

# NORTH ASIA STRATEGIC HOLDINGS LIMITED

北亞策略控股有限公司\*

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 8080)

## THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31ST DECEMBER 2015

### CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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*This announcement, for which the directors (the “Directors” or the “Board”) of North Asia Strategic Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to North Asia Strategic Holdings Limited. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

\* For identification purpose only

## RESULTS

The Board of directors (the “Board”) of North Asia Strategic Holdings Limited (the “Company”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the nine months and three months ended 31st December 2015, together with the comparative unaudited figures of the corresponding periods in 2014.

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

|   | Notes | For the nine months ended<br>31st December |                                 | For the three months ended<br>31st December |                                 |
|---|-------|--|---------------------------------|---|---------------------------------|
|   |       | 2015<br>HK\$'000<br>(Unaudited)            | 2014<br>HK\$'000<br>(Unaudited) | 2015<br>HK\$'000<br>(Unaudited)             | 2014<br>HK\$'000<br>(Unaudited) |
| Revenue   | 3     | 1,007,847                                  | 921,257                         | 279,752                                     | 290,644                         |
| Cost of sales   |       | <u>(865,154)</u>                           | <u>(800,733)</u>                | <u>(234,288)</u>                            | <u>(249,442)</u>                |
| Gross profit  |       | 142,693                                    | 120,524                         | 45,464                                      | 41,202                          |
| Other income and gains, net   |       | 12,703                                     | 451                             | 3,731                                       | (487)                           |
| Selling and distribution<br>expenses  |       | (71,972)                                   | (61,681)                        | (23,606)                                    | (19,510)                        |
| General and administrative<br>expenses                                      |       | (93,242)                                   | (55,088)                        | (28,989)                                    | (19,632)                        |
| Impairment of goodwill  | 6     | <u>(237,264)</u>                           | <u>—</u>                        | <u>—</u>                                    | <u>—</u>                        |
| Operating profit/(loss)   |       | (247,082)                                  | 4,206                           | (3,400)                                     | 1,573                           |
| Fair value loss on derivative<br>component of convertible<br>bond           |       | (752)                                      | —                               | —   | —                               |
| Finance income  | 4     | 1,797                                      | 6,463                           | 359   | 2,716                           |
| Finance costs   | 4     | <u>(1,928)</u>                             | <u>(535)</u>                    | <u>(553)</u>                                | <u>(516)</u>                    |
| Profit/(loss) before income<br>tax  |       | (247,965)                                  | 10,134                          | (3,594)                                     | 3,773                           |
| Income tax expense  | 5     | <u>(8,047)</u>                             | <u>(4,010)</u>                  | <u>(2,191)</u>                              | <u>(1,325)</u>                  |
| Profit/(loss) for the period  |       | <u><u>(256,012)</u></u>                    | <u><u>6,124</u></u>             | <u><u>(5,785)</u></u>                       | <u><u>2,448</u></u>             |
| Earnings/(loss) per share<br>attributable to shareholders<br>of the Company | 7     |  |                                 |   |                                 |
| Basic (HK cents)  |       | <u><u>(13.48)</u></u>                      | <u><u>0.41</u></u>              | <u><u>(0.30)</u></u>                        | <u><u>0.15</u></u>              |
| Diluted (HK cents)  |       | <u><u>(13.48)</u></u>                      | <u><u>0.41</u></u>              | <u><u>(0.30)</u></u>                        | <u><u>0.15</u></u>              |

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

|  | For the nine months ended |                     | For the three months ended |                     |
|--|---------------------------|---------------------|----------------------------|---------------------|
|  | 31st December             |                     | 31st December              |                     |
|  | 2015                      | 2014                | 2015                       | 2014                |
|  | <i>HK\$'000</i>           | <i>HK\$'000</i>     | <i>HK\$'000</i>            | <i>HK\$'000</i>     |
|  | (Unaudited)               | (Unaudited)         | (Unaudited)                | (Unaudited)         |
| Profit/(loss) for the period   | <u>(256,012)</u>          | <u>6,124</u>        | <u>(5,785)</u>             | <u>2,448</u>        |
| <b>OTHER COMPREHENSIVE INCOME</b>  |                           |                     |                            |                     |
| Other comprehensive income to be reclassified to profit or loss in the subsequent periods: |                           |                     |                            |                     |
| Currency translation differences of foreign operations                                     | <u>(662)</u>              | <u>116</u>          | <u>(149)</u>               | <u>(88)</u>         |
| <b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX OF NIL</b>                        | <u>(662)</u>              | <u>116</u>          | <u>(149)</u>               | <u>(88)</u>         |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>   | <u><b>(256,674)</b></u>   | <u><b>6,240</b></u> | <u><b>(5,934)</b></u>      | <u><b>2,360</b></u> |

Notes:

## 1 GENERAL INFORMATION

The Group is principally engaged in the following businesses:

- **hi-tech distribution and services:** trading of surface mount technology (“SMT”) assembly equipment, machinery and spare parts and provision of related installation, training, repair and maintenance services for SMT assembly equipment;
- **mining consulting:** provision of advisory services in mining exploration, exploitation and valuation services for mergers and acquisitions projects;
- **finance leasing:** provision of finance to its customers by a wide array of assets under finance lease arrangements; and
- investment holding.

The Company is a limited liability company incorporated in Bermuda as an exempted company under the Bermuda Companies Act 1981 (the “Companies Act”). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and of its principal place of business is Suite 1318, 13th Floor, Two Pacific Place, 88 Queensway, Hong Kong.

The Company’s ordinary shares are listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

This announcement has been approved for issue by the Company’s Board of Directors on 2nd February 2016.

## 2 BASIS OF PREPARATION

This announcement has been prepared to comply with the disclosure requirements of the Rules Governing the Listing of Securities on The Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”).

This announcement does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31st March 2015.

The accounting policies adopted in the preparation of this unaudited condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March 2015, except for the adoption of the following revised standards and interpretations for the first time for the current period’s financial information:

|  |   |
|--|---|
| Amendments to HKAS 19                      | <i>Defined Benefit Plans: Employee Contribution</i> |
| <i>Annual improvements 2010-2012 Cycle</i> | Amendments to a number of HKFRSs                    |
| <i>Annual improvements 2011-2013 Cycle</i> | Amendments to a number of HKFRSs                    |

The adoption of the above revised HKFRSs has had no significant financial effect on these unaudited condensed consolidated financial information.

### 3 REVENUE

Revenue represents sales of goods, commission and other service income, consulting fee income and finance leasing income. The amounts of each category of revenue recognised during the nine months and three months ended 31st December 2015 are as follows:

|                                     | For the nine months<br>ended 31st December |  | For the three months<br>ended 31st December |  |
|-------------------------------------|--|--|---|--|
|                                     | 2015<br><i>HK\$'000</i><br>(Unaudited)     | 2014<br><i>HK\$'000</i><br>(Unaudited) | 2015<br><i>HK\$'000</i><br>(Unaudited)      | 2014<br><i>HK\$'000</i><br>(Unaudited) |
| Sales of goods                      | 990,733                                    | 899,647                                | 275,644                                     | 277,554                                |
| Commission and other service income | 8,848                                      | 6,452                                  | 3,903                                       | 1,508                                  |
| Consulting fee income               | 8,025                                      | 15,158                                 | —   | 11,582                                 |
| Finance leasing income              | 241  | —                                      | 205   | —                                      |
|                                     | <u>1,007,847</u>                           | <u>921,257</u>                         | <u>279,752</u>                              | <u>290,644</u>                         |

### 4 FINANCE INCOME AND COSTS

An analysis of finance income and costs is as follows:

|  | For the nine months<br>ended 31st December |  | For the three months<br>ended 31st December |  |
|--|--|--|---|--|
|  | 2015<br><i>HK\$'000</i><br>(Unaudited)     | 2014<br><i>HK\$'000</i><br>(Unaudited) | 2015<br><i>HK\$'000</i><br>(Unaudited)      | 2014<br><i>HK\$'000</i><br>(Unaudited) |
| <b>Finance income:</b>   |  |  |   |  |
| Interest income from bank deposits                                 | 1,079                                      | 3,311                                  | 359   | 906                                    |
| Interest income from note receivables                              | 234  | 585                                    | —   | 117                                    |
| Interest in discounted amounts arising from<br>the passage of time | 484  | 1,116                                  | —   | 242                                    |
| Net foreign exchange gains on financing<br>activities              | —  | 1,451                                  | —   | 1,451                                  |
|  | <u>1,797</u>                               | <u>6,463</u>                           | <u>359</u>                                  | <u>2,716</u>                           |
| <b>Finance costs:</b>  |  |  |   |  |
| Interest on bank loans   | 822  | 116                                    | 225   | 97                                     |
| Interest on convertible bond                                       | 953  | 419                                    | 325   | 419                                    |
| Net foreign exchange loss on financing<br>activities               | 153  | —                                      | 3   | —                                      |
|  | <u>1,928</u>                               | <u>535</u>                             | <u>553</u>                                  | <u>516</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% (2014: 16.5%) on the estimated assessable profit for the period.

Subsidiaries established in the Mainland China are subject to the Mainland China corporate income tax at the standard rate of 25% (2014: 25%).

Taxation on overseas (other than Hong Kong and Mainland China) profits has been calculated on the estimated assessable profit for the period at the applicable rates of taxation prevailing in the jurisdictions in which the Group operates.

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

|                                     | For the nine months<br>ended 31st December |  | For the three months<br>ended 31st December |  |
|-------------------------------------|--|--|---|--|
|                                     | 2015<br><i>HK\$'000</i><br>(Unaudited)     | 2014<br><i>HK\$'000</i><br>(Unaudited) | 2015<br><i>HK\$'000</i><br>(Unaudited)      | 2014<br><i>HK\$'000</i><br>(Unaudited) |
| Current taxation                    |  |  |   |  |
| Hong Kong profits tax               |  |  |   |  |
| — current period                    | 5,784                                      | 3,852                                  | 2,090                                       | 1,275                                  |
| Mainland China corporate income tax |  |  |   |  |
| — current period                    | 225  | 158                                    | 101   | 50                                     |
| Overseas taxation                   |  |  |   |  |
| — current period                    | 1,950                                      | —                                      | —   | —                                      |
| Deferred taxation                   | 88   | —                                      | —   | —                                      |
|                                     | <u>8,047</u>                               | <u>4,010</u>                           | <u>2,191</u>                                | <u>1,325</u>                           |

## 6 IMPAIRMENT OF GOODWILL

### Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units identified according to operating segments.

With respect to the goodwill allocated to the mining consulting operation cash-generating unit, its recoverable amount has been determined based on the anticipated profitability that could be derived from the mining consulting operation from the continued revenue of existing projects and forecasted revenue from potential projects. The Group has been closely monitoring the development and negotiations of these projects since the acquisition of the mining consulting operation cash-generating unit and an impairment test on the goodwill allocated to the mining consulting operation cash-generating unit would be performed if events or changes in circumstances indicate that the carrying amount of the goodwill may be impaired.

In view of the continued negative outlook of the commodities and mining sector in the near to medium term, including the decline in commodity price worldwide with increased volatility, our mining consulting division perceives increasing financial constraints in terms of availability of exploration funding to, and willingness to commit to substantiate capital investment by, our existing and potential

customers in their capital expenditure program budget for new exploration. This has led to increasing difficulties in collection of payments and in securing commercially acceptable terms for the continuation of further works for existing projects and new contracts closing.

The declining in market conditions coincided with the most unexpected resignation of Mr. Jacky Chan Sik Lap, founder and CEO of Dragon Mining Overseas Limited and its subsidiaries (“Dragon Group”), as announced by the Company on 8th September 2015 in its business update. During the month following his departure, a few other senior members of Dragon Group also resigned. The departure of a number of senior staff of Dragon Group in such a short period posed a challenge to the Group and caused the loss of some potential projects in the short term.

With reference to the above indicators, in September 2015, management has determined to carry out impairment testing on the goodwill and other related assets relating to the mining consulting operation cash-generating unit. Based on the value in use calculation prepared by an independent consultant, the recoverable amount of this cash-generating unit as at 30th September 2015 was lower than the carrying amount of the cash-generating unit accounts, principally the goodwill, and accordingly an impairment loss of approximately HK\$237,264,000 was recognised in profit or loss for the period ended 30th September 2015 (2014: Nil). The reduction on the recoverable amount of the mining consulting operation cash-generating unit as compared with that as at 31st March 2015 was driven by the substantial reduction in the expected net cash inflow from the mining consulting operation.

## **7 EARNINGS/(LOSS) PER SHARE**

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

No adjustment has been made to the basic loss per share amounts presented for the nine months and three months ended 31st December 2015 in respect of a dilution as the impact of the convertible bond outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

Diluted earnings per share amounts for the nine months and three months ended 31st December 2014 is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The convertible bond is assumed to have been converted into ordinary shares, and the profit for the nine months and three months ended 31st December 2014 is adjusted to eliminate the interest expense on convertible bond and fair value changes of convertible bond less tax effect, if any.

The calculation of basic loss per share for the nine months and three months ended 31st December 2015 is based on:

|   | <b>For the nine<br/>months ended<br/>31st December<br/>2015<br/>(Unaudited)</b> | For the three<br>months ended<br>31st December<br>2015<br>(Unaudited) |
|---|---|---|
| 2015  |   |   |
| <b>Loss</b>   |   |   |
| Loss attributable to shareholders of the Company and used in the basic loss per share calculation ( <i>HK\$'000</i> ) | <u><u>(256,012)</u></u>   | <u><u>(5,785)</u></u>   |
| <b>Shares</b>   |   |   |
| Weighted average number of ordinary shares in issue   | <u><u>1,899,724,517</u></u>   | <u><u>1,914,997,244</u></u>   |

The calculation of basic and dilutive earnings per share for the nine months and three months ended 31st December 2014 is based on:

|  | <b>For the<br/>nine months<br/>ended<br/>31st December<br/>2014<br/>(Unaudited)</b> | For the<br>three months<br>ended<br>31st December<br>2014<br>(Unaudited) |
|--|---|--|
| 2014   |   |  |
| <b>Earnings</b>  |   |  |
| Profit attributable to shareholders of the Company, used in the basic earnings per share calculation ( <i>HK\$'000</i> )   | <u>6,124</u>  | 2,448  |
| Interest on convertible bond ( <i>HK\$'000</i> )   | <u>419</u>  | 419  |
| Profit attributable to shareholders of the Company, used in the diluted earnings per share calculation ( <i>HK\$'000</i> ) | <u><u>6,543</u></u>   | <u><u>2,867</u></u>  |
| <b>Shares</b>  |   |  |
| Weighted average number of ordinary shares in issue, used in the basic earnings per share calculation                      | <u>1,476,065,324</u>  | 1,614,997,244  |
| Effect of dilution — weighted average number of ordinary shares:<br>Convertible bond                                       | <u>116,072,727</u>  | 240,000,000  |
| Weighted average number of ordinary shares in issue, used in the diluted earnings per share calculation                    | <u><u>1,592,138,051</u></u>   | <u><u>1,854,997,244</u></u>  |



## 8 DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the nine months ended 31st December 2015.

## 9 EQUITY

Movements in unaudited consolidated equity are as follows:

|  | (Unaudited)                         |                                      |  |                          |
|--|-------------------------------------|--------------------------------------|--|--------------------------|
|  | Share<br>capital<br><i>HK\$'000</i> | Other<br>reserves<br><i>HK\$'000</i> | Accumulated<br>losses<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
| Balances at 1st April 2015                             | 16,150                              | 1,129,598                            | (89,403)                                 | 1,056,345                |
| Loss for the period                                    | —                                   | —                                    | (256,012)                                | (256,012)                |
| Currency translation differences of foreign operations | —                                   | (662)                                | —  | (662)                    |
| Total comprehensive income for the period              | —                                   | (662)                                | (256,012)                                | (256,674)                |
| Issue of shares ( <i>note (i)</i> )                    | 3,000                               | 27,168                               | —  | 30,168                   |
| Balances at 31st December 2015                         | <u>19,150</u>                       | <u>1,156,104</u>                     | <u>(345,415)</u>                         | <u>829,839</u>           |

|   | (Unaudited)                         |                                      |  |                          |
|---|-------------------------------------|--------------------------------------|--|--------------------------|
|   | Share<br>capital<br><i>HK\$'000</i> | Other<br>reserves<br><i>HK\$'000</i> | Accumulated<br>losses<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
| Balances at 1st April 2014  | 13,459                              | 1,094,029                            | (114,956)                                | 992,532                  |
| Profit for the period   | —                                   | —                                    | 6,124                                    | 6,124                    |
| Currency translation differences of foreign operations                        | —                                   | 116                                  | —  | 116                      |
| Total comprehensive income for the period                                     | —                                   | 116                                  | 6,124                                    | 6,240                    |
| Issue of Consideration Shares for a business combination ( <i>note (ii)</i> ) | 2,691                               | 57,309                               | —  | 60,000                   |
| Special dividend ( <i>note (iii)</i> )  | —                                   | (20,995)                             | —  | (20,995)                 |
| Balances at 31st December 2014  | <u>16,150</u>                       | <u>1,130,459</u>                     | <u>(108,832)</u>                         | <u>1,037,777</u>         |

*Notes:*

- (i) On 15th April 2015, the Company issued 300,000,000 new ordinary Shares to Ms. Lu Ying, holder of the convertible bond, at a placing price of HK\$0.105 per placing share, pursuant to the placing agreement which the Company entered into on 30th March 2015 with the placing agent to place new shares on a best effort basis. The transaction costs include legal fees and other professional fees related to the placement was approximately HK\$1,332,000.

- (ii) During the nine months ended 31st December 2014, the Company has issued 269,058,296 Consideration Shares of HK\$0.01 each at a price of HK\$0.223 each for the partial settlement of the Acquisition (as defined in note 10 to this announcement), resulting in the increase of share capital and share premium by HK\$2,691,000 and HK\$57,309,000, respectively.
- (iii) On 6th November 2014, the Board declared a special dividend of HK\$0.013 per ordinary share, approximately HK\$20,995,000 in aggregate. The special dividend has been paid on 3rd December 2014.

## **10 BUSINESS COMBINATION**

On 13th June 2014, the Group entered into a sale and purchase agreement with Million Land Limited, an independent third party, to acquire its entire equity interests in Dragon Mining Overseas Limited and its subsidiaries (“Dragon Group”) and the shareholder’s loan owed by Dragon Group to its then shareholder (the “Acquisition”), at a consideration with a total fair value of HK\$272,453,000, consisting of HK\$140,000,000 cash, HK\$60,000,000 Consideration Shares and HK\$72,453,000 convertible bond (principal amount: HK\$60,000,000). Dragon Group is principally engaged in provision of advisory services in mining exploration, exploitation and valuation for mergers and acquisitions projects. The Acquisition was completed on 20th August 2014.

Since its acquisition, Dragon Group has contributed to the Group’s revenue and to the Group’s consolidated profit of HK\$15,158,000 and HK\$1,789,000 respectively for the period ended 31st December 2014.

Had the combination taken place at the beginning of the period ended 31st December 2014, the revenue and the profit of the Group for the nine months ended 31st December 2014 would have been HK\$30,437,000 and HK\$6,831,000, respectively.

## **BUSINESS REVIEW**

### **Financial and Business Performance**

For the nine-months ended 31st December 2015 (the “9-month Period”), the Group recorded unaudited consolidated revenue of approximately HK\$1,007,847,000 versus approximately HK\$921,257,000 in the corresponding period last year, representing an increase of 9.4%. The increase in revenue was mainly due to the strong performance of the SMT equipment distribution business and contribution of revenue from the mining consulting business of the Dragon Group.

During the 9-month Period, the Group recorded unaudited consolidated net loss of approximately HK\$256,012,000, as compared to a net profit of approximately HK\$6,124,000 for the corresponding period last year. The significant loss in this 9-month Period was mainly due to an impairment of goodwill of approximately HK\$237,264,000 and provisions against accounts receivables of HK\$19,994,000 from the mining consulting division. Excluding these one-off items, the Group would have recorded a net profit of approximately HK\$1,246,000 for this 9-month Period.

During the 9-month Period, the Group's operating expenditures amounted to approximately HK\$145,220,000 (excluding the provisions against accounts receivables), representing an increase of approximately 24.4% from approximately HK\$116,769,000 in the corresponding period last year. The increase was mainly due to increase in staff commission, travelling expenses and other related selling and distribution expenses incurred by the Hi-tech Distribution and Services Division which were in line with the increase in its revenue in the 9-month Period. In addition, the operating expenditures from the mining consulting business acquired in August 2014 also contributed to such increase.

The unaudited basic loss per share in the 9-month Period was approximately HK13.48 cents whereas the Group recorded an unaudited basic earnings per share of approximately HK0.41 cents for the corresponding period last year. Furthermore, the unaudited consolidated net asset value of the Company per ordinary share was approximately HK\$0.433 as at 31st December 2015, which reflected a decrease of HK\$0.003 from approximately HK\$0.436 as at 30th September 2015.

### **Hi-tech Distribution and Services Division**

The Group conducts its hi-tech distribution and services business through its wholly-owned subsidiary, American Tec Company Limited ("American Tec"). American Tec is a leader in Asia in the business of distribution, sales and service of SMT equipment, semiconductor manufacturing equipment, automation solutions and software for manufacturing control and management, with a history of more than 30 years serving its customers in the hi-technology sector. American Tec's team of more than 270 engineers and customer care staff are located in more than 25 cities in China, South-East Asia, Vietnam and India. Customers include most of the major telecom and electronic equipment manufacturers in the world. American Tec is especially well positioned with the growing base of Chinese manufacturers. Its suppliers include leading equipment and solutions manufacturers from Asia, the United States and Europe.

During the 9-month period, the unaudited revenue was approximately HK\$999,581,000, representing an increase of 10.3% from approximately HK\$906,099,000 in the corresponding period last year and an unaudited net profit of approximately HK\$27,104,000, representing an increase of 43.2% from approximately HK\$18,928,000 in the corresponding period last year. The increase in division revenue was mainly due to the strong performance from SMT equipment sales to the mobile phone and internet device manufacturing sectors. During the 9-month Period, the division recorded approximately HK\$917,847,000 of direct machine sales, HK\$15,129,000 of software sales, HK\$57,757,000 of spare parts sales and HK\$8,848,000 of commission and other service income for the 9-month Period, compared with approximately HK\$845,746,000 of direct machine sales, HK\$866,000 of software sales, HK\$53,035,000 of spare parts sales and HK\$6,452,000 of commission and other service income for the corresponding period last year. During the 9-month Period, the gross profit margin of this division was approximately 14% which represent a slightly increase of 1% from approximately 13% in the corresponding period last year.

During the third quarter, the unaudited revenue was approximately HK\$279,547,000, representing an increase of 0.2% from approximately HK\$279,062,000 in the corresponding period last year and unaudited net profit of approximately HK\$8,419,000, representing an increase of 22.3% from approximately HK\$6,884,000 in the corresponding period last year.

While the management team continues to keep a close watch on operating cost and expenditures, the investments made on new business lines such as software, automation solutions and materials are starting to show returns and contribution to the overall business. In addition, the strong performance from the SMT equipment sales had resulted in an increase in division's revenue and net profits, supported by an increase in market share amid a slow down of market and investments in the mobile phone manufacturing sector.

### **Financial Leasing Division**

The Group conducts its financial leasing business through its wholly-owned subsidiary, North Asia Financial Leasing (Shanghai) Co., Ltd. ("NAFL"), which was set up in Shanghai. NAFL commenced its finance lease business during the second quarter of this financial year. Loans and the aggregate principal amount of finance lease loans as at 31st December 2015 was approximately HK\$29.9 million. NAFL mainly financed customers from the Group's Hi-tech Distribution and Services Division or projects involving the purchase of the computer numerical control ("CNC") machinery. As this business has recently commenced, the division has generated nominal revenue and recorded net loss of approximately HK\$1,792,000 and HK\$587,000 in the 9-month Period and the third quarter respectively.

### **Mining Consulting Division**

The Group conducts its mining consulting business through Dragon Group. Dragon Group is principally engaged in providing mining technical services and valuation advisory services for mining projects in various stages.

Dragon Group's mining technical services includes operation management, exploration management, geological and technical field services, exploration auditing, resource modelling and estimation, and other related technical services.

During the 9-month Period, the unaudited revenue and net loss of the division was approximately HK\$8,025,000 and HK\$25,735,000 respectively. The division's revenue was derived from projects in Central Asia, Southeast Asia and other districts including Hong Kong accounted for 88%, 11% and 1% respectively.

During the third quarter, the net loss of the division was approximately HK\$6,007,000 and no consulting fee income was recorded.

## **Progress on status of projects**

### ***Central Asia***

Dragon Group has been engaged in a gold exploration management project in Kazakhstan to provide operation management, exploration management, geological and technical field services, marketing and other related services. As payment of the receivables for the Kazakhstan project has been overdue and the collection progress was unsatisfactory and with the recent departure of senior staff responsible for the project, Dragon Group has ceased to work on this project. During the 9-month Period, revenue recorded from Central Asia region contributed approximately HK\$7,024,000 or around 88% to the total revenue of the division. No revenue was recorded during the third quarter from this region.

### ***Southeast Asia***

Dragon Group has been engaged in a copper-gold polymetallic project (the “Copper-Gold Project”) in Indonesia and to provide laboratory operation, processing plant management and public relationship management on this Copper-Gold Project. Due to the major change in the new mining regulation of Indonesia that became effective in the year of 2014 and requested mineral raw materials to be processed in Indonesia, rather than being exported in a raw state, and problem in payment of the outstanding receivable from the client, Dragon Group has ceased work on this project from the second half of 2015. During the 9-month Period, revenue recorded from Southeast Asia region contributed approximately HK\$901,000 or around 11% to the total revenue of the division. No revenue was recorded during the third quarter from this region.

### ***Other districts including Hong Kong***

Dragon Group provides technical consulting, valuation and other consulting services for customers in this region. During the 9-month Period, revenue recorded from other districts including Hong Kong contributed approximately HK\$100,000 or around 1% to revenue of the division. No revenue was recorded during the third quarter from this region.

## **Impairment of Value of Dragon Group**

The significant and protracted deterioration of global capital market, in particular the commodities and mining sectors since mid-August 2015 made it necessary for the Company to reassess the recoverable amount of Dragon Group. For this purpose, the Company engaged an independent consultant to carry out a valuation, based on a discounted cashflow valuation model, on the Dragon Group in September 2015 (“September 2015 Valuation”) (which is the same methodology adopted for valuation on the Dragon Group in March 2015 for the annual results of the Group for the financial year ended that date (“March 2015 Valuation”)). A write down of approximately HK\$237 million that causes the elimination of almost all of the goodwill of Dragon Group arising from acquisition of it by the Group (of approximately HK\$244 million) was made in the preceding quarter, further information relating to which has been included in the Company’s interim report for the

six months ended 30th September 2015. No further impairment was made in the third quarter. The basic assumptions and other key parameters of valuation such as terminal growth rate (3%) adopted for March 2015 Valuation and September 2015 Valuation were the same, whereas the discount rate adopted, although not identical, were not materially different and in the range of between 17% to 18%.

### **Use of Proceeds from Placing**

On 15th April 2015, 300,000,000 ordinary shares were issued at a placing price of HK\$0.105 per share to Ms. Lu Ying through a placing agent on a best effort basis. The placing proceeds net of relevant expenses including the placing commission amounted to approximately HK\$30 million. The Group has already applied approximately HK\$11 million as to staff cost, rental and other office expenses and the remaining placing proceeds of approximately HK\$19 million was placed in short term deposit with banks in Hong Kong during the 9-month Period.

## **OUTLOOK**

### **Overall Summary**

Market environment for the forthcoming quarter is expected to remain challenging for all divisions of businesses of the Group. However, the management is confident in the prospects of the Hi-tech Distribution and Services Division with launch of “Industry 4.0” initiative, coupled with the advocacy of the Chinese government in the “Smart Manufacturing 2025” project. Furthermore, with the launch of China-led Asia Infrastructure Investment Bank, the “One Belt, One Road” initiative (“OBOR”) which sets the new development road map for China and surrounding nations and regions, we are hopeful that OBOR offers enormous opportunities to reverse the declining trend in the natural resources market in long run. Our focus will be to continue to manage cash, costs and risks and, to build our strength during this turbulent time by working with our management teams to improve capability and efficiency.

### **Hi-tech Distribution and Services Division**

The total unit of mobile handset shipments reached 1.32 billion units globally in year 2015, representing a 10.1% year on year growth. For year 2016, though starting with a conservative outlook, the industry is still looking at modest growth of a single digit. Smartphone brands in China are expected to enter a new phase of consolidation in 2016 as some vendors have sold their sub-brands or introduced new strategic partners, with some expected to drop out of competition. On the other hand, the worldwide wearable device market will see continued growth as second and third-generation launching the market. These new devices will build upon the hardware and software of their predecessors and answer some of the shortcomings and concerns that potential customers have today. According to International Data Corporation (IDC), the worldwide wearable device market shipment is estimated to reach a total of 111.1 million units in 2016, increase by 44.4% from the expected 80 million units in 2015. In addition, the attention to virtual reality devices is also expected to increase in this year, creating demands for new machine investments.

The growing attention and emphasis on Industry 4.0 ( China Manufacturing 2025 ) is expected to continue driving manufacturers to consider upgrading their manufacturing capability with investments in automation and software. Amid the weakening global economy and declining trend in China exports, we will strive to work closer with our partners to come up with more competitive solutions and expand our product offerings. We will also continue to invest in our service and support infrastructure and systems so as to attain total customer satisfaction and customer retention. At the same time, we will also closely monitor our working capital, gross profit margin, operating cost and industry developments with a view to maintain our cash flow and profitability, as well as the long term sustainability and growth of our business.

### **Mining Consulting Division**

Global prices for natural resources, particularly metal prices, are expected to remain low in the short to medium term. Given the strength of US dollar, the increase in US interest rate in mid-December 2015 and the dim outlook of the commodities and mining sector, availability of exploration funding to mining companies may continue to be limited such that the mining consulting division will be adversely affected. In view of this the near to medium, we expect the division will shift towards providing valuation services for mining sector clients from the provision of mining exploration related services in the past. However, Dragon Group will continue to explore new business opportunities in different regions of Asian countries including China.

### **Finance Lease Operations**

We expect our leasing company can capture the opportunities offered by the upgrading in manufacturing industry and launching of “Industry 4.0” initiative in China. Leveraging on the Company’s financing platform in Hong Kong and extensive industry experience especially the high-tech manufacturing industries, the Group’s leasing company will seek opportunities to provide financial leasing service in China with a view to generate a new source of revenue from financial leasing and related services. The finance lease operations can also offer more comprehensive purchasing options to customers of our Hi-tech Distribution and Services Division to suit their financial needs.

### **DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

As at 31st December 2015, the Directors and chief executive of the Company and their respective associates had the following interests and short positions in the 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 of the Company

| Name of Directors | Capacity         | Number of ordinary shares held | Approximate percentage of shareholdings |
|-------------------|------------------|--------------------------------|---|
| Ding Yi           | Beneficial owner | 402,445,296 <sup>(1)</sup>     | 21.02%                                  |
| Zhang Yifan       | Family interest  | 402,445,296 <sup>(1)</sup>     | 21.02%                                  |

*Note:*

(1) These shares are beneficially held by Mr. Ding Yi. Accordingly, Ms. Zhang Yifan, being the wife of Mr. Ding Yi, is deemed to be interested in these shares under the SFO.

Save as disclosed above, as at 31st December 2015, none of the Directors and chief executive of the Company or their respective associates had any interests or short positions in the securities of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors.

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

As at 31st December 2015, 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 Shareholders/<br>Convertible Bondholder | Capacity         | Number of ordinary shares held | Number of underlying share held | Approximate percentage of shareholdings<br>(Note b) |
|---|------------------|--------------------------------|---------------------------------|---|
| Lu Ying   | Beneficial owner | 569,058,296                    | 240,000,000<br>(Note a)         | 42.25%  |
| C.L Davids<br>Fond og Samling                   | Beneficial owner | 106,178,010                    | —                               | 5.54%   |



*Notes:*

- (a) These underlying shares arise from the convertible bond (the “Convertible Bond”) in the aggregate amount of HK\$60 million which upon full conversion will result in an issuance of 240,000,000 conversion shares at the initial conversion price of HK\$0.25 (subject to adjustment).*
- (b) The above approximate percentages of shareholdings are based on 1,914,997,244 ordinary shares in issue as at 31st December 2015, not on the total number of issued shares upon full conversion of the Convertible Bond.*

Save as disclosed above, the Directors and the chief executive of the Company were not aware of any person (other than the Directors or chief executive of the Company the interests of which were disclosed above) who has any interests or short positions in the securities of the Company that were required to be entered in the register of the Company pursuant to Section 336 of the SFO as at 31st December 2015.

## **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. As at 31st December 2015, no share options have been granted by the Company pursuant to the 2014 Scheme.

On 31st October 2006, the Company approved a share option scheme (the “Best Creation Scheme”) adopted by Best Creation Investments Limited (“Best Creation”), a wholly-owned subsidiary of the Company, allowing its board of directors to grant options to subscribe for shares in Best Creation to the selected participants under such scheme as incentives or rewards for their contribution to the Best Creation group. The Best Creation Scheme has a life of ten years commencing on the adoption date of 31st October 2006. As at 31st December 2015, no share options have been granted pursuant to the Best Creation Scheme.

## **COMPETING INTERESTS**

As at 31st December 2015, none of the Directors or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the nine months ended 31st December 2015.

## **CORPORATE GOVERNANCE CODE**

The Company endeavours to maintain high standards of corporate governance in the interests of shareholders, and follows the principles set out in the Corporate Governance Code (the "Code") contained in Appendix 15 of the GEM Listing Rules. Except for the deviations described below, no Director is aware of any information which would reasonably indicate that the Company is not, or was not at any time during the nine months ended 31st December 2015, 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 Chairman 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.4.1 stipulates that non-executive directors should be appointed for a specific term. However, Mr. James Tsiolis, a former non-executive Director who was elected by the shareholders at the general meeting of the Company, has not been appointed for a specific term but is subject to retirement by rotation and re-election at annual general meetings in accordance with the bye-laws of the Company. Mr. James Tsiolis resigned as Deputy Chairman and non-executive Director of the Company on 17th July 2015.

## **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 and financial reporting process, monitor the integrity of the financial statements and compliance with statutory and listing requirements and to oversee independence and qualifications of the external auditors.

The unaudited condensed consolidated financial information for the nine months ended 31st December 2015 of the Company now reported on have been reviewed by the audit committee.

On behalf of the Board  
**North Asia Strategic Holdings Limited**  
**Ding Yi**  
*Chairman and Executive Director*

Hong Kong, 2nd February 2016

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

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least seven days from the date of its posting and on the Company’s website at [www.nasholdings.com](http://www.nasholdings.com).*