

North Asia Strategic Holdings Limited

北亞策略控股有限公司*

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

(Stock Code 股份代號：8080)



NORTH ASIA STRATEGIC

2006/07

**Interim Report
中期業績報告**

* For identification purpose only
僅供識別

INTERIM REPORT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2006

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GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

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The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of North Asia Strategic Holdings Limited (the “Directors” or the “Board”) 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 (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: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

Turnover

For the six months ended 30th September 2006, the Group recorded a total turnover of approximately HK\$86,431,000, representing a decrease of approximately 61% by comparing with the turnover in the corresponding period last year. During the period, turnover generated from the Group's steel trading operation and electronics equipments trading operation were approximately HK\$51,798,000 and HK\$34,633,000 respectively.

Profit attributable to shareholders

During the period, the Group recorded a net profit attributable to shareholders of approximately HK\$25,211,000, of which loss of approximately HK\$656,000 was generated from its steel trading operation, versus net profit of approximately HK\$5,000 for the corresponding period last year. On the other hand, the Group recorded a net profit of approximately HK\$25,867,000 for its electronics equipments trading operation during the period. This was mainly due to the recognition of part of the future interest income of approximately HK\$36,229,000 arising from the subscription receivables for the preference shares issued by the Company in February, March and September 2006. Discounting the effect of this interest income, the Group recorded a net loss from its electronics equipments trading operation of approximately HK\$10,362,000, since the gross profit of approximately HK\$697,000 generated from this electronics equipments trading operation was more than offset by its net operating expenses of approximately HK\$10,062,000 and finance costs of approximately HK\$997,000.

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RESULTS

The followings are the unaudited consolidated results of North Asia Strategic Holdings Limited (the “Company” or the “North Asia Strategic”) and its subsidiaries (collectively the “Group” or “North Asia Strategic Group”) for the six months and three months ended 30th September 2006 together with the comparative unaudited figures for the corresponding periods in 2005:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	For the six months ended 30th September		For the three months ended 30th September	
		2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Revenue	4				
— Sales		86,431	217,112	20,111	119,131
— Commission		—	2,722	—	1,779
		<u>86,431</u>	<u>219,834</u>	<u>20,111</u>	<u>120,910</u>
Cost of sales		<u>(85,978)</u>	<u>(216,082)</u>	<u>(19,588)</u>	<u>(119,485)</u>
Gross profit		453	3,752	523	1,425
Other gains — net	5	44,485	3,187	28,335	121
Selling and distribution expenses		(98)	(1,368)	(77)	(436)
General and administration expenses		<u>(18,752)</u>	<u>(7,970)</u>	<u>(9,058)</u>	<u>(4,910)</u>
Operating profit/(loss)		26,088	(2,399)	19,723	(3,800)
Finance costs		<u>(997)</u>	<u>(1,911)</u>	<u>(797)</u>	<u>(774)</u>
Profit/(Loss) before income tax		25,091	(4,310)	18,926	(4,574)
Income tax credit	6	<u>120</u>	<u>585</u>	<u>122</u>	<u>798</u>
Profit/(Loss) for the period, attributable to equity holders of the Company		<u>25,211</u>	<u>(3,725)</u>	<u>19,048</u>	<u>(3,776)</u>
Profit/(Loss) per share attributable to the equity holders of the Company during the period					
— Basic	7	<u>HK26.32 cents</u>	<u>HK(9.42) cents</u>	<u>HK19.88 cents</u>	<u>HK(6.01) cents</u>
— Diluted	7	<u>HK0.31 cents</u>	<u>N/A</u>	<u>HK0.23 cents</u>	<u>N/A</u>

The notes are an integral part of this unaudited condensed interim financial information.

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UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30th September 2006 HK\$'000 (Unaudited)	As at 31st March 2006 HK\$'000 (Audited)
Non-current assets			
Plant and equipment	9	118	478
Website development costs	9	3	6
Subscription receivables — non-current portion	14	564,840	494,135
Total non-current assets		<u>564,961</u>	<u>494,619</u>
Current assets			
Inventories		8,939	26,399
Prepayments, deposits and other receivables		4,581	16,745
Trade receivables	10	15,809	115
Subscription receivables — current portion	14	320,091	271,410
Pledged bank deposits		20,112	3,055
Cash and other bank deposits		294,339	292,847
Total current assets		<u>663,871</u>	<u>610,571</u>
Current liabilities			
Short-term bank borrowings	11	(14,847)	—
Trade payables	12	(8,118)	(36,916)
Accruals and other payables		(1,670)	(2,545)
Receipts in advance		—	(792)
Current income tax liabilities		(700)	(700)
Total current liabilities		<u>(25,335)</u>	<u>(40,953)</u>
Net current assets		<u>638,536</u>	<u>569,618</u>
Total assets less current liabilities		<u>1,203,497</u>	<u>1,064,237</u>
Non-current liabilities			
Convertible bonds	11,13	(15,075)	(14,642)
Total non-current liabilities		<u>(15,075)</u>	<u>(14,642)</u>
Net assets		<u>1,188,422</u>	<u>1,049,595</u>
Equity			
Capital and reserves attributable to equity holders of the Company:			
Share capital		82,718	74,790
Reserves		1,105,704	974,805
Shareholders' equity		<u>1,188,422</u>	<u>1,049,595</u>

The notes are an integral part of this unaudited condensed interim financial information.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited			
	Attributable to equity holders of the Company			
	Share capital	Other reserves	(Accumulated losses)/ retained profit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance, 31st March 2005	159,659	13,818	(171,340)	2,137
Loss for the period	—	—	(3,725)	(3,725)
Capital reorganisation	(159,529)	159,529	—	—
Elimination of accumulated losses	—	(161,644)	161,644	—
Issuance of ordinary shares				
— upon exercise of warrants	30	—	—	30
— under a subscription agreement	639	9,361	—	10,000
— under an open offer	159	2,341	—	2,500
Share issue expenses				
— ordinary shares	—	(1,799)	—	(1,799)
Convertible bonds — equity component (Note 13)	—	6,388	—	6,388
Translation adjustments	—	388	—	388
	<u>958</u>	<u>28,382</u>	<u>(13,421)</u>	<u>15,919</u>
Balance, 30th September 2005	958	28,382	(13,421)	15,919
Loss for the period	—	—	(8,263)	(8,263)
Issuance of preference shares	73,832	980,764	—	1,054,596
Share issue expenses				
— ordinary shares	—	(387)	—	(387)
— preference shares	—	(12,173)	—	(12,173)
Translation adjustments	—	(97)	—	(97)
	<u>74,790</u>	<u>996,489</u>	<u>(21,684)</u>	<u>1,049,595</u>
Balance, 31st March 2006	74,790	996,489	(21,684)	1,049,595
Profit attributable to equity holders of the Company	—	—	25,211	25,211
Issuance of preference shares	7,928	106,267	—	114,195
Share issue expenses				
— preference shares	—	(731)	—	(731)
Translation adjustments	—	152	—	152
	<u>82,718</u>	<u>1,102,177</u>	<u>3,527</u>	<u>1,188,422</u>
Balance, 30th September 2006	82,718	1,102,177	3,527	1,188,422

The notes are an integral part of this unaudited condensed interim financial information.

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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended	
	30th September	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (used in)/generated from operating activities	(31,848)	4,551
Net cash (used in)/generated from investing activities	(11,815)	296
Net cash generated from financing activities	<u>45,155</u>	<u>28,429</u>
Net increase in cash and cash equivalents	1,492	33,276
Cash and cash equivalents at 1st April	<u>292,847</u>	<u>13,263</u>
Cash and cash equivalents at 30th September	<u>294,339</u>	<u>46,539</u>

The notes are an integral part of this unaudited condensed interim financial information.

Notes:

1. General information

North Asia Strategic Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) are principally engaged in trading of steel products, surface mount technology assembly equipments (“SMT”) trading, provision of procurement services for steel products (including the operation of an e-commerce vertical portal for the provision of online steel trading services and ancillary services), and investment holding.

The Company is a limited liability company incorporated in Bermuda as an exempted company under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and of its principal place of business is 78th Floor, The Center, 99 Queen’s Road Central, 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 unaudited condensed consolidated interim financial information is presented in HK dollars, unless otherwise stated.

This unaudited condensed consolidated interim financial information has been approved for issue by the Company’s Board of Directors on 13th November 2006.

2. Basis of preparation and accounting policies

The unaudited condensed consolidated accounts have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants 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”).

The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated accounts are consistent with those used in the annual accounts for the year ended 31st March 2006.

The Group has not early adopted the following new/revised Hong Kong Financial Reporting Standards and HKASs (collectively “HKFRS”) that have been issued but are not effective. The Company’s Directors and the Group’s management anticipate that the adoption of these HKFRSs in future periods will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital disclosures (i)
HKFRS 7	Financial Instruments: Disclosures (i)

(i) Effective for annual periods beginning on or after 1st January 2007.

3. Basis of consolidation

This unaudited condensed consolidated interim financial information includes the accounts of the Company and its subsidiaries. The results of subsidiaries acquired or disposed of during the period are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Significant intercompany transactions and balances within the Group are eliminated on consolidation.

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4. Turnover and segment information

Turnover represents the net invoiced value of merchandise sold after allowances for returns and discounts.

The primary segment is defined by major product and operational unit, while the secondary segment is defined by geographical location.

a. Primary segment

The Group is organised into four major business segments — steel trading, SMT trading, procurement services and investment holding. The steel trading and SMT trading business segments derive revenue from sale of merchandise. The procurement services business segment derives commission income from procurement and online steel trading services. The investment holding business segment derives revenue from dividend income. An analysis by business segments is as follows:

	For the six months ended 30th September									
	Steel trading		SMT trading		Procurement services		Investment holding		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover										
Sales to external customers	<u>51,798</u>	<u>217,133</u>	<u>34,633</u>	<u>—</u>	<u>—</u>	<u>2,701</u>	<u>—</u>	<u>—</u>	<u>86,431</u>	<u>219,834</u>
Segment results	(732)	(3,712)	532	—	(230)	2,003	(11,325)	(2,655)	(11,755)	(4,364)
Other gains — net	<u>188</u>	<u>3,086</u>	<u>2,104</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>42,193</u>	<u>101</u>	<u>44,485</u>	<u>3,187</u>
Unallocated expenses									<u>(6,642)</u>	<u>(1,222)</u>
Operating profit/(loss)									<u>26,088</u>	<u>(2,399)</u>
Finance costs									<u>(997)</u>	<u>(1,911)</u>
Income tax credit									<u>120</u>	<u>585</u>
Profit/(loss) for the period									<u>25,211</u>	<u>(3,725)</u>
Capital expenditures	<u>—</u>	<u>41</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>21</u>	<u>8</u>	<u>21</u>	<u>49</u>
Depreciation and amortisation	<u>12</u>	<u>205</u>	<u>—</u>	<u>—</u>	<u>3</u>	<u>10</u>	<u>15</u>	<u>1</u>	<u>30</u>	<u>216</u>

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b. Secondary segment

The Group's activities are conducted predominantly in Hong Kong and Mainland China. Turnover by geographical segment is determined on the basis of the destination of shipment of merchandise, location of service performed for procurement services and location of sellers for online commission income. An analysis by geographical segment is as follows:

	For the six months ended 30th September							
	Hong Kong		Mainland China		Others		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Turnover — Sales to external customers	<u>34,633</u>	<u>15,280</u>	<u>51,798</u>	<u>204,554</u>	<u>—</u>	<u>—</u>	<u>86,431</u>	<u>219,834</u>
Segment results	<u>33,490</u>	<u>(2,868)</u>	<u>(533)</u>	<u>2,375</u>	<u>(227)</u>	<u>(684)</u>	<u>32,730</u>	<u>(1,177)</u>
Unallocated expenses							<u>(6,642)</u>	<u>(1,222)</u>
Operating profit/(loss)							<u>26,088</u>	<u>(2,399)</u>
Capital expenditures	<u>21</u>	<u>49</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>21</u>	<u>49</u>

5. Other gains — net

	For the six months ended 30th September		For the three months ended 30th September	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income	5,734	210	2,816	121
Amortised interest income (note 14)	36,229	—	22,999	—
Write-back of provision for claim	—	2,977	—	—
Others	<u>2,522</u>	<u>—</u>	<u>2,520</u>	<u>—</u>
	<u>44,485</u>	<u>3,187</u>	<u>28,335</u>	<u>121</u>

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6. Income tax credit

Income tax credit consisted of:

	For the six months ended 30th September		For the three months ended 30th September	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Mainland China enterprise income tax				
— Current taxation	—	235	—	22
— Tax refund	(120)	(820)	(122)	(820)
	<u>(120)</u>	<u>(585)</u>	<u>(122)</u>	<u>(798)</u>

The Company is exempted from taxation in Bermuda until 2016. No provision for Hong Kong profits tax has been provided as the Group had no assessable profit subject to Hong Kong profits tax during the six months and three months ended 30th September 2006 (2005: Nil). Subsidiaries established in Mainland China are subject to Mainland China enterprise income tax at rates ranging from 15% to 33% (2005: 15% to 33%).

7. Profit per share

The calculations of basic profit per share for the six months and three months ended 30th September 2006 were based on the unaudited consolidated profit attributable to shareholders of approximately HK\$25,211,000 (2005: loss of approximately HK\$3,725,000) and profit of approximately HK\$19,048,000 (2005: loss of approximately HK\$3,776,000) and on the weighted average number of approximately 95,795,000 (2005: approximately 39,523,000 — after reflecting the consolidation of 100 shares into 1 share) and approximately 95,795,000 (2005: approximately 62,823,000 — after reflecting the consolidation of 100 shares into 1 share) ordinary shares in issue during the six months and three months ended 30th September 2006 respectively.

The calculations of diluted profit per share for the six months and three months ended 30th September 2006 were based on the unaudited consolidated profit attributable to shareholders of approximately HK\$25,644,000 and approximately HK\$19,370,000 and on the weighted average number of approximately 8,399,523,000 ordinary shares outstanding to assume conversion of all potential dilutive shares respectively. The Company's dilutive potential ordinary shares are convertible bonds and preference shares (2005: no diluted profit per share was presented as the outstanding share options were anti-dilutive).

	Six months ended 30th September 2006 HK\$'000 (Unaudited)	Three months ended 30th September 2006 HK\$'000 (Unaudited)
Profit attributable to equity holders of the Company	25,211	19,048
Adjustment for convertible bonds accrued interest expense	433	322
	<u>25,644</u>	<u>19,370</u>
	'000 (Unaudited)	'000 (Unaudited)
Weighted average number of ordinary shares in issue	95,795	95,795
Adjustment for convertible bonds	127,714	127,714
Adjustment for preference shares	8,176,014	8,176,014
	<u>8,399,523</u>	<u>8,399,523</u>

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8. Dividends

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September 2006.

9. Plant and equipment and website development costs

	Plant and equipment <i>HK\$'000</i> (Unaudited)	Website development costs <i>HK\$'000</i> (Unaudited)
Opening net book amount as at 1st April 2006	478	6
Additions	21	—
Disposals	(354)	—
Depreciation/amortisation charge (<i>Note 4a</i>)	(27)	(3)
	<u>118</u>	<u>3</u>
Closing net book amount as at 30th September 2006	<u>118</u>	<u>3</u>

10. Trade receivables

	As at 30th September 2006 <i>HK\$'000</i> (Unaudited)	As at 31st March 2006 <i>HK\$'000</i> (Audited)
Trade receivables	16,284	589
Less: Provision for bad and doubtful receivables	(475)	(474)
	<u>15,809</u>	<u>115</u>

In giving credit to selected customers, the Group normally grants such customers credit periods ranging from 30 days to 90 days. Aging analysis of trade receivables (consolidated) is as follows:

	As at 30th September 2006 <i>HK\$'000</i> (Unaudited)	As at 31st March 2006 <i>HK\$'000</i> (Audited)
0 to 90 days	4,813	—
91 to 180 days	10,996	—
181 to 270 days	—	115
271 to 365 days	—	—
Over 365 days	475	474
	<u>16,284</u>	<u>589</u>
Less: Provision for bad and doubtful receivables	(475)	(474)
	<u>15,809</u>	<u>115</u>

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11. Borrowings

	As at 30th September 2006 HK\$'000 (Unaudited)	As at 31st March 2006 HK\$'000 (Audited)
Non-current		
Convertible bonds (Note 13)	15,075	14,642
Current		
Short-term bank borrowings	<u>14,847</u>	<u>—</u>
Total borrowings	<u><u>29,922</u></u>	<u><u>14,642</u></u>

Total borrowings include secured liabilities of approximately HK\$14,847,000 (At 31st March 2006: Nil), which are secured by the bank deposits of the Group of approximately HK\$20,112,000 (At 31st March 2006: approximately HK\$3,055,000) and guarantees provided by the Company of approximately HK\$15,600,000 (At 31st March 2006: approximately HK\$6,600,000), and unsecured convertible bonds of approximately HK\$15,075,000 (At 31st March 2006: approximately HK\$14,642,000).

	As at 30th September 2006 HK\$'000 (Unaudited)	As at 31st March 2006 HK\$'000 (Audited)
The maturity of borrowings is as follows:		
Within 1 year	14,847	—
Wholly repayable within 2 to 5 years	<u>15,075</u>	<u>14,642</u>
	<u><u>29,922</u></u>	<u><u>14,642</u></u>

The effective interest rates at the balance sheet date were as follows:

Trust receipt loans	5.44% — 6.62%	—
Convertible bonds	<u>8%</u>	<u>8%</u>

12. Trade payables

Aging analysis of trade payables is as follows:

	As at 30th September 2006 HK\$'000 (Unaudited)	As at 31st March 2006 HK\$'000 (Audited)
0 to 90 days	—	36,916
91 to 180 days	<u>8,118</u>	<u>—</u>
	<u><u>8,118</u></u>	<u><u>36,916</u></u>

13. Convertible bonds

On 8th August 2005, the Company issued convertible bonds at par value of HK\$20 million.

The bonds will mature in August 2010 or can be converted into a total of 127,713,920 shares at the holders' option of HK\$0.1566 per share. In addition, the holders will have the right to request the Group to redeem in whole or in part the outstanding bonds on a date which is five business days after 30th November 2007.

The fair values of the liability component and the equity conversion component were determined at issuance of the bonds.

The fair value of the liability component, included in long-term borrowings, was calculated using a market interest rate for a term loan offered to the Group. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity as other reserves (*Note 15*).

The convertible bonds recognised in the balance sheet are calculated as follows:

	As at 30th September 2006 HK\$'000 (Unaudited)	As at 31st March 2006 HK\$'000 (Audited)
Face value of convertible bonds issued on 8th August 2005	20,000	20,000
Equity component	<u>(6,388)</u>	<u>(6,388)</u>
Liability component on initial recognition at 8th August 2005	13,612	13,612
Accrued interest expense	<u>1,463</u>	<u>1,030</u>
Liability component at 30th September 2006 (<i>Note 11</i>)	<u><u>15,075</u></u>	<u><u>14,642</u></u>

The fair value of the liability component of the convertible bonds at 30th September 2006 amounted to approximately HK\$15,075,000.

The fair value is calculated using cash flows discounted at a rate based on the offered term loan rate of 8% p.a.

Interest expense on the bonds is calculated using the effective interest method by applying the effective interest rate of 8% to the liability component.

14. Preference shares

On 20th February 2006, the Company approved an increase in its authorised share capital by HK\$300,000,000, by the creation of 30,000,000,000 preference shares of HK\$0.01 each.

In February, March and September 2006, the Company issued a total of approximately 8,176,014,000 non-redeemable preference shares, with a par value of HK\$0.01 each, at a subscription price of HK\$0.1566 each through placements, for an aggregated amount of approximately HK\$1,280,364,000 (the "Placement").

The preference shares are non-redeemable and are convertible into ordinary shares in the Company at a conversion ratio of one preference share into one ordinary share. The preference shares rank *pari passu* with the ordinary shares with regards to dividends.

The subscription price is payable in cash by the subscribers in four equal instalments. The first was received by the Company in February, March and September 2006, upon completion of the subscription. The remaining three instalments are receivable approximately 12 months, 24 months and 36 months, respectively, after 28th February 2006. In the event that by the first anniversary (28th February 2007) or the second anniversary (28th February 2008), the Company is unable to utilise at least 75% of the subscription monies previously received for investments, the Company will not be entitled to receive the instalments which would otherwise be due on such anniversaries. However, even if the Company is not entitled to receive the instalments on the first and second anniversaries, the remaining unpaid balance will be receivable by the third anniversary (28th February 2009) or, if earlier, upon the conversion of the preference shares into ordinary shares.

The preference shares will be automatically converted into ordinary shares upon the listing of the converted ordinary shares on the Main Board of the Stock Exchange, or on the fourth anniversary (28th February 2010), whichever is earlier.

The subscription receivables recognised in the balance sheet are calculated as follows:

	As at 30th September 2006 HK\$'000 (Unaudited)	As at 31st March 2006 HK\$'000 (Audited)
Subscription receivables	960,274	867,153
Less: Future interest	(111,572)	(101,608)
Add: Amortised interest income (note 5)	36,229	—
	<hr/>	<hr/>
Subscription receivables at fair value	884,931	765,545
Less: Non-current portion	(564,840)	(494,135)
	<hr/>	<hr/>
Current portion	320,091	271,410
	<hr/> <hr/>	<hr/> <hr/>

The fair values of the subscription receivables were determined upon issuance of the preference shares and calculated using a market interest rate for the banking facilities granted to the Group of 6.5% per annum.

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15. Other reserves

	Contributed surplus <i>HK\$'000</i> (Unaudited)	Share premium <i>HK\$'000</i> (Unaudited)	Convertible bonds <i>HK\$'000</i> (Unaudited)	Capital reserve <i>HK\$'000</i> (Unaudited)	Cumulative translation adjustments <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Balance, 31st March 2005	—	11,099	—	2,700	19	13,818
Capital reorganisation	170,628	(11,099)	—	—	—	159,529
Elimination of accumulated losses	(161,644)	—	—	—	—	(161,644)
Issuance of ordinary shares						
— under a subscription agreement	—	9,361	—	—	—	9,361
— under an open offer	—	2,341	—	—	—	2,341
Share issue expenses						
— ordinary shares	—	(1,799)	—	—	—	(1,799)
Convertible bonds						
— equity component (<i>Note 13</i>)	—	—	6,388	—	—	6,388
Translation adjustments	—	—	—	—	388	388
Balance, 30th September 2005	8,984	9,903	6,388	2,700	407	28,382
Issuance of preference shares	—	980,764	—	—	—	980,764
Share issue expenses						
— ordinary shares	—	(387)	—	—	—	(387)
— preference shares	—	(12,173)	—	—	—	(12,173)
Translation adjustments	—	—	—	—	(97)	(97)
Balance, 31st March 2006	8,984	978,107	6,388	2,700	310	996,489
Issuance of preference shares	—	106,267	—	—	—	106,267
Share issue expenses						
— preference shares	—	(731)	—	—	—	(731)
Translation adjustments	—	—	—	—	152	152
Balance, 30th September 2006	8,984	1,083,643	6,388	2,700	462	1,102,177

16. Related party transactions

As at 30th September 2006, the Company was owned as to approximately 46.1% by North Asia Strategic Acquisition Corp. ("NASAC"), a company incorporated in the Cayman Islands, as to approximately 21.1% by Mr. Moses Tsang Kwok Tai (a shareholder of Ajia Partners Inc., the ultimate holding company of NASAC) and his related parties, and as to approximately 11.06% by Van Shung Chong (B.V.I.) Limited (wholly owned by Van Shung Chong Holdings Limited) and its related parties. NASAC and Mr. Moses Tsang Kwok Tai acquired their interest in the Company effective from 9th August 2005.

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Significant transactions with related parties are summarised below:

Name of related party/Nature of transaction	For the six months ended 30th September	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Van Shung Chong Hong Limited (i)		
— Purchases made by the Group	—	120,727
— Commission from procurement services earned by the Group	—	—
— Interest charged to the Group	—	973
— Administrative fees charged to the Group	—	30
	<u> </u>	<u> </u>
CFY Enterprises Limited (i)		
— Rental expenses charged to the Group	—	13
— Rates, management fees and utilities charged to the Group	—	9
	<u> </u>	<u> </u>
Ajia Partners (HK) Limited (ii)		
— Rental expenses charged to the Group	452	131
— Administrative services fee charged to the Group	481	135
	<u> </u>	<u> </u>
North Asia Strategic Advisors (iii)		
— Service fees charged to the Group	10,201	—
	<u> </u>	<u> </u>

Notes:

- (i) Van Shung Chong Hong Limited and CFY Enterprises Limited are wholly owned and controlled by Van Shung Chong (B.V.I.) Limited.
- (ii) Ajia Partners (HK) Limited is a fellow subsidiary of NASAC and associated with Mr. Moses Tsang Kwok Tai.
- (iii) North Asia Strategic Advisors is the holding company of NASAC.

The Group entered into an administrative services agreement with Ajia Partners (HK) Limited ("APHK"), under which APHK has agreed to provide general administrative services to the Group during the period from 9th August 2005 to 30th June 2006, at a monthly service fee of approximately HK\$77,000 and the administrative services agreement has been renewed on 1st July 2006 to extend the service period up to 30th June 2007, at a monthly service fee of HK\$83,000. In addition, the Group entered into a lease agreement with APHK for leasing of office space from 9th August 2005 to 31st March 2008 at a monthly rental of approximately HK\$75,000.

17. Subsequent events

Subsequent to 30th September 2006, on 31st October 2006, the Company's shareholders approved the acquisition of the entire issued capital of American Tec Company Limited and Autron India Private Limited for a total cash consideration of US\$60.0 million (equivalent to approximately HK\$465.6 million). The acquisition was successfully completed on 3rd November 2006.

In addition, on 16th October 2006, Good Tactics Limited, a wholly-owned subsidiary of the Company, entered into a subscription agreement with Coland Group Limited (the "Coland") and its shareholders for the subscription of 100,000,000 non-redeemable convertible preferred shares to be issued by Coland at an aggregate subscription price of approximately HK\$143.3 million (the "Subscription"), subject to the fulfillment of certain conditions contemplated under the subscription agreement. Coland is principally engaged in the processing and sale of fishmeal, the refining and sale of fish oil, the manufacturing and sale of aquatic feed products and the trading of other raw materials relating to aquatic feeds in the People's Republic of China. Details of the Subscription are contained in the announcement of the Company dated 19th October 2006 and the circular of the Company dated 10th November 2006. The Subscription constitutes a very substantial acquisition for the Company under the GEM Listing Rules and is subject to its shareholders' approval in a special general meeting to be held on 29th November 2006. To satisfy payment for the Subscription, the Company served notices to its preference shareholders on 20th October 2006 to request for accelerated payment of the third instalment of the subscription monies according to the terms of the Placement (*note 14*). It is expected that the Company will receive these subscription monies totaling about HK\$320.1 million on or about 4th December 2006. The Company will recognise an additional interest income of approximately HK\$23.7 million relating to this accelerated drawdown of subscription receivables upon serving the payment notice to its preference shareholders on 20th October 2006.

BUSINESS REVIEW

Finance and Business Performance

Unlike the corresponding period in 2005, the Group's turnover of approximately HK\$86,431,000 for the six months ended 30th September 2006 was not wholly generated from its steel trading activities. The Group started to trade in electronics equipments in the period and recorded turnover of approximately HK\$34,633,000 from this equipments trading operation. During the period, the Group also recorded turnover totalling approximately HK\$51,798,000 from the sale of steel products carried forward from the financial year ended 31st March 2006 and higher margin stainless steel products imported from an independent third party supplier in Korea since April 2006, representing a decrease of approximately 61% from that of the corresponding period last year. Such decrease was mainly due to the continued volatility of steel prices and continuous deployment of austerity program by the PRC government to limit excessive investments in several overheated industries including steel and automobile as well as the real estate sector, which also resulted in a gross loss of approximately HK\$244,000 for the steel trading operation. Although the Group generated a gross profit of approximately HK\$697,000 from its electronics equipments trading operation during the period, it was partly offset by the gross loss derived from the steel trading operation in the same period, resulting in a net gross profit of approximately HK\$453,000 for the period, versus a gross profit of approximately HK\$3,752,000 for the corresponding period last year.

During the period, the Group recorded a net profit attributable to shareholders of approximately HK\$25,211,000, versus net profit of approximately HK\$5,000 for the corresponding period last year. This significant increase in net profit was mainly due to the net effect of an interest income of approximately HK\$36,229,000 related to the subscription receivables from the Company's preference shareholders and a service fee of approximately HK\$10,201,000 paid by the Company to North Asia Strategic Advisors ("NASA") pursuant to a services agreement dated 26th September 2005 (as amended and restated on 30th December 2005) entered into between the Company and NASA. During the period, the Group's steel trading operation recorded a net loss of approximately HK\$656,000, versus net profit of approximately HK\$5,000 for the

period last year. Such net loss of approximately HK\$656,000 incurred by the steel trading operation was mainly due to its gross loss of approximately HK\$244,000 as mentioned above and its net operating expenses of approximately HK\$532,000. Discounting the effect of a write-back of provision for claim of approximately HK\$2,977,000 resulting from the settlement of a legal case by the steel trading division in the corresponding period last year, the steel trading division recorded a net loss of approximately HK\$2,972,000 in such period, which exceeds the current period's net loss of approximately HK\$656,000 by approximately 353%. During the period under review, management of the steel trading division had put substantial efforts in imposing strict cost control over spending in general and administrative expenses. This can be evidenced from the fact that, despite the decrease in turnover, the ratio of selling and distribution expenses to turnover and general and administrative expenses to turnover decreased from approximately 0.6% and 2% respectively in corresponding periods last year to approximately 0.2% and 1.2% in the period under review.

Financial Resources, Liquidity and Charges on Assets

As at 30th September 2006, the Group's aggregate short-term bank borrowings, which were trust receipt loans, were approximately HK\$14,847,000 (At 31st March 2006: Nil). Interest rates on these trust receipt loans ranged from 5.44% to 6.62% per annum (At 31st March 2006: N/A). As at 30th September 2006, the gearing ratio (total borrowings divided by shareholders' equity) was approximately 0.03 times (At 31st March 2006: 0.01). As at 30th September 2006, the Group had aggregate banking facilities of approximately HK\$93,600,000 (At 31st March 2006: HK\$6,000,000) from a bank for standby letter of credit and trade financing. Unused facilities as at the same date amounted to approximately HK\$78,753,000 (At 31st March 2006: HK\$6,000,000). These facilities were secured by (a) corporate guarantees provided by the Company and (b) the Group's pledged cash of approximately HK\$20,112,000 (At 31st March 2006: HK\$3,055,000).

Foreign Currency Exposure

The North Asia Strategic Group's businesses were primarily transacted in Hong Kong dollars, United States ("US") dollar and Renminbi ("RMB"). The North Asia Strategic Group's cash and bank deposits, including pledged bank deposit, were mainly denominated in Hong Kong dollar, US dollar and RMB. The foreign currency exposure of the North Asia Strategic Group is mainly driven by its business operations. The sales receipts are predominately collected in RMB and US dollar. On the other hand, the steel products purchases are mainly denominated in US dollar. The North Asia Strategic Group will monitor closely the exchange rate between US dollar and RMB and will make necessary hedging arrangements to mitigate the risk arising from foreign currency fluctuation.

Employee Information

As at 30th September 2006, the North Asia Strategic Group employed 9 (2005: 38) staffs. Total staff costs including contribution to retirement benefit schemes incurred during the six months ended 30th September 2006 amounted to approximately HK\$3,858,000 (2005: HK\$1,900,000).

CONTINGENT LIABILITIES

As at 30th September 2006, the Company provided guarantees of approximately HK\$15,600,000 to banks in respect of the banking facilities granted to its subsidiaries (As at 31st March 2006: HK\$6,600,000).

COMMITMENTS

(a) Capital commitments

There was no material change in capital commitments since 31st March 2006.

(b) Investment commitments

As stated above, Best Creation Investments Limited, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement dated 2nd August 2006 (as supplemented and amended by a supplemental agreement dated 5th October 2006) to acquire the entire issued capital of American Tec Company Limited and Autron India Private Limited for a total cash consideration of US\$60.0 million (equivalent to approximately HK\$465.6 million). The acquisition was successfully completed on 3rd November 2006.

(c) Operating lease commitments

Total commitments payable under various non-cancellable operating agreements in respect of rented premises are analysed as follows:

	As at 30th September 2006 <i>HK\$'000</i> (Unaudited)	As at 31st March 2006 <i>HK\$'000</i> (Audited)
Within one year	904	937
In the second to fifth years inclusive	452	904
	<u>1,356</u>	<u>1,841</u>

OUTLOOK

In light of the continued volatility of the depressed steel price and the continuous deployment of austerity program implemented to the PRC steel market, we have started to focus on the trading of higher margin stainless steel subsequent to the financial year ended 31st March 2006. We will continue to manage the steel trading operation with a very cautious approach and assess critically the continuous contribution of this operation to the Group. With a view to improving the cost efficiency and effectiveness and more fully utilising the expertise and resources of the Group's trading business, we have actively explored opportunities to expand the products being traded. We have started to trade electronics equipments during the period and are considering other products such as natural resources-related materials to reduce our reliance on steel trading.

As previously reported, the Company has successfully completed the placements in February, March and September 2006, raising a total of approximately HK\$1,266.9 million (net of expenses) from 20 institutional and professional investors for future expansion and diversification plans. We are of the view that the placements are beneficial to the Company in the long run, as it substantially enhanced the financial position of the Company, coupled with the opportunity to leverage on the capability and expertise of a very seasoned and well connected group of international professional investors. We view the investors as important business partners for future development of the Group. We are actively exploring and will continue to explore sizable investment opportunities in the acquisition of strategic, possible controlling stakes in profitable companies in North Asia with strong cash flow in growth sectors such as the consumer, industrial, technology, media and telecommunications businesses, with a view to bringing greater return to our shareholders. On 3rd November 2006, we successfully completed the acquisition of the entire issued capital in American Tec Company Limited and Autron India Private Limited (the "Target Group"), which are engaged in the business of trading in surface mount technology and printed circuit board assembly equipments, machinery and spare parts and the provision of related installation, training, repair and maintenance services. We expect that the Target Group is well positioned to capture the growth momentum and increasing demand for quality manufacturing equipment in the next few years both in the People's Republic of China and India. The prospects of the Target Group are also expected to improve by the value enhancement by the Group. In addition, on 19th October 2006, we made an announcement of entering into a subscription agreement with Coland Group Limited ("Coland") and its existing shareholders for the subscription of non-redeemable convertible preferred shares to be issued by Coland at an aggregate subscription price of approximately HK\$143.3 million and a circular was subsequently issued by the Company on 10th November 2006. The subscription constitutes a very substantial acquisition for the Company under the GEM Listing Rules and is subject to its shareholders' approval. Pursuant to the subscription agreement, completion shall take place on or before 31st January 2007 or such other date as may be agreed between the Company and Coland. These acquisitions are in line with the diversification strategy of the Company as described above. We will continue to seek new investment opportunities in the operation platforms that have solid growth potentials. At the same time, we will consider further fund raising exercise to increase the Group's financial capability to pursue new investment opportunities when necessary.

On behalf of the Board, I would like to express my sincere gratitude to our worldwide suppliers and customers for their trusts and support in our products and services throughout the period. I also wish to take this opportunity to express my sincere appreciation to our shareholders for their confidence in North Asia Strategic, as well as our staff for their dedication and continuous commitment to excellence. From such overwhelming commitment, we will continue to pace our efforts towards the long-term development of our Group.

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

As at 30th September 2006, the Directors and chief executive of the Company and their respective associates had the following interests and short positions in the shares, underlying shares and debentures 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 underlying shares^(a) of the Company

- (a) The underlying shares referred to in note 2 arise as a result of the conversion rights attaching to the preference shares ("Preference Shares") issued by the Company under the placements as disclosed in the circulars to shareholders dated 24th January 2006 and 17th August 2006 (the "Placements"). The Preference Shares shall be automatically converted into ordinary shares, credited as fully paid, at the conversion ratio of one Preference Share for one ordinary share in accordance with the terms of the Preference Shares.
- (b) The approximate percentage of shareholdings set out below is based on 95,794,716 ordinary shares (each the "share" or "ordinary share") in issue as at 30th September 2006, not on the total number of issued shares upon full conversion of the Preference Shares and the convertible bonds as set out in the circular to shareholders dated 20th June 2005 (the "Convertible Bonds").

Name of Director	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate % of shareholdings ^(b)	Note
Mr. Andrew Yao Cho Fai ("Mr. Yao")	Interest of controlled Corporation	10,592,098	—	10,592,098	11.06%	1
Mr. Henry Cho Kim ("Mr. Cho")	Interest of controlled Corporation	—	99,106,003	99,106,003	103.46%	2

Notes:

1. These interests represented:
- (i) a deemed interest in 1,598,113 shares of the Company owned by Huge Top Industrial Ltd. ("Huge Top"). Mr. Yao directly holds approximately 11.91% and indirectly through Perfect Capital International Corp. ("Perfect Capital") owns approximately 42.86% of the issued share capital of Huge Top. Mr. Yao owns the entire issued share capital of Perfect Capital and is one of the two directors of Huge Top. Accordingly, Mr. Yao was deemed, under the SFO, to have an interest in these shares of the Company held by Huge Top;

- (ii) a deemed interest in 6,336,309 shares of the Company owned by Van Shung Chong (B.V.I.) Limited (“VSC BVI”), a wholly-owned subsidiary of Van Shung Chong Holdings Limited (“VSC”). Huge Top owns approximately 47.05% of the issued share capital of VSC. Mr. Yao is one of the two directors of VSC BVI. Accordingly, Mr. Yao was deemed, under the SFO, to have an interest in these shares of the Company held by VSC BVI. These shares were the same 6,336,309 shares referred to in note 23 under the section “Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO” below;
 - (iii) a deemed interest in 1,633,676 shares of the Company owned by TN Development Limited (“TN”). VSC BVI owns 54% of the issued share capital of TN and Mr. Yao owns 10% of the issued share capital of TN. Mr. Yao is one of the two directors of TN. Accordingly, Mr. Yao was deemed, under the SFO, to have an interest in these shares of the Company held by TN. These shares were the same 1,633,676 shares referred to in note 23 under the section “Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO” below; and
 - (iv) an interest in 1,024,000 shares of the Company owned by Right Action Offshore Inc. (“Right Action”). Mr. Yao owns the entire issued share capital of Right Action and is also the sole director of that company.
2. These underlying shares were held by Timeless Enterprises Limited (“Timeless”), a company controlled by Mr. Cho through Kenthomas Company Limited. Accordingly, Mr. Cho was taken to be interested in these underlying shares under the SFO by virtue of his interests in Timeless which was interested in 99,106,003 underlying shares. These underlying shares were the same underlying shares referred to in note 18 under section “Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO” below.

Save as disclosed above, as at 30th September 2006, none of the Directors and the 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) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which they were deemed or taken to have under such provisions of the SFO, or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to the Rule 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors of listed companies to be notified to the Company and the Stock Exchange.

PERSONS WHO HAVE INTERESTS OR SHORT POSITIONS WHICH ARE DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

As at 30th September 2006, 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 which fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and/or were directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group together with particulars of any options in respect of such capital:

Long positions in the shares and underlying shares^(c) of the Company

- (c) The underlying shares referred to in the following table (other than those referred to in notes 1 and 4 below) arise as a result of the conversion rights attaching to the Preference Shares issued by the Company under the Placements. The Preference Shares shall be automatically converted into ordinary shares, credited as fully paid, at the conversion ratio of one Preference Share for one ordinary share in accordance with the terms of the Preference Shares. Those underlying shares referred in notes 1 and 4 below arise as a result of the conversion of the Convertible Bonds.

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- (d) The approximate percentage of shareholdings set out below is based on 95,794,716 ordinary shares in issue as at 30th September 2006, not on the total number of issued shares upon full conversion of the Preference Shares and the Convertible Bonds.

Substantial shareholders (interests related to ordinary shareholders)

Name	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate % of shareholdings ^(d)	Note
Mr. Moses Tsang Kwok Tai ("Mr. Tsang")	Beneficial owner	19,693,486	39,386,973	59,080,459	61.68%	1
	Interest of controlled corporation	509,400	—	509,400	0.53%	2
	Interest of a discretionary trust	—	148,659,004	148,659,004	155.18%	3
				208,248,863	217.39%	
North Asia Strategic Acquisition Corp. ("NASAC")	Beneficial owner	44,163,474	88,326,947	132,490,421	138.31%	4
North Asia Strategic Advisors ("NASA")	Interest of controlled corporation	44,163,474	88,326,947	132,490,421	138.31%	4 & 5
Ajia Partners Inc. ("API")	Interest of controlled corporation	44,163,474	88,326,947	132,490,421	138.31%	4 to 6

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Substantial shareholders (interests related to preference shareholders)

Name	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate % of shareholdings ^(d)	Note
The Goldman Sachs Group, Inc. ("Goldman")	Interest of controlled corporation	—	2,477,650,064	2,477,650,064	2,586.42%	7
ABN AMRO Asset Management Holding N.V.	Beneficial owner	—	1,238,825,032	1,238,825,032	1,293.21%	
Woori Bank ("Woori")	Beneficial owner	—	792,848,020	792,848,020	827.65%	8
Woori Finance Holdings Co., Ltd.	Interest of controlled corporation	—	792,848,020	792,848,020	827.65%	8
United Overseas Bank Limited	Beneficial owner	—	743,295,019	743,295,019	775.92%	
Oikos Asia Fund ("Oikos")	Beneficial owner	—	495,530,013	495,530,013	517.28%	9
Tiger International Management Inc. ("Tiger")	Beneficial owner	—	297,318,008	297,318,008	310.37%	10
Mr. Chen Jong-Tai	Interest of controlled corporation	—	297,318,008	297,318,008	310.37%	10
Ms. Chen Wu, Feng-Tsai	Interest of controlled corporation	—	297,318,008	297,318,008	310.37%	10
Banca Monte Dei Paschi Di Siena Spa	Beneficial owner	—	247,765,006	247,765,006	258.64%	
Grand Loyal (China) Limited ("Grand Loyal")	Nominee	—	247,765,006	247,765,006	258.64%	11
Mr. Ho Yiu Wing	Interest of controlled corporation	—	247,765,006	247,765,006	258.64%	11
Grand Partners Group Limited ("Grand Partner")	Nominee	—	247,765,006	247,765,006	258.64%	12

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Name	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate % of shareholdings ^(d)	Note
Mr. William Doo Wai Hoi	Interest of controlled corporation	—	247,765,006	247,765,006	258.64%	12
Fubon Bank (Hong Kong) Limited	Beneficial owner	—	199,233,717	199,233,717	207.98%	
Chevalier International Holdings Limited (“Chevalier”)	Beneficial owner	—	198,212,005	198,212,005	206.91%	13
Mr. Chow Yei Ching	Interest of controlled corporation	—	198,212,005	198,212,005	206.91%	13
Ms. Miyakawa Michiko	Family interest	—	198,212,005	198,212,005	206.91%	13
Asia Internet Capital Ventures LP (“AICV”)	Beneficial owner	—	148,659,004	148,659,004	155.18%	14
Asia Internet Capital Management LLC	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	14
EC.com Inc.	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	14
Smart Channel Investments Inc.	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	14
MKT Holdings (Cayman Islands) LLC	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	14
HSBC International Trustee Limited	Trustee	—	148,659,004	148,659,004	155.18%	14
Gentfull Investment Limited (“Gentfull”)	Beneficial owner	—	148,659,004	148,659,004	155.18%	15
Ms. Vivien Chen Wai Wai	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	15

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Name	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate % of shareholdings ^(d)	Note
Doutdes S.P.A. ("Doutdes")	Beneficial owner	—	148,659,004	148,659,004	155.18%	16
UFI Filters SPA	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	16
GGG SPA	Interest of controlled corporation	—	148,659,004	148,659,004	155.18%	16
G.G.G. S.A.	Beneficial owner	—	99,106,003	99,106,003	103.46%	17
Mr. Giorgio Girondi	Interest of controlled corporation	—	247,765,007	247,765,007	258.64%	16 & 17
Timeless	Beneficial owner	—	99,106,003	99,106,003	103.46%	18
Kenthomas Company Limited	Nominee	—	99,106,003	99,106,003	103.46%	18
KKR Group Investments II LLC ("KKR")	Beneficial owner	—	89,080,460	89,080,460	92.99%	19
Mr. George Rosenberg Roberts	Interest of controlled corporation	—	89,080,460	89,080,460	92.99%	19
Mr. Henry Roberts Kravis	Interest of controlled corporation	—	89,080,460	89,080,460	92.99%	19
Glint Delta II NV ("Glint")	Nominee	—	78,544,061	78,544,061	81.99%	20
Mr. Fentener Van Vlissingen Harold ("Mr. Van Vlissingen")	Beneficial owner	—	78,544,061	78,544,061	81.99%	20
Rawlco Capital Ltd. ("Rawlco")	Beneficial owner	—	49,553,001	49,553,001	51.73%	21
Mr. Gordon Stanley Rawlinson	Interests of controlled corporation	—	49,553,001	49,553,001	51.73%	21

NORTH ASIA STRATEGIC

Name	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate % of shareholdings ^(d)	Note
UBS España, S.A. ("UBS")	Nominee	—	128,441,377	128,441,377	134.08%	22
Ms. Angeles González Garcia	Interest of controlled corporation	—	49,553,001	49,553,001	51.73%	22
Mr. Jorge Garcia Gonzalez	Interest of controlled corporation	—	49,553,001	49,553,001	51.73%	22
Sphirantes	Nominee	—	49,553,001	49,553,001	51.73%	22
Mr. Cesar Molinas Sanz	Beneficial owner	—	17,343,550	17,343,550	18.10%	22
Kobrither, S.A.	Nominee	—	14,865,900	14,865,900	15.52%	22
Mr. Antonio Del Cano Barbón	Interest of controlled corporation	—	14,865,900	14,865,900	15.52%	22
Mr. Ramón Suarez Beltrán	Beneficial owner	—	9,910,600	9,910,600	10.35%	22
Mr. Ricardo Sanz Ferrer	Beneficial owner	—	9,910,600	9,910,600	10.35%	22
Mr. Miguel Orúe-Echeverria	Beneficial owner	—	9,910,600	9,910,600	10.35%	22

Other persons (interests related to preference shareholders)

Name	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate % of shareholdings ^(d)	Note
Arcosilo, S.L.	Nominee	—	7,432,950	7,432,950	7.76%	22
Mr. Blanca Rueda Sabater	Interest of controlled corporation	—	7,432,950	7,432,950	7.76%	22
Mr. Fernando Rueda Sabater	Interest of controlled corporation	—	7,432,950	7,432,950	7.76%	22
Mr. Richardo de Ponga Bianco	Beneficial owner	—	5,946,360	5,946,360	6.21%	22

NORTH ASIA STRATEGIC

Other persons (interests related to ordinary shareholders)

Name	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate % of shareholdings ^(d)	Note
VSC BVI	Beneficial owner	6,336,309	—	6,336,309	6.61%	23
	Interest of controlled corporation	1,633,676	—	1,633,676	1.71%	23
				<u>7,969,985</u>	<u>8.32%</u>	
VSC	Interest of controlled corporation	6,336,309	—	6,336,309	6.61%	
	Interest of controlled corporation	1,633,676	—	1,633,676	1.71%	
				<u>7,969,985</u>	<u>8.32%</u>	23 & 24
Huge Top	Beneficial owner	1,598,113	—	1,598,113	1.67%	
	Interest of controlled corporation	6,336,309	—	6,336,309	6.61%	
	Interest of controlled corporation	1,633,676	—	1,633,676	1.71%	
			<u>9,568,098</u>	<u>9.99%</u>	23 to 25	
Perfect Capital	Interest of controlled corporation	1,598,113	—	1,598,113	1.67%	
	Interest of controlled corporation	6,336,309	—	6,336,309	6.61%	
	Interest of controlled corporation	1,633,676	—	1,633,676	1.71%	
			<u>9,568,098</u>	<u>9.99%</u>	23 to 25	

NORTH ASIA STRATEGIC

Name	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate % of shareholdings ^(d)	Note
Ms. Miriam Yao Che Li ("Ms. Yao")	Interest of controlled corporation	1,598,113	—	1,598,113	1.67%	
	Interest of controlled corporation	6,336,309	—	6,336,309	6.61%	
	Interest of controlled corporation	1,633,676	—	1,633,676	1.71%	
				<u>9,568,098</u>	<u>9.99%</u>	<u>23 to 26</u>

Notes:

- Mr. Tsang was directly interested in 19,693,486 shares and a further 39,386,973 underlying shares which may fall to be issued if the Convertible Bonds are converted at the initial conversion price of HK\$0.1566.
- These 509,400 shares were directly held by Oboe Development Trading Limited, which was wholly owned by Mr. Tsang.
- Mr. Tsang was deemed to be interested in 148,659,004 underlying shares by virtue of his being a founder of a discretionary trust, the trustee of which was HSBC International Trustee Limited ("HSBC Trustee"). HSBC Trustee, through its controlling interests in Asia Internet Capital Management LLC which acted as the investment manager of AICV, was deemed to be interested in 148,659,004 underlying shares. These 148,659,004 underlying shares are the same underlying shares referred to in note 14 below.

Mr. Tsang was therefore deemed, under the SFO, to be interested in an aggregate of 208,248,863 shares.
- NASAC was directly interested in 44,163,474 shares and a further 88,326,947 underlying shares which may fall to be issued if the Convertible Bonds are converted at an initial conversion price of HK\$0.1566. Accordingly, NASAC was deemed to be interested in a total of 132,490,421 shares.
- NASA held the single voting participating share of NASAC and was therefore deemed to be interested in 132,490,421 shares.
- API is the controlling company of NASA which in turn controls 100% voting capital of NASAC. API was therefore deemed to be interested in 132,490,421 shares.
- These underlying shares were held by Goldman Sachs (Asia) Finance, a company controlled by The Goldman Sachs (Asia) Finance Holdings L.L.C.. The Goldman Sachs Group, Inc. was deemed to have interests in these underlying shares through its direct subsidiary, The Goldman Sachs Global Holdings L.L.C., and its indirect subsidiary, The Goldman Sachs & Co., which was in turn the controlling company of The Goldman Sachs (Asia) Finance Holdings L.L.C.. Accordingly, all these parties were deemed, under the SFO, to have an interest in these underlying shares by virtue of their respective corporate interests in Goldman Sachs (Asia) Finance.
- These underlying shares were held by Woori, a company controlled by Woori Finance Holdings Co., Ltd..

NORTH ASIA STRATEGIC

9. These underlying shares were held by Oikos, a company controlled by Walkers SPV Limited.
10. These underlying shares were held by Tiger, a company controlled by Mr. Chen Jong-Tai and Ms. Chen Wu, Feng-Tsai. Accordingly, both were taken to be interested in these underlying shares under the SFO by virtue of their interests in Tiger.
11. These underlying shares were held by Grand Loyal, a company controlled by Mr. Ho Yiu Wing. Accordingly, Mr. Ho was taken to be interested in these underlying shares under the SFO by virtue of his interests in Grand Loyal.
12. These underlying shares were held by Grand Partners, a company controlled by Mr. William Doo Wai Hoi. Accordingly, Mr. Doo was taken to be interested in these underlying shares under the SFO by virtue of his interests in Grand Partners.
13. These underlying shares were held by Chevalier, a company 52.5% controlled by Mr. Chow Yei Ching and Ms. Miyakawa Michiko. Accordingly, both were taken to be interested in these underlying shares under the SFO by virtue of their interests in Chevalier.
14. These underlying shares were held by AICV which was managed by Asia Internet Capital Management LLC, a company 99% controlled by EC.com Inc.. HSBC International Trustee Limited was deemed to have interests in these underlying shares through its direct wholly-owned subsidiary MKT Holdings (Cayman Islands) LLC and its indirect wholly-owned subsidiary Smart Channel Investments Inc.. Smart Channel Investments Inc. had 48.66% controlling interests in EC.com Inc.. Accordingly, all these parties were deemed, under the SFO, to have an interest in these underlying shares by virtue of their respective corporate interests in AICV. These underlying shares are the same underlying shares referred to in note 3 above.
15. These underlying shares were held by Gentfull, a company 100% controlled by Ms. Vivien Chen Wai Wai. Accordingly, Ms. Chen was taken to be interested in these underlying shares under the SFO by virtue of her interests in Gentfull.
16. These underlying shares were held by Doutdes, a company 83.98% controlled by UFI Filters SPA which was in turn controlled by GGG SPA, a company controlled by Mr. Giorgio Girondi. Accordingly, all these parties were taken to be interested in these underlying shares under the SFO by virtue of their corporate interests in Doutdes.
17. These underlying shares were held by G.G.G. S.A., a company 100% controlled by Mr. Giorgio Girondi. Accordingly, Mr. Girondi was taken to be interested in these underlying shares under the SFO by virtue of his interests in G.G.G. S.A.
18. These underlying shares were held by Timeless, a company controlled by Mr. Cho through Kenthomas Company Limited. Accordingly, Mr. Cho was taken to be interested in these underlying shares under the SFO by virtue of his interests in Timeless. These underlying shares are the same underlying shares referred to in note 2 under "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above.
19. These underlying shares were held by KKR, a company controlled by Messrs. George Rosenberg Roberts and Henry Roberts Kravis. Accordingly, all these parties were taken to be interested in these underlying shares under the SFO by virtue of their interests in KKR.
20. These underlying shares were held by Glint, a company 99% controlled by Mr. Van Vlissingen. Accordingly, Mr. Van Vlissingen was taken to be interested in these underlying shares under the SFO by virtue of his interests in Glint.
21. These underlying shares were held by Rawlco, a company controlled by Mr. Gordon Stanley Rawlinson. Accordingly, he was taken to be interested in these underlying shares under the SFO by virtue of his interests in Rawlco.
22. These underlying shares were held by UBS. Of these underlying shares, 49,553,001 underlying shares were held by Sphirantes, a company controlled by Ms. Angeles González Garcia and Mr. Jorge Garcia González; 17,343,500 underlying shares were held by Mr. Cesar Molinas Sanz; 14,865,900 underlying shares were held by Kobrither, S.A., a company controlled by Mr. Antonio Del Cano Barbón; each of Messrs. Ramón Suarez Beltrán, Ricardo Sanz Ferrer and Miguel Orúe-Echeverria held 9,910,600 underlying shares; 7,432,950 underlying shares were held by Arcosilo, S.L., a company controlled by Messrs. Blanca Rueda Sabater and Fernando Rueda Sabater; and 5,946,360 underlying shares were held by Mr. Richardo de Ponga Bianco.

23. VSC BVI owned 54% of the share capital of TN and was deemed to be interested in the 1,633,676 shares held by TN. VSC BVI directly owned 6,336,309 shares. VSC BVI was therefore directly and indirectly interested in an aggregate of 7,969,985 shares.
24. VSC owned the entire issued share capital of VSC BVI, VSC was therefore deemed to be interested in an aggregate of 7,969,985 shares.
25. Perfect Capital owned approximately 42.86% of the issued share capital of Huge Top. Huge Top was beneficially interested in approximately 47.05% of the issued share capital of VSC; Perfect Capital and Huge Top were therefore deemed to be interested in 1,633,676 shares held by TN and 6,336,309 shares held by VSC BVI. Huge Top also directly owned 1,598,113 shares. Huge Top was therefore directly and indirectly interested in an aggregate of 9,568,098 shares, and Perfect Capital was indirectly interested in the same aggregate interests.
26. Ms. Yao is one of the two directors for TN and Huge Top while the remaining director of these two companies is Mr. Yao who is the brother of Ms. Yao. Ms. Yao was therefore through Huge Top indirectly interested in an aggregate of 9,568,098 shares.

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 an interest or short position in the securities of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as at 30th September 2006.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 13th April 2000 (the "2000 Scheme"). On 10th June 2002, the shareholders approved the adoption of a new share option scheme (the "2002 Scheme") and termination of the 2000 Scheme. No share options were granted or exercised during the six months ended 30th September 2006 and no share options were outstanding under the 2000 Scheme. As at 30th September 2006, no share options have been granted by the Company pursuant to the 2002 Scheme.

COMPETING INTERESTS

Mr. Yao is an executive Director and also the chairman and chief executive officer of VSC. According to the 2006 annual report of VSC, Huge Top held 173,424,000 shares (approximately 47.1%) in VSC as at 31st March 2006 and Mr. Yao is one of the two directors of Huge Top. Mr. Yao directly held approximately 11.9% and indirectly held approximately 42.9% of the issued share capital of Huge Top. Mr. Yao also has personal interests in 1,614,000 shares (approximately 0.4%) in VSC as at 31st March 2006. VSC is also engaged in steel trading business. The Directors believe that there is a risk that such business may compete with those of the North Asia Strategic Group. However, the Directors are also of the view that the invaluable experience of Mr. Yao in the steel industry will complement the development of the Group's business.

Save for aforesaid, none of the Directors, management Shareholders, substantial Shareholders and their respective associates compete or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group pursuant to the GEM Listing Rules.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30th September 2006.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to ensuring high standards of corporate governance in the interests of shareholders, and follows the principles set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules. The Company has complied with the code provisions set out in the Code throughout the six months ended 30th September 2006.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealing set out in rules 5.48 to 5.68 of the GEM Listing Rules (the "Required Standard") as the code of conduct regarding securities transactions by the Directors of the Company and has complied with the Required Standard throughout the six months ended 30th September 2006. The Company, having made specific enquiry of the Company, confirmed that all the Directors had complied with the Required Standard.

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. Kenny Tam King Ching who has appropriate professional qualifications and experience in financial matters.

Under the terms of reference which are aligned with the code provisions set out in the Code contained in Appendix 15 of the GEM Listing Rules, 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 accounts for the six months ended 30th September 2006 of the Company now reported on have been reviewed by the audit committee.

On behalf of the Board
North Asia Strategic Holdings Limited
Savio Chow Sing Nam
Executive Director and Chief Executive Officer

Hong Kong, 13th November 2006

As at the date of this report, the Board comprises Mr. Göran Sture Malm (Chairman), Mr. Henry Cho Kim (Deputy Chairman), Mr. Savio Chow Sing Nam (Chief Executive Officer) and Mr. Andrew Yao Cho Fai (being the executive Directors), Mr. Philip Ma King Huen, Mr. Kenny Tam King Ching and Mr. Edgar Kwan Chi Ping (being the independent non-executive Directors).