

NORTH ASIA STRATEGIC HOLDINGS LIMITED

北亞策略控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8080)

FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30TH JUNE 2023

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 three months ended 30th June 2023, together with the comparative unaudited figures of the corresponding period in 2022.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	For the three months ended	
		2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	219,841	420,274
Cost of sales		<u>(173,708)</u>	<u>(349,801)</u>
Gross profit		46,133	70,473
Other income and gains, net		1,983	1,030
Selling and distribution expenses		(38,501)	(36,985)
General and administrative expenses		<u>(43,687)</u>	<u>(60,313)</u>
Operating loss		(34,072)	(25,795)
Finance income	4	2,767	642
Finance costs	4	<u>(787)</u>	<u>(1,282)</u>
Loss before income tax		(32,092)	(26,435)
Income tax credit	5	<u>5,989</u>	<u>1,844</u>
LOSS FOR THE PERIOD		<u>(26,103)</u>	<u>(24,591)</u>
Loss per share attributable to ordinary shareholders of the Company	6		
Basic (<i>HK cents</i>)		<u>(5.7)</u>	<u>(5.8)</u>
Diluted (<i>HK cents</i>)		<u>(5.7)</u>	<u>(5.8)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended 30th June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss for the period	<u>(26,103)</u>	<u>(24,591)</u>
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Currency translation differences of foreign operations	<u>(24,148)</u>	<u>(16,597)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX OF NIL		
	<u>(24,148)</u>	<u>(16,597)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u><u>(50,251)</u></u>	<u><u>(41,188)</u></u>

Notes:

1. GENERAL INFORMATION

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

- **hi-tech distribution and services:** trading of surface mount technology (“SMT”) assembly machinery and spare parts and provision of related installation, training, repair and maintenance services for SMT assembly machinery;
- **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;
- **electronic payment solution:** provision of payment solution that bridges online payment acquirers and the merchants; and
- **property 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 Suite 1618, 16th Floor, Jardine House, 1 Connaught Place, 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 9th August 2023.

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 2023.

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 2023, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1st April 2023.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>

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

3. REVENUE

An analysis of revenue is as follows:

	For the three months ended	
	30th June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers <i>(note)</i>		
Recognised at a point in time:		
Sale of goods	199,103	391,110
Sales support service	5,893	5,706
E-payment service income	1,897	—
Recognised over time:		
Commission and other services income	7,336	14,001
	214,229	410,817
Revenue from other sources		
Income from finance lease arrangements	1,926	1,806
Income from operating lease arrangements	3,686	7,651
	219,841	420,274

For the three months ended 30th June	
2023	2022
<i>HK\$'000</i>	<i>HK\$'000</i>
(Unaudited)	(Unaudited)

Note:

Disaggregated revenue information

Geographic markets

The PRC including Hong Kong	155,613	401,476
Asia — others	58,616	9,341
	<u>214,229</u>	<u>410,817</u>
Total revenue from contract with customers	214,229	410,817

4. FINANCE INCOME AND COSTS

An analysis of finance income and costs is as follows:

For the three months ended 30th June	
2023	2022
<i>HK\$'000</i>	<i>HK\$'000</i>
(Unaudited)	(Unaudited)

Finance income:

Interest income from bank deposits	2,767	642
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Finance costs:

Interest on bank and other borrowings	32	157
Interest on lease liabilities	755	1,125
	<u>787</u>	<u>1,282</u>

5. INCOME TAX CREDIT

The Company is exempted from taxation in Bermuda until 2035. Hong Kong profits tax has been calculated at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits for the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2022: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%).

Subsidiaries established in Mainland China are subject to Mainland China corporate income tax at the standard rate of 25% (2022: 25%).

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

	For the three months ended	
	30th June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current taxation		
Hong Kong profits tax		
— current period	—	—
Mainland China corporate income tax		
— current period	39	1,772
— overprovision in prior year	—	(497)
Deferred	(6,028)	(3,119)
	(5,989)	(1,844)

6. LOSS PER SHARE

Basic loss per share is calculated by dividing the Group's loss attributable to shareholders of the Company of HK\$26,103,000 (2022: HK\$24,591,000) by the weighted average number of 454,509,311 (2022: 425,125,311) ordinary shares in issue during the period.

No adjustment has been made to the basic loss per share amount presented for the three months ended 30th June 2023 and 2022 in respect of a dilution as the impact of the share options had an anti-dilutive effect on the basic loss per share amount presented.

7. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the three months ended 30th June 2023 (2022: Nil).

8. EQUITY

Movements in unaudited consolidated equity are as follows:

	(Unaudited)			
	Share capital <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balances as at 1st April 2023	45,450	1,196,669	193,217	1,435,336
Loss for the period	—	—	(26,103)	(26,103)
Currency translation differences of foreign operations	—	(24,148)	—	(24,148)
Total comprehensive loss for the period	—	(24,148)	(26,103)	(50,251)
Balances as at 30th June 2023	<u>45,450</u>	<u>1,172,521</u>	<u>167,114</u>	<u>1,385,085</u>
	(Unaudited)			
	Share capital <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balances as at 1st April 2022	42,512	1,212,801	192,129	1,447,442
Loss for the period	—	—	(24,591)	(24,591)
Currency translation differences of foreign operations	—	(16,597)	—	(16,597)
Total comprehensive loss for the period	—	(16,597)	(24,591)	(41,188)
Balances as at 30th June 2022	<u>42,512</u>	<u>1,196,204</u>	<u>167,538</u>	<u>1,406,254</u>

Note:

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, has 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:

	Weight average exercise price per share HK\$	Number of share options
At 1st April 2022 and 30th June 2022	<u>0.87</u>	<u>18,928,388</u>
At 31st March 2023, 1st April 2023 and 30th June 2023	<u>0.79</u>	<u>22,196,388</u>

During the three months ended 30th June 2023 and 2022, no share options granted were exercised.

The exercise price and exercise period of the share options outstanding as at the end of the reporting period are as follows:

As at 30th June 2023

Number of options	Exercise price* <i>HK\$ per share</i>	Exercise period
7,404,388	1.14	16th August 2017 — 15th August 2027
11,524,000	0.70	24th December 2021 — 23rd December 2031
<u>3,268,000</u>	0.33	7th November 2022 — 6th November 2032
<u>22,196,388</u>		

As at 30th June 2022

Number of options	Exercise price* <i>HK\$ per share</i>	Exercise period
7,404,388	1.14	16th August 2017 — 15th August 2027
<u>11,524,000</u>	0.70	24th December 2021 — 23rd December 2031
<u>18,928,388</u>		

* 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.

No share option was granted during the three months ended 30th June 2023 and 2022.

BUSINESS REVIEW

Financial and Business Performance

For the three months ended 30th June 2023 (the “quarter”), the Group recorded unaudited consolidated revenue of approximately HK\$219,841,000, representing a decrease of 47.7% from approximately HK\$420,274,000 in the corresponding period last year which is mainly due to significant decrease in revenue of the Group’s hi-tech distribution and services division by 50.1%, compared to corresponding period last year. Such decrease is due to the continued sluggish demand in global mobile phone market which caused the Group’s customers, which are mainly mobile phone manufacturers in China, trimming down their acquisition plans. The leasing division recorded a decrease in revenue of 29.8% compared to corresponding period last year mainly due to significant decrease in operating lease income earned during the quarter. A recent market research report by “Counterpoint” has confirmed the earlier findings by “IDC”, that global smartphone shipments declined from April to June 2023. This marks the eighth consecutive quarter of year-on-year decline, with a year on year decrease of 8% and a quarter to quarter decrease of 5%. Additionally, Counterpoint reported a 15% year on year decline in global PC shipments during April to June 2023.

During the quarter, the Group’s total operating expenses amounted to approximately HK\$82,188,000, representing a decrease of 15.5% from approximately HK\$97,298,000 in the corresponding period last year. The decrease in operating expenses was mainly because of the reduction in net exchange loss from last year’s approximately HK\$17,701,000 to approximately HK\$5,391,000 in the quarter. During the quarter, the Group’s total operating expenses (excluding the exchange loss) to the revenue ratio was increased to 34.9% from approximately 18.9% in corresponding period last year.

During the quarter, the Group recorded an increase in unaudited consolidated net loss from approximately HK\$24,591,000 in the corresponding period last year to approximately HK\$26,103,000 in the quarter. The unaudited basic loss per share in the quarter was approximately HK5.7 cents, representing a decrease of HK0.1 cents from approximately HK5.8 cents in the corresponding period last year. Below is a summary of the financial and business highlights of the Group’s 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 in serving its customers in the hi-technology sector. AMT’s team of more than 290 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 quarter, the unaudited revenue of the division was approximately HK\$189,525,000, representing a decrease of 50.1% from approximately HK\$379,798,000 in the corresponding period last year. The significant decrease of revenue was mainly due to continued sluggish demand in global mobile phone market from start of 2022 till now. The division’s customers, mainly mobile phone manufacturers in China, have also been scaling down their manufacturing facilities acquisition plans which contributed to a significant drop in orders placed to the Group during the first three months of 2023 and thereafter. This has led to a reduction in completion of orders during the quarter as compared to the same period last year and consequently a decrease in the revenue of the division.

During the quarter, the division recorded direct machine sales of approximately HK\$154,348,000, representing a decrease of 54.6% from approximately HK\$339,717,000 in the corresponding period last year. It also recorded sales support service, commission and other services income of approximately HK\$13,121,000 representing a decrease of 33.4% from approximately HK\$19,707,000 in the corresponding period last year. Sales of spare parts and software increased by 8.3% in the quarter to approximately HK\$22,056,000 from approximately HK\$20,374,000 in the corresponding period last year.

During the quarter, the division recorded an unaudited net loss of approximately HK\$15,034,000, representing an increase of 73.8% from approximately HK\$8,650,000 in the corresponding period last year.

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.

Throughout the quarter, the market for consumer electronics products continued to be significantly weak and showed no signs of improvement. The leasing business is still encountering numerous challenges that persist from the market conditions of last year.

Given the challenging market conditions, the division generated unaudited revenue of approximately HK\$28,419,000 during the quarter, representing a decrease of 29.8%, as compared with same period last year of approximately HK\$40,476,000. Due to weakening demand of SMT machines, high volume of idle machines from other leasing business competitors and second-hand machine dealers were flooding the market which caused keen price competition. As a result, the division recorded revenue of approximately HK\$3,686,000 from operating lease arrangements during the quarter, decreased by 51.8% from approximately HK\$7,651,000 in same period last year. Consistent with the goal to minimize exposure to longer-term financing to ensure sustainable and stable growth, the division continued to diversify its customer base to high-tech products with substantial growth potential and offer short-term (6-12 months) financing option to its customers. As of 30th June 2023, the division’s financing lease business has shown slight growth that the principal amount of finance lease receivables increased by 11.4% to approximately HK\$66,801,000 from approximately HK\$59,961,000 at of 30th June 2022. During the quarter, the finance lease income increased by approximately 6.6% to approximately HK\$1,926,000, as compared with same period last year of approximately HK\$1,806,000.

Despite the challenges from market instability, the division continues to strengthen its customer base through various channels to broaden revenue streams, including the sale of machines related to the semiconductor industry and the addition of new brands to our portfolio. The division recorded revenue from sales of machines at approximately HK\$22,807,000 during the quarter, representing a 26.5% decrease from approximately HK\$31,019,000 in the same period last year.

The division has made persistent effort in leveraging the resources of the market to generate revenue and implemented cost-saving measures under unfavourable market conditions. During the quarter, the division managed to record an unaudited net profit of approximately HK\$1,987,000 as compared to an unaudited net loss of approximately HK\$875,000 in the same period last year.

Electronic Payment Solution Division

The Group conducted its payment business through its wholly-owned subsidiaries, Jarvix (Hong Kong) Limited (“Jarvix”). Jarvix is principally engaged in operating the payment business which provide a payment solution to local merchants such that they can accept wide range of electronic payment methods.

Over the past few years, the pandemic had caused changes in people’s consumption patterns that online shopping was preferred in prioritizing health and safety. Jarvix has been focusing on various industries such as fitness and beauty and sports. Jarvix offers tailored market analysis and solutions to help local merchants effectively respond to market changes and capitalize on business opportunities.

Following the Hong Kong government’s announcement of the resumption of normal travel policy with Mainland China and other countries, the fitness and beauty and sports market in Hong Kong has been gradually regaining its vitality and consumption patterns of customers in these industries has been recovered gradually.

During the quarter, Jarvix maintained its excellent competitive advantages by providing the fastest and most caring services, adapting competitive pricing strategies to the local merchants. As a result, the client base was increased and sales volume of Jarvix’s local merchant customers has remained stable and even showed positive growth. The market still holds significant potential for future development.

During the quarter, the electronic payment solution division recorded unaudited revenue of approximately HK\$1,897,000 and unaudited net profit of approximately HK\$32,000.

OUTLOOK

General

Following the earlier than expected reopening of China, we saw a rebound in first quarter of 2023. However, industrial and commercial activities did not rebound sharply as expected but remained sluggish and rebounded weakly. In particular, the sales of consumer electronics products such as mobile phones, home appliances and computers continued to shrink without obvious improvement; and the situation remained unchanged from April to June 2023. Furthermore, the geo-political and economic impact of the ongoing Russia-Ukraine military conflict, and stress on financial institution caused by debt default by giant China real estate companies may further dampen consumer confidence and economic activities. In response to the US-China decoupling and other geopolitical risks, we saw a trend of diversification of manufacturing bases outside China amongst our customers. In order to serve our customer, management has also diversified and expanded its operations in Thailand and Vietnam.

In its latest Global Economic Prospect report in June 2023, the World Bank projected that the global economic growth rate will slow substantially from 3.1% in 2022 to 2.1% in 2023 and economic growth in China is projected to rebound to 5.6%. However, the recovery in China is expected to be led by services activity and therefore industrial recovery is weaker than expected. According to the National Bureau of Statistics of China's preliminary estimate in July 2023, the gross domestic product (GDP) in the first half year of 2023 up by 5.5 percent year on year, or 1.0 percentage point faster than that in the first quarter of 2023. But the total value added of industrial enterprises grew by only 3.8 percent year on year in the first half year of 2023, or 0.8 percentage points faster than that in the first quarter of 2023. Therefore, the Group is still facing challenges and uncertainty in market recovery in the coming quarters given the pessimistic outlook of electronic manufacturing and smartphone industry in China.

In late July 2023, the Chinese government promulgated 31 preferential policies to increase support for revitalization of the private economy that the economy could recover from the second half of 2023. If in absence of major international and external unfavourable factors, the leasing market should recover to a certain extent.

The Greater Bay Area blue print by President Xi outlines the future for growth and development for Hong Kong. Since the Group is motivated and optimistic about the future of Hong Kong and its role in the Greater Bay Area initiative, the Group will seek to continue to emphasize its business in Hong Kong and the Greater Bay Area and to enhance the operational efficiency of its various business divisions to improve their profitability and increase shareholders' value.

Hi-tech Distribution and Services Division

IDC International Data Corporation ("IDC") has predicted in March 2023 that the worldwide smartphone market will decline by 1.1% in 2023 to 1.19 billion units from 2022 shipments of 1.21 billion units. According to IDC's latest Worldwide Quarterly Mobile Phone Tracker forecast published in July 2023, it reported that the worldwide shipments of smartphones decline 6.7% in Q2 2023 while China shipments of smartphones decline 2.1% in Q2 2023. IDC expects the smartphone market to return to growth by the end of 2023.

According to the orders received by the division during and after the quarter, the amount of orders received was significantly reduced. The division's customers, which are mainly mobile phone manufacturers in China, become very cautious in acquiring new manufacturing facilities under current operating environment. As a result, revenue to be recognised upon completion of orders in the coming quarters may be significantly declined.

Besides, in response to net-zero emissions target by 2030 set by most countries, the Group expects to see the continued replacement of petroleum fuelled vehicles with electric vehicles. The emerging electric vehicle manufacturing industry creates new opportunities for the Group since some of the Group's major customers are repositioning themselves as electric vehicle manufacturers.

With the emergence of ChatGPT (AI Chatbot by OpenAI), many other AI alternatives such as Copilot by Microsoft, Bard by Google and Ernie Bot by Baidu also rolled out service contributing to a new wave of growth of the demand for AI Cloud server built on GPU platform. The integration of generative AI and metaverse may accelerate the metaverse development and bring user experience of virtual interaction in the 3D world in social networking, entertainment, gaming, education and commerce to next level. The management expects to see more investments on cloud infrastructures such as cloud server hardware and hard disk storage from which some of the Group's customers may benefit and their demand for SMT and semi-conductor manufacturing facilities will increase.

Facing the contracted smartphone market, and unfavourable macro-environment, AMT will continue to monitor the latest development and closely monitor its working capital, gross margin, operating costs and industry developments with a view to maintaining adequate cash flow, improving the Group's results and achieving long-term sustainability and growth of our business.

Leasing Division

The leasing industry and some domestic enterprises under high financial pressure often resort to exchanging prices for volume or disposing of assets to recover funds, resulting in a sharp drop in rental unit prices. The development of the industry is facing severe challenges.

In the face of a market full of challenges and great uncertainties, we provide more flexible and diverse operating leasing solutions through vigorous promotion, fully support customers' needs in terms of mechanical and technical issues or parts, and maintain a good rental rate of machinery. We also provide customers with value-added services and establish a better corporate image through independent research and development as well as customization. In terms of direct financing lease operation, for the new CNC digital control system we developed last year, there was an obvious decrease in the repeat customer rate this year, demonstrating a greater difficulty in acquiring new customers.

Electronic Payment Solution Division

The Hong Kong Monetary Authority has released data showing that the total value of credit card transactions in the first quarter of 2023 increased by 7.4% compared to the previous quarter and by 34.7% compared to the same period last year. These figures indicates that there is increasing use of credit cards for transaction in the Hong Kong market. Additionally, the total number of credit cards in circulation is also continuing to increase, with a quarter to quarter rise of 1.1% and an year-on-year rise of 2.8%.

Furthermore, the Hong Kong Government also plans to issue retail central bank digital currency (e-HKD) in the future, which can provide the division ample business opportunities from popularisation of electronic payments. The management is optimistic about the future prospects of electronic payment in retail market. The Group is committed to providing high-quality and competitive service to local merchants and introducing new mobile application to expand our service to the consumer side. We are confident that these initiatives will enable us to gain a larger market share within the industry.

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

As at 30th June 2023, 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 ordinary shares held	Number of underlying shares held (Share Options)	Approximate percentage of shares and underlying shares held (Note a)
Zhang Yifan	Beneficial owner	3,268,000	7,003,817	24.54%
	Interest of controlled corporation (Note b)	101,272,000	—	
Pierre Tsui Kwong Ming	Beneficial owner	—	1,182,217	0.26%
Kenneth Kon Hiu King	Beneficial owner	—	4,450,217	0.97%
Joseph Liang Hsien Tse	Beneficial owner	—	626,217	0.13%
Joseph Chan Nap Kee	Beneficial owner	—	626,217	0.13%

Notes:

- (a) The above approximate percentages of the shareholdings are based on 454,509,311 ordinary shares in issue as at 30th June 2023.
- (b) Sky Virtue Holdings Limited is wholly owned by Ms. Zhang Yifan. By virtue of Part XV of the SFO, Ms. Zhang Yifan is deemed to be interested in the shares held by Sky Virtue Holdings Limited.

Save as disclosed above, as at 30th June 2023, 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 June 2023, so far as is known to the Directors and chief executive of the Company, the following persons (other than the Directors and chief executive of the Company whose interests were disclosed above) had interests or short positions in the shares and/or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

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

Name of Shareholder	Capacity	Number of ordinary shares held	Number of underlying shares held (Share Options)	Approximate percentage of shares and underlying shares held (Note a)
Lu Ying	Beneficial owner	—	699,016	39.54%
	Interest of controlled corporation (Note b)	179,014,812	—	
Sincere Ardent Limited	Beneficial owner (Note b)	179,014,812	—	39.38%
Sun Ciying	Beneficial owner	39,861,357	—	8.77%
Sky Virtue Holdings Limited	Beneficial owner (Note c)	101,272,000	—	22.28%

Notes:

- (a) The above approximate percentages of the shareholdings are based on 454,509,311 ordinary shares in issue as at 30th June 2023.
- (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.
- (c) Sky Virtue Holdings Limited is wholly owned by Ms. Zhang Yifan, the Chairlady and an executive Director of the Company. By virtue of Part XV of the SFO, Ms. Zhang Yifan is deemed to be interested in the shares held by Sky Virtue Holdings 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 June 2023.

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 year:

Name	Date of grant	Exercise period	Exercise price ⁽²⁾	Number of share options					Outstanding as at 30th June 2023
				Outstanding as at 1st April 2023	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\$1.137	2,755,817	—	—	—	—	2,755,817
	24th December 2021	24th December 2021 to 23rd December 2031	HK\$0.700	980,000	—	—	—	—	980,000
	7th November 2022	7th November 2022 to 6th November 2032	HK\$0.325	3,268,000	—	—	—	—	3,268,000
Kenneth Kon Hiu King	16th August 2017	16th August 2017 to 15th August 2027	HK\$1.137	202,217	—	—	—	—	202,217
	24th December 2021	24th December 2021 to 23rd December 2031	HK\$0.700	4,248,000	—	—	—	—	4,248,000
Non-executive Director									
Pierre Tsui Kwong Ming	16th August 2017	16th August 2017 to 15th August 2027	HK\$1.137	202,217	—	—	—	—	202,217
	24th December 2021	24th December 2021 to 23rd December 2031	HK\$0.700	980,000	—	—	—	—	980,000

Name	Date of grant	Exercise period	Exercise price ⁽²⁾	Number of share options					Outstanding as at 30th June 2023
				Outstanding as at 1st April 2023	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\$1.137	202,217	—	—	—	—	202,217
	24th December 2021	24th December 2021 to 23rd December 2031	HK\$0.700	424,000	—	—	—	—	424,000
Joseph Chan Nap Kee	16th August 2017	16th August 2017 to 15th August 2027	HK\$1.137	202,217	—	—	—	—	202,217
	24th December 2021	24th December 2021 to 23rd December 2031	HK\$0.700	424,000	—	—	—	—	424,000
Sub-Total				13,888,685	—	—	—	—	13,888,685
Substantial Shareholder									
Lu Ying	16th August 2017	16th August 2017 to 15th August 2027	HK\$1.137	275,016	—	—	—	—	275,016
	24th December 2021	24th December 2021 to 23rd December 2031	HK\$0.700	424,000	—	—	—	—	424,000
Employees of the Group									
Other Employees	16th August 2017	16th August 2017 to 15th August 2027	HK\$1.137	3,564,687	—	—	—	—	3,564,687
	24th December 2021	24th December 2021 to 23rd December 2031	HK\$0.700	4,044,000	—	—	—	—	4,044,000
Total				22,196,388	—	—	—	—	22,196,388

Notes:

- (1) The closing price per share immediately before 16th August 2017, 24th December 2021 and 7th November 2022, the dates of grant, were HK\$1.15 (after adjustment of share consolidation on 26th March 2019), HK\$0.70 and HK\$0.325 respectively.
- (2) 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.

The number and the exercise price of share options which remained outstanding on 13th May 2021 have been adjusted due to completion of open offer on 13th May 2021.

— For the share options granted on 16th August 2017, the total number of share options outstanding on 13th May 2021 was adjusted from 7,323,200 to 7,404,388 and the exercise price per share was adjusted from HK\$1.15 to HK\$1.137.

- (3) A total of 9,860,000 share options were granted to four directors and employees of the Group on 6th July 2023, with exercise price of HK\$0.339 per share.

COMPETING INTERESTS

As at 30th June 2023, 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 during the three months ended 30th June 2023.

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 three months ended 30th June 2023, acting in compliance with the Code.

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

AUDIT COMMITTEE

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

The unaudited condensed consolidated financial information for the three months ended 30th June 2023 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, 9th August 2023

As at the date of this announcement, the Board comprises Ms. Zhang Yifan (Chairlady and Executive Director); Mr. Kenneth Kon Hiu King (Executive Director); Mr. Pierre Tsui Kwong Ming (Non-executive Director); Mr. Joseph Liang Hsien Tse, Mr. Joseph Chan Nap Kee and Dr. Cai Qing (being Independent Non-executive Directors).

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk 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.