th September 2020, 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\$6,773,000 (31st March 2020: HK\$8,824,000).

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 2020, the Group employed 303 staff (as at 30th September 2019: 297). Total staff costs including contribution to retirement benefit schemes incurred during the six months ended 30th September 2020 amounted to approximately HK\$48,460,000 (for the six months ended 30th September 2019: HK\$48,681,000).

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 2020, 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 <i>(Note a)</i>
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 2020.

Save as disclosed above, as at 30th September 2020, 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 2020, 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 <i>(Note a)</i>
Lu Ying	Beneficial owner	40,000,000	544,000	67.25%
	Interest of controlled corporation <i>(Note b)</i>	142,768,723	—	
Sincere Ardent Limited	Beneficial owner <i>(Note b)</i>	142,768,723	—	52.37%

Notes:

- (a) The above approximate percentage of the shareholdings are based on 272,580,805 ordinary shares in issue as at 30th September 2020.
- (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 2020.

SHARE OPTION SCHEME

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

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

Name	Date of grant	Exercise period	Exercise price*	Number of share options					Outstanding as at 30th September 2020
				Outstanding as at 1st April 2020	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

Name	Date of grant	Exercise period	Exercise price*	Number of share options					Outstanding as at 30th September 2020
				Outstanding as at 1st April 2020	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
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				7,337,600	—	—	—	—	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				14,931,200	—	—	—	—	14,931,200

Note:

The closing price per share immediately before 16th August 2017 and 26th June 2019, the dates of grant, were HK\$1.15 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 2020, 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 2020.

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 2020, acting in compliance with the Code.

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

Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors, as equal board members as other directors, should attend general meetings of the Company and develop a balanced understanding of the views of shareholders. Mr. Joseph Liang Hsien Tse and Mr. Joseph Chan Nap Kee were absent at the annual general meeting of the Company held on 3rd September 2020 due to other important engagements at the relevant time. However, the Chairlady of the Board and all the other Board members attended the said annual general meeting.

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 2020.

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

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

1. On 10th October 2020, Mr. Joseph Chan Nap Kee ceased to be a non-executive director of Hainan Meilan International Airport Company Limited (Stock Code: 357).
2. During the Interim Period, Mr. Joseph Chan Nap Kee has ceased to be the chairman of Banking, Finance & Securities Committee of Hong Kong Macau and Myanmar Chamber of Commerce & Industry; and executive vice president of the Hong Kong Poverty Alleviation Association Limited.

AUDIT COMMITTEE

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

The unaudited condensed consolidated financial information for the six months ended 30th September 2020 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, 5th November 2020

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 Listed Company Information" page for at least seven days from the date of its posting and on the Company's website at www.nasholdings.com.