

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)



2007/08

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 2007

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

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.

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. 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 at www.hkgem.com 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

- Total unaudited consolidated revenue from both continuing and discontinued operations for the six months ended 30th September 2007 (“current period”) was approximately HK\$670,762,000, an increase of approximately 676% from the same period last year.
- During the current period, revenue and net loss of our surface mount technology assembly equipment trading division were approximately HK\$488,069,000 and HK\$2,010,000 respectively.
- During the current period, the Company shared 40% of revenue and net loss of the fishmeal, fish oil and aquatic feeds processing and sale operation invested by the Company on 7th December 2006 of approximately HK\$178,179,000 and HK\$7,268,000 respectively.
- Total unaudited consolidated net loss attributable to equity holders for the current period was approximately HK\$28,975,000, versus an unaudited consolidated net profit attributable to equity holders of approximately HK\$25,211,000 for the corresponding period last year. Discounting interest income related to the subscription receivables from the Company’s preference shareholders of approximately HK\$9,172,000 in current period and approximately HK\$36,229,000 in the same period last year, current period’s net loss was approximately HK\$38,147,000, versus net loss of approximately HK\$11,018,000 for the same period last year.
- Total unaudited consolidated net assets value of the Group was approximately HK\$1,206,905,000 as at 30th September 2007, which is approximately HK\$24,435,000 less than the audited consolidated net assets value of approximately HK\$1,231,340,000 as at 31st March 2007.

RESULTS

The followings are the unaudited consolidated results of North Asia Strategic Holdings Limited (the “Company” or “NAS”) and its subsidiaries (collectively the “Group” or “NAS Group”) for the six months and three months ended 30th September 2007 together with the comparative unaudited figures for the corresponding periods in 2006:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	For the six months ended 30th September		For the three months ended 30th September	
		2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Continuing operations					
Revenues	3	666,248	34,633	367,545	849
Cost of sales		(618,857)	(33,936)	(344,347)	(847)
Gross profit		47,391	697	23,198	2
Other gains/(losses) — net	4	3,252	2,469	(5,568)	2,471
Selling and distribution expenses		(18,460)	—	(8,084)	—
General and administrative expenses		(71,788)	(18,115)	(39,919)	(8,796)
Finance income	5	17,693	41,813	9,390	25,715
Finance costs	5	(10,327)	(997)	(4,092)	(797)
(Loss)/profit before income tax		(32,239)	25,867	(25,075)	18,595
Income tax credit	6	5,472	—	5,850	—
(Loss)/profit for the period from continuing operations		(26,767)	25,867	(19,225)	18,595
Discontinued operations					
(Loss)/profit for the period from discontinued operations	7	(2,269)	(656)	44	453
(Loss)/profit for the period		(29,036)	25,211	(19,181)	19,048
(Loss)/profit for the period attributable to:					
Equity holders of the Company		(28,975)	25,211	(19,130)	19,048
Minority interests		(61)	—	(51)	—
		(29,036)	25,211	(19,181)	19,048
(Loss)/profit per share from continuing operations attributable to the equity holders of the Company for the period					
— Basic (HK cents)	8	(27.88)	27.00	(20.02)	19.41
— Diluted (HK cents)	8	N/A	0.34	N/A	0.24
(Loss)/profit per share from discontinued operations attributable to the equity holders of the Company for the period					
— Basic (HK cents)	8	(2.37)	(0.68)	0.05	0.47
— Diluted (HK cents)	8	N/A	N/A	0.00	0.01

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

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30th September 2007 HK\$'000 (Unaudited)	As at 31st March 2007 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	56,593	36,014
Investment properties	10	2,229	2,206
Leasehold land and land use rights	10	18,714	11,869
Intangible assets	10	426,847	432,279
Deferred tax assets		3,433	—
Subscription receivables	11	291,383	282,211
Available-for-sales financial assets – listed		3,256	—
Total non-current assets		802,455	764,579
Current assets			
Inventories		305,830	270,430
Trade receivables	12	186,989	129,291
Prepayments, deposits and other receivables		20,219	38,468
Finance lease receivables		2,781	—
Pledged bank deposits		47,732	49,899
Cash and cash equivalents		358,209	441,553
Total current assets		921,760	929,641
Current liabilities			
Borrowings	13	(189,768)	(159,461)
Trade payables	14	(247,417)	(188,664)
Accruals and other payables		(29,609)	(20,090)
Receipts in advance		(11,687)	(22,118)
Current income tax liabilities		(14,085)	(17,288)
Derivative financial instruments		(191)	—
Deferred subscription payables		—	(32,676)
Total current liabilities		(492,757)	(440,297)
Net current assets		429,003	489,344
Total assets less current liabilities		1,231,458	1,253,923
Non-current liabilities			
Borrowings	13	(6,748)	(4,538)
Convertible bonds		(16,351)	(15,712)
Deferred tax liabilities		(1,454)	(2,333)
Total non-current liabilities		(24,553)	(22,583)
Net assets		1,206,905	1,231,340
Equity			
Capital and reserves attributable to equity holders of the Company:			
Share capital	15	82,718	82,718
Reserves	15	1,122,562	1,148,622
		1,205,280	1,231,340
Minority interests		1,625	—
Total equity		1,206,905	1,231,340

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Unaudited)					
	Attributable to equity holders of the Company				Minority interests	Total
	Share capital	Reserves	Sub-total	Total		
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balances at 1st April 2007	82,718	1,148,622	1,231,340	—	1,231,340	
Loss for the period	—	(28,975)	(28,975)	(61)	(29,036)	
Capital contribution from minority interests	—	—	—	1,686	1,686	
Increase in fair value of available-for-sale financial assets	—	27	27	—	27	
Translation adjustments	—	2,888	2,888	—	2,888	
Balances at 30th September 2007	82,718	1,122,562	1,205,280	1,625	1,206,905	
Balances at 1st April 2006	74,790	974,805	1,049,595	—	1,049,595	
Profit for the period	—	25,211	25,211	—	25,211	
Issue of preference shares	15	7,928	106,267	—	114,195	
Share issue expenses						
– preference shares	—	(731)	(731)	—	(731)	
Translation adjustments	—	152	152	—	152	
Balances at 30th September 2006	82,718	1,105,704	1,188,422	—	1,188,422	

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

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30th September	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Net cash used in operating activities	(112,240)	(31,848)
Net cash used in investing activities	(5,245)	(11,815)
Net cash generated from financing activities	34,141	45,155
Net (decrease)/increase in cash and cash equivalents	(83,344)	1,492
Cash and cash equivalents at 1st April	441,553	292,847
Cash and cash equivalents at 30th September	358,209	294,339

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

Notes:

1. General Information

North Asia Strategic Holdings Limited (the “Company” or “NAS”) and its subsidiaries (collectively the “Group” or “NAS Group”) are principally engaged in trading of surface mount technology (“SMT”) assembly equipment, machineries and spare parts and provision of related installation, training, repair and maintenance services for SMT assembly equipment; processing and sale of fishmeal, refining and sale of fish oil, manufacturing and sale of aquatic feed products and trading of other raw materials relating to aquatic feeds; and investment holdings. During the period, the Group ceased its steel trading operations.

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 thousand of Hong Kong 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 2007.

2. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial information 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”).

The accounting policies used in the preparation of this unaudited condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31st March 2007.

This unaudited condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st March 2007.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st March 2007, as described in the annual financial statements for the year ended 31st March 2007.

The following new standards, amendments and interpretations are mandatory for the financial year ending 31st March 2008.

- HKFRS 7 “Financial Instruments: Disclosures” and the complementary amendment to HKAS 1 “Amendments to Capital Disclosures” (effective for accounting periods beginning on or after 1st January 2007). HKFRS 7 introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group’s financial instruments; and amendment to HKAS 1 requires the disclosure of information that enables user of financial statements to evaluate the entity’s objectives, policies and processes for managing capital. The Group has adopted the standards starting from 1st April 2007, and the disclosures as required by these standards will be disclosed in the Group’s 2008 annual report;
- HK(IFRIC)-Int 7 “Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies” (effective for accounting periods beginning on or after 1st March 2006), provides guidance on how to apply the requirements of HKAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the group entities have a currency of a hyperinflationary economy as its functional currency, HK(IFRIC)-Int 7 is not relevant to the Group’s operations;

- HK(IFRIC)-Int 8 “Scope of HKFRS 2” (effective for accounting periods beginning on or after 1st May 2006) requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of HKFRS 2. This interpretation has no material financial impact on the Group, and does not result in substantial changes to the Group’s accounting policies, financial statement disclosures or presentation as compared to that used in the preparation of the financial statements as of and for the year ended 31st March 2007;
- HK(IFRIC)-Int 9 “Reassessment of Embedded Derivatives” (effective for accounting periods beginning on or after 1st June 2006) requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. As none of the group entities have changed the terms of their contracts, HK(IFRIC)-Int 9 is not relevant to the Group’s operations;
- HK(IFRIC)-Int 10 “Interim Financial Reporting and Impairment” (effective for accounting periods beginning on or after 1st November 2006) prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation has no material financial impact on the Group;
- HK(IFRIC)-Int 11 “Group and Treasury Share Transfer” (effective for accounting periods beginning on or after 1st March 2007) clarifies that certain types of transaction are accounted for as equity-settled or cash-settled under HKFRS 2. It also addresses the accounting for share-based payment transactions involving two or more entities within one group. As none of the group entities have granted any share options to their staff as at 30th September 2007, this interpretation had no material financial impact on the Group.

The following new standards, and interpretations have been issued but are not effective for the year ended 31st March 2008 and have not been early adopted by the Group:

- HKFRS 8 “Operating Segments” (effective for accounting periods beginning on or after 1st January 2009);
- HK(IFRIC)-Int 12 “Service Concession Arrangements” (effective for accounting periods beginning on or after 1st January 2008);
- HK(IFRIC)-Int 13 “Customer Loyalty Programs” (effective for accounting periods beginning on or after 1st July 2008);
- HK(IFRIC)-Int 14 “The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction” (effective for accounting periods beginning on or after 1st January 2008).

Management is assessing the impact of the above new standards and interpretations which have been issued but are not effective for the year ending 31st March 2008 on the Group’s operations and the Group will adopt these standards and interpretations when they become effective.

3. Turnover, revenues and segment information

3.1 Turnover and revenues

Turnover represents sales of goods and commission and other income. The amount of each category of revenues recognised during the period is as follows:

	For the six months ended 30th September		For the three months ended 30th September	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Continuing operations				
Sales of goods	656,288	34,633	361,956	849
Commission and other income	9,960	—	5,589	—
	666,248	34,633	367,545	849
Discontinued operations				
Sales of goods	4,514	51,798	—	19,262
	670,762	86,431	367,545	20,111

3.2 Primary reporting format – business segments

The Group is organised into four major business segments – SMT trading, fishmeal and fish oil, steel trading and 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 holdings. The SMT trading, fishmeal and fish oil, and steel trading business segment derives revenue from the sales of goods. The procurement services for steel products business segment derives commission income from procurement and online steel trading services. The investment holding business segment derives revenue from dividend income.

The business segment results, capital expenditure, and depreciation and amortisation for the period are analysed as follows:

	Six months ended 30th September 2007 (Unaudited)					Total HK\$'000
	Continuing operations				Discontinued operations	
	SMT trading HK\$'000	Fishmeal and fish oil HK\$'000	Investment holdings HK\$'000	Sub-total HK\$'000	Steel trading and procurement services HK\$'000	
Revenues	488,069	178,179	—	666,248	4,514	670,762
Segment results	(6,136)	(20,338)	2,168	(24,306)	(3,003)	(27,309)
Unallocated income				3,252	31	3,283
Unallocated expenses				(11,185)	—	(11,185)
Loss before income tax				(32,239)	(2,972)	(35,211)
Income tax credit				5,472	703	6,175
Loss for the period				(26,767)	(2,269)	(29,036)
Capital expenditure	1,271	8,242	2,290	11,803	—	11,803
Depreciation and amortisation	7,563	2,341	106	10,010	—	10,010

Six months ended 30th September 2006 (Unaudited)

	Continuing operations				Discontinued operations	Total
	SMT trading HK\$'000	Fishmeal and fish oil HK\$'000	Investment holdings HK\$'000	Sub-total HK\$'000	Steel trading and procurement services HK\$'000	
Revenues	34,633	—	—	34,633	51,798	86,431
Segment results	532	—	29,508	30,040	(829)	29,211
Unallocated income				2,469	53	2,522
Unallocated expenses				(6,642)	—	(6,642)
Profit/(loss) before income tax				25,867	(776)	25,091
Income tax credit				—	120	120
Profit/(loss) for the period				25,867	(656)	25,211
Capital expenditure	—	—	21	21	—	21
Depreciation and amortisation	—	—	15	15	15	30

There are no significant sales between these business segments during the period (2006: Nil).

Unallocated costs represent corporate and administrative expenses that cannot be allocated into the individual segment.

The segment assets and liabilities as at the balance sheet date are as follows:

	Continuing operations				Discontinued operations	Total
	SMT trading HK\$'000	Fishmeal and fish oil HK\$'000	Investment holdings HK\$'000	Sub-total HK\$'000	Steel trading and procurement services HK\$'000	
As at 30th September 2007 (Unaudited)						
Assets						
Segment assets	359,760	346,687	1,009,150	1,715,597	5,185	1,720,782
Unallocated assets				3,433	—	3,433
				1,719,030	5,185	1,724,215
Liabilities						
Segment liabilities	(259,168)	(225,489)	(17,097)	(501,754)	(18)	(501,772)
Unallocated liabilities				(15,538)	—	(15,538)
				(517,292)	(18)	(517,310)
As at 31st March 2007 (Audited)						
Assets						
Segment assets	1,060,056	343,664	282,211	1,685,931	8,283	1,694,214
Unallocated assets				—	6	6
				1,685,931	8,289	1,694,220
Liabilities						
Segment liabilities	(206,585)	(185,912)	(50,523)	(443,020)	(239)	(443,259)
Unallocated liabilities				(18,921)	(700)	(19,621)
				(461,941)	(939)	(462,880)

3.3 Secondary reporting format – geographical segments

The Group's activities are conducted predominantly in Hong Kong and Mainland China. Revenues by geographical segment is determined on the basis of the destination of shipment of goods for SMT trading, fishmeal and fish oil steel trading, location of service performed for procurement services, location of sellers for online commission income, and location of the investment for dividend income.

Geographical segments results and capital expenditure for the period are analysed as follows:

	Six months ended 30th September 2007 (Unaudited)							
	Continuing operations				Discontinued operations			
	Hong Kong	Mainland China	Others	Sub-total	Hong Kong	Mainland China	Sub-total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenues	—	650,677	15,571	666,248	—	4,514	4,514	670,762
Segment results	(4,692)	(17,579)	(2,035)	(24,306)	51	(3,054)	(3,003)	(27,309)
Unallocated income				3,252			31	3,283
Unallocated expenses				(11,185)			—	(11,185)
Loss before income tax				(32,239)			(2,972)	(35,211)
Income tax credit				5,472			703	6,175
Loss for the period				(26,767)			(2,269)	(29,036)
Capital expenditure	2,321	8,946	536	11,803	—	—	—	11,803

	Six months ended 30th September 2006 (Unaudited)							
	Continuing operations				Discontinued operations			
	Hong Kong	Mainland China	Others	Sub-total	Hong Kong	Mainland China	Sub-total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenues	34,633	—	—	34,633	—	51,798	51,798	86,431
Segment results	30,040	—	—	30,040	150	(979)	(829)	29,211
Unallocated income				2,469			53	2,522
Unallocated expenses				(6,642)			—	(6,642)
Profit/(loss) before income tax				25,867			(776)	25,091
Income tax credit				—			120	120
Profit/(loss) for the period				25,867			(656)	25,211
Capital expenditure	21	—	—	21	—	—	—	21

There are no significant sales between these geographical segments (2006: Nil).

The segment assets as at the balance sheet date are as follows:

	Continuing operations				Discontinued operations			Total HK\$'000
	Hong Kong	Mainland China	Others	Sub-total	Hong Kong	Mainland China	Sub-total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As at 30th September 2007 (Unaudited)								
Assets								
Segment assets	1,058,651	626,706	30,240	1,715,597	4,728	457	5,185	1,720,782
Unallocated assets				3,433			—	3,433
				1,719,030			5,185	1,724,215
As at 31st March 2007 (Audited)								
Assets								
Segment assets	940,891	696,386	48,654	1,685,931	6,129	2,154	8,283	1,694,214
Unallocated assets				—			6	6
				1,685,931			8,289	1,694,220

4. **Other gains/(losses) – net**

	For the six months ended 30th September		For the three months ended 30th September	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Continuing operations				
Net exchange gains/(losses)	4,134	—	(4,352)	—
Loss on disposal of property, plant and equipment	(1,670)	—	(1,670)	—
Others	788	2,469	454	2,471
	3,252	2,469	(5,568)	2,471
Discontinued operations				
Others	31	53	31	49
	31	53	31	49
	3,283	2,522	(5,537)	2,520

5. Finance income and costs

	For the six months ended 30th September		For the three months ended 30th September	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Continuing operations				
Finance income:				
Interest income from bank deposits	8,521	5,584	4,804	2,716
Amortised interest income from subscription receivables	9,172	36,229	4,586	22,999
	17,693	41,813	9,390	25,715
Discontinued operations				
Finance income:				
Interest income from bank deposits	52	150	32	102
	17,745	41,963	9,422	25,817
Continuing operations				
Finance costs:				
Interest on bank loans wholly repayable within five years	(8,365)	(564)	(3,771)	(475)
Convertible bonds redeemable after five years	(639)	(433)	(321)	(322)
Notional interest expense on deferred subscription payables	(1,323)	—	—	—
	(10,327)	(997)	(4,092)	(797)

6. Income tax credit

The Company is exempted from taxation in Bermuda until 2016. No Hong Kong profits tax has been provided as no estimated assessable profit for the period. Subsidiaries established in the Mainland China are subjected to Mainland China enterprise income tax ("EIT") at rates ranging from 15% to 33% (2006: 15% to 33%). 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 countries in which the Group operates.

The amounts of income tax credit recognised in the unaudited condensed consolidated income statements represent:

	For the six months ended 30th September		For the three months ended 30th September	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Continuing operations				
Current income tax:				
Hong Kong profits tax				
— Overprovision in prior periods	—	—	1,035	—
EIT				
— Current period	492	—	1,226	—
— Over/(under) provision in prior periods	664	—	(765)	—
Overseas taxation	1	—	39	—
Deferred taxation	4,315	—	4,315	—
	5,472	—	5,850	—
Discontinued operations				
Current income tax				
EIT				
— Current period	—	120	—	122
— Overprovision in prior years	703	—	—	—
	703	120	—	122
	6,175	120	5,850	122

7. Discontinued operations

During the period, the Group ceased its steel trading operation and the unaudited consolidated results of the steel trading operation for the six months ended 30th September 2007 together with the comparative unaudited figures for the corresponding period in 2006 were as follows:

	For the six months ended 30th September		For the three months ended 30th September	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Revenues	4,514	51,798	—	19,262
Cost of sales	(7,543)	(52,042)	—	(18,741)
Gross (loss)/profit	(3,029)	(244)	—	521
Other gains – net	31	53	31	49
Selling and distribution expenses	(4)	(99)	—	(77)
General and administrative expenses	(22)	(636)	(19)	(264)
Finance income	52	150	32	102
(Loss)/profit before income tax	(2,972)	(776)	44	331
Income tax credit	703	120	—	122
(Loss)/profit for the period from discontinued operation	(2,269)	(656)	44	453

8. (Loss)/profit per share

Basic (loss)/profit per share

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

	For the six months ended 30th September 2007		For the three months ended 30th September 2007	
	Continuing operations (Unaudited)	Discontinued operations (Unaudited)	Continuing operations (Unaudited)	Discontinued operations (Unaudited)
(Loss)/profit for the period (HK\$'000)	(26,767)	(2,269)	(19,225)	44
Loss for the period attributable to minority interests (HK\$'000)	61	—	51	—
(Loss)/profit attributable to equity holders of the Company (HK\$'000)	(26,706)	(2,269)	(19,174)	44
Weighted average number of ordinary shares in issue	95,794,716	95,794,716	95,794,716	95,794,716
Basic (loss)/profit per share (HK cents)	(27.88)	(2.37)	(20.02)	0.05

	For the six months ended 30th September 2006		For the three months ended 30th September 2006	
	Continuing operations (Unaudited)	Discontinued operations (Unaudited)	Continuing operations (Unaudited)	Discontinued operations (Unaudited)
Profit/(loss) attributable to equity holders of the Company (HK\$'000)	25,867	(656)	18,595	453
Weighted average number of ordinary shares in issue	95,794,716	95,794,716	95,794,716	95,794,716
Basic profit/(loss) per share (HK cents)	27.00	(0.68)	19.41	0.47

Diluted (loss)/profit per share

No diluted loss per share from continuing and discontinued operations for the six months ended 30th September 2007, from continuing operations for the three months ended 30th September 2007, and from discontinued operations for the six months ended 30th September 2006 has been presented as the potential ordinary shares are anti-dilutive.

Diluted (loss)/profit per share from continuing operations for the six months and three months ended 30th September 2006 and from discontinued operations for the three months ended 30th September 2006 and 2007 are calculated by adjusting weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and non-redeemable preference shares. The convertible bonds and non-redeemable preference shares are assumed to have been converted into ordinary shares, and the (loss)/profit for the period is adjusted to eliminate the interest expenses.

	For the six months ended 30th September 2006 Continuing operations (Unaudited)	For the three months ended 30th September 2006 Continuing operations (Unaudited)	For the three months ended 30th September 2007 Discontinued operations (Unaudited)	For the three months ended 30th September 2006 Discontinued operations (Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	25,867	18,595	44	453
Adjustment for convertible bonds accrued interest expense	433	322	—	—
Adjusted profit attributable to equity holders of the Company (HK\$'000)	26,300	18,917	44	453
Weighted average number of ordinary shares in issue	95,794,716	95,794,716	95,794,716	95,794,716
Adjustment for convertible bonds	127,713,920	127,713,920	127,713,920	127,713,920
Adjustment for non-redeemable preference shares	7,465,484,347	7,546,907,145	8,176,014,813	7,546,907,145
Weighted average number of ordinary shares for diluted profit per share	7,688,992,983	7,770,415,781	8,399,523,449	7,770,415,781
Basic profit per share (HK cents)	0.34	0.24	0.00	0.01

9. Dividends

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September 2007.

10. Capital expenditure

	Property, plant and equipment <i>HK\$'000</i> (Unaudited)	Investment properties <i>HK\$'000</i> (Unaudited)	Leasehold land and land use rights <i>HK\$'000</i> (Unaudited)	Intangible assets <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
At 1st April 2007	36,014	2,206	11,869	432,279	482,368
Additions	3,158	—	6,787	1,858	11,803
Disposals	(10)	—	—	—	(10)
Depreciation/amortisation	(2,604)	(26)	(90)	(7,290)	(10,010)
Transfer from inventories	19,392	—	—	—	19,392
Exchange realignments	643	49	148	—	840
At 30th September 2007	56,593	2,229	18,714	426,847	504,383
At 1st April 2006	478	—	—	6	484
Additions	21	—	—	—	21
Disposals	(354)	—	—	—	(354)
Depreciation/amortisation	(27)	—	—	(3)	(30)
At 30th September 2006	118	—	—	3	121

11. Subscription receivables

In February and March 2006, the Company issued a total of approximately 7,383,167,000 non-redeemable preference shares, with a par value of HK\$0.01 each, at a subscription price of HK\$0.1566 each through placement, for an aggregated amount of approximately HK\$1,156,200,000 ("First Tranche").

In September 2006, the Company issued a total of approximately 792,847,000 non-redeemable preference shares, with a par value of HK\$0.01 each, at a subscription price of HK\$0.1566 each through placement, for an aggregated amount of approximately HK\$124,164,000 ("Second Tranche").

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 will rank *pari passu* with the ordinary shares of the Company with regards to dividends.

The subscription monies are payable in cash by the subscribers in four equal instalments. The first was received by the Company in February and March 2006, upon completion of the subscription of the First Tranche. For the Second Tranche, first instalment was received by the Company in September 2006. The remaining three instalments are receivable in February 2007, February 2008 and February 2009 respectively. 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.

In the event that the subscription monies previously paid to the Company from time to time for the preference shares are insufficient to make any potential investments approved by the board of directors of the Company and/or pay fees or expenses which are payable by the Company under the services agreement signed between the Company and North Asia Strategic Advisors on 26th September 2005 (as amended and restated on 30th December 2005), the Company shall be entitled to require the relevant amount of instalment to be paid on a date specified by the Company but not earlier than 45 days from the date serving the payment notice by the Company. The second instalment and third instalment of the subscription monies have been received by the Company in October and December 2006 respectively.

The preference shares will be automatically converted into ordinary shares upon the listing of the 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 is calculated as follows:

	As at 30th September 2007 HK\$'000 (Unaudited)	As at 31st March 2007 HK\$'000 (Audited)
Subscription receivables	991,313	991,313
<i>Less: Future interest</i>	<i>(111,573)</i>	<i>(111,573)</i>
<i>Add: Amortised interest income</i>	<i>82,865</i>	<i>73,693</i>
	962,605	953,433
<i>Less: Subscriptions received</i>	<i>(671,222)</i>	<i>(671,222)</i>
	291,383	282,211

The carrying amounts of subscription receivables approximately their fair values.

Amortised interest income recognised as income and included in finance income amounted to approximately HK\$9,172,000 (2006: HK\$36,229,000).

Interest income on the subscription receivables is calculated using the effective interest method by applying the effective interest rate of 6.5% per annum.

12. Trade receivables

	As at 30th September 2007 HK\$'000 (Unaudited)	As at 31st March 2007 HK\$'000 (Audited)
Trade receivables	191,366	136,158
Less: Provision for impairment of receivables	(4,377)	(6,867)
	186,989	129,291

The Group generally requires letter of credit or documents against payment, with some cases granting a credit period of 30 to 90 days. Aging analysis of trade receivables is as follows:

	As at 30th September 2007 HK\$'000 (Unaudited)	As at 31st March 2007 HK\$'000 (Audited)
90 days or less	140,761	90,174
91 to 180 days	32,620	19,867
181 to 270 days	5,577	13,912
271 to 365 days	5,806	2,776
Over 365 days	6,602	9,429
	191,366	136,158

The carrying amounts of trade receivables approximate their fair values.

The Group's trading terms with its customers are mainly on letter of credit or documents against payment, except for new customers, where payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

13. Borrowings

Borrowings are analysed as follows:

	As at 30th September 2007 HK\$'000 (Unaudited)	As at 31st March 2007 HK\$'000 (Audited)
Non-current		
Bank and other borrowings	6,748	4,538
Current		
Secured trust receipt loans	189,768	159,461
Total borrowings	196,516	163,999

All borrowings are secured by the bank deposits of the Group of approximately HK\$47,732,000 (At 31st March 2007: HK\$49,899,000), guarantees provided by the Company of approximately HK\$284,709,000 (At 31st March 2007: HK\$295,712,000), inventories held under trust receipts bank loan arrangement of approximately HK\$34,848,000 (At 31st March 2007: HK\$15,330,000), buildings of approximately HK\$8,689,000 (At 31st March 2007: HK\$5,200,000), investment properties of approximately HK\$1,638,000 (At 31st March 2007: HK\$1,615,000) and leasehold land and land use rights of approximately HK\$7,037,000 (At 31st March 2007: HK\$6,975,000).

14. Trade payables

The aging analysis of trade payables is as follows:

	As at 30th September 2007 HK\$'000 (Unaudited)	As at 31st March 2007 HK\$'000 (Audited)
90 days or less	214,084	151,640
91 to 180 days	20,881	18,210
181 to 270 days	3,455	15,271
271 to 365 days	3,419	3,086
1 to 2 years	5,578	457
	247,417	188,664

15. Share capital and reserves

Movements in share capital and reserves are as follows:

	(Unaudited)						
	Attributable to equity holders of the Company						
	Ordinary share capital HK\$'000	Preference share capital HK\$'000	Other reserves (note) HK\$'000	Retained profits/ accumulated (losses) HK\$'000	Sub-total HK\$'000	Minority interests HK\$'000	Total HK\$'000
Balances at 1st April 2007	958	81,760	1,103,559	45,063	1,231,340	—	1,231,340
Loss for the period	—	—	—	(28,975)	(28,975)	(61)	(29,036)
Capital contribution from minority interests	—	—	—	—	—	1,686	1,686
Translation adjustments	—	—	2,888	—	2,888	—	2,888
Increase in fair value of available-for-sale financial assets	—	—	27	—	27	—	27
Balances at 30th September 2007	958	81,760	1,106,474	16,088	1,205,280	1,625	1,206,905
Balances at 1st April 2006	958	73,832	996,489	(21,684)	1,049,595	—	1,049,595
Profit for the period	—	—	—	25,211	25,211	—	25,211
Issue of preference shares	—	7,928	106,267	—	114,195	—	114,195
Share issue expenses — preference shares	—	—	(731)	—	(731)	—	(731)
Translation adjustments	—	—	152	—	152	—	152
Balances at 30th September 2006	958	81,760	1,102,177	3,527	1,188,422	—	1,188,422

Note:

Other reserves comprise share premium, contributed surplus, equity portion of convertible bonds, capital reserve, investment revaluation reserve and cumulative translation adjustments. As at 30th September 2007, share premium amounted to approximately HK\$1,083,637,000 (As at 30th September 2006: HK\$1,083,637,000), contributed surplus amounted to approximately HK\$8,984,000 (As at 30th September 2006: HK\$8,984,000), equity portion of convertible bonds amounted to HK\$6,388,000 (As at 30th September 2006: HK\$6,388,000), capital reserve amounted to approximately HK\$2,700,000 (As at 30th September 2006: HK\$2,700,000), investment revaluation reserve amounted to approximately HK\$27,000 (As at 30th September 2006: Nil) and cumulative translation adjustments amounted to approximately HK\$4,738,000 (As at 30th September 2006: HK\$462,000).

16. Related party transactions

As at 30th September 2007, the Company was owned as to approximately 46.1% by North Asia Strategic Acquisition Corp. ("NASAC"), a company incorporated in the Cayman Islands, approximately 21.1% by Mr. Moses Tsang Kwok Tai (a shareholder of Ajia Partners Inc., the ultimate holding company of NASAC). 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.

The following is a summary of the significant transactions carried out with related parties:

	For the six months ended 30th September	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Name of related party/Nature of transaction		
Ajia Partners (HK) Limited (i)		
— Rental expense charged to the Group	452	452
— Administrative services fee charged to the Group	498	481
North Asia Strategic Advisors (ii)		
— Service fees charged to the Group	10,212	10,201

Notes:

- (i) Ajia Partners (HK) Limited is a fellow subsidiary of North Asia Strategic Acquisition Corp. ("NASAC") and associated with Mr. Moses Tsang Kwok Tai.
- (ii) North Asia Strategic Advisors ("NASA") is the holding company of NASAC.

The Group entered into two administrative services agreements with Ajia Partners (HK) Limited ("APHK"), under which APHK has agreed to provide general administrative services to the Group during the period from 1st July 2006 to 30th June 2007 and from 1st July 2007 to 30th June 2008, at a monthly service fee of HK\$83,000 respectively. 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 2007, on 18th and 29th October 2007, the Company has entered into 14 subscription agreements with 14 institutional and professional investors for the placement of non-redeemable convertible preference shares similar to the existing issued preference shares (the "Second Placement") for a total of approximately HK\$547.9 million before expenses. Details of the Second Placement are contained in an announcement of the Company dated 2nd November 2007 and the Second Placement is subject to the Company's shareholders' approval.

BUSINESS REVIEW

Financial and Business Performance

For the six months ended 30th September 2007 ("current period"), the Group recorded a revenue from both continuing and discontinued operations of approximately HK\$670,762,000, representing a 676% increase from that in corresponding period last year. This was mainly due to aggregate revenue of approximately HK\$666,248,000 contributed by our surface mount technology ("SMT") assembly equipment trading division and our 40% jointly controlled fishmeal and fish oil trading and processing operation, which were invested by NAS in late 2006.

During the current period, our SMT trading division recorded a net loss of approximately HK\$2,010,000 on revenue of approximately HK\$488,069,000. This was mainly due to exchange loss of approximately HK\$1,000,000 due to the appreciation of Japanese yen against United States dollars in the second quarter and an impairment loss of approximately HK\$1,200,000 arising from the write-down of an accounts receivable to its recoverable amount.

For the 40% jointly controlled fishmeal and fish oil trading and processing division, NAS recorded attributable revenue and net loss of approximately HK\$178,179,000 and HK\$7,268,000 respectively during the current period. This net loss of HK\$7,268,000 included a write-down of fishmeal and feed inventories to their net realizable values of approximately HK\$4,458,000. Supply of fishmeal exceeded market demand in this period due to (i) unexpected weather pattern in the Mainland China which delayed the purchases of fishmeal by customers and (ii) epidemic diseases in pigs in the Mainland China. As a result, excess inventory built up that caused drastic drop of the market prices of fishmeal in the period, resulting in a lower-than-expected revenue and a net loss in the current period.

During the current period, the Group's steel trading division recorded a net loss of approximately HK\$2,269,000 on revenue of approximately HK\$4,514,000, versus a net loss of approximately HK\$656,000 on revenue of approximately HK\$51,798,000 for the corresponding period last year. As disclosed previously in our first quarterly report, we have ceased this operation after August 2007. No revenue was generated from our Burger King restaurant business in current period, as the first restaurant has not yet been opened.

During the current period, the Group recorded a net loss attributable to shareholders of approximately HK\$28,975,000, versus net profit of approximately HK\$25,211,000 for the same period last year. Discounting interest income related to the subscription receivables from the Company's preference shareholders of approximately HK\$9,172,000 in current period and approximately HK\$36,229,000 in the same period last year, current period's net loss was approximately HK\$38,147,000, versus net loss of approximately HK\$11,018,000 for the same period last year. This was mainly due to bank interest income of approximately HK\$7,017,000 recorded by NAS headquarters in current period was more than offset by the Group's overheads and the aggregate net loss of approximately HK\$11,547,000 from the continuing and discontinued businesses.

Financial Resources, Liquidity and Charges on Assets

As at 30th September 2007, NAS Group had bank and cash balance of approximately HK\$405,941,000 (2006: HK\$491,452,000), of which approximately HK\$47,732,000 (At 31st March 2007: HK\$49,899,000) was pledged to secure trade financing facilities of approximately HK\$676,388,000 (At 31st March 2007: HK\$588,795,000) granted by banks to its Group companies for trust receipts loans, mortgage loans and bank borrowings. These banking facilities were also secured by (a) bank deposits, (b) corporate guarantees provided by NAS, (c) the Group's inventories held under trust receipts bank loan arrangement, (d) buildings, (e) investment properties and (f) leasehold land and land use rights payments.

As at 30th September 2007, NAS Group had convertible bonds of approximately HK\$16,351,000 (At 31st March 2007: HK\$15,712,000) and borrowings of approximately HK\$196,516,000 (At 31st March 2007: HK\$163,999,000). The gearing ratio (sum of borrowings and convertible bonds divided by equity attributable to equity holders of the Company) of the Group was 0.18 as at 30th September 2007, as compared to 0.15 as at 31st March 2007.

Foreign Currency Exposure

The NAS Group's businesses were primarily transacted in Hong Kong dollars, United States ("US") dollars, Japanese Yen ("Yen") and Renminbi ("RMB"). The Group's cash and bank deposits, including pledged bank deposit, were mainly denominated in Hong Kong dollars. The foreign currency exposure of the Group is mainly driven by its business operations. Sales receipts were collected in US dollars and RMB. On the other hand, the SMT equipment, fishmeal and fish oil purchases were mainly denominated in US dollars, Yen and RMB. The NAS Group attempts to minimise its foreign currency exposure through matching its operating costs and borrowings against its receivables on sales. In addition, the NAS Group will continue to monitor closely the exchange rate between US dollars and Yen and RMB and will make necessary hedging arrangements to mitigate the risk arising from foreign currency fluctuation in the future.

Employee Information

As at 30th September 2007, the NAS Group employed 450 (At 31st March 2007: 437) staff. Total staff costs including contribution to retirement benefit schemes incurred during the six months ended 30th September 2007 amounted to approximately HK\$23,362,000 (2006: HK\$3,858,000).

COMMITMENTS

(a) Capital commitments

There was no material change in capital commitments since 31st March 2007.

(b) Operating lease commitments

As at 30th September 2007, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of properties as follows:

	As at 30th September 2007 HK\$'000 (Unaudited)	As at 31st March 2007 HK\$'000 (Audited)
Not later than one year	6,974	7,215
Later than one year and not later than five years	4,647	4,743
More than five years	2,464	2,493
	14,085	14,451

OUTLOOK

The demand for our SMT machinery has been increasing since October 2007 and we expect that the peak season will last till late January 2008. It is expected that the demand for SMT machinery will be started again in March 2008, as most of our customers in Mainland China will resume production to normal level after the Chinese New Year holiday in February 2008. We have set up a representative office in Vietnam recently to explore business opportunities in its growing mobile phone assembly sector. We are confident that our SMT trading division will continue to benefit from the strong growth of the electronics business in Asia, particularly in Mainland China and India. We will continue to explore diversification of our products portfolio and improve our operating efficiency to strengthen our revenue stream and improve our profitability.

For our jointly-controlled fishmeal and fish oil trading and processing operation conducted through Coland Group Limited (“Coland”), demand for higher-margin white fishmeal and its market price have been increasing since September 2007. We expect the peak season for white fishmeal will last till late January 2008, primarily driven by the demand from turtle farmers before the Chinese New Year holiday in February 2008. The demand of aquatic feeds has been back to normal level since August 2007 and their market prices are quite stable. Demand for our high-quality fish oil has been increasing since August 2007, particularly from overseas customers. We are optimistic about the future demand and stability of the market price of these products. As disclosed previously, actions have been taken by Coland to improve profitability and diversify its business risk by improving sales mix to higher margin products and expanding into other downstream products. The joint venture formed between Coland and Nosan Corporation, a company listed on Tokyo and Osaka stock exchanges, in June 2007 to produce and sell premium feed has started operation since August 2007. We expect that the construction of Coland’s seafood processing and feed factories in Wuhan of China will be started by December 2007 and we target to start its operation in summer 2008. These new business lines, together with the expansion of Coland’s fish oil processing capacity in Fuzhou of China to be completed in summer 2008, will help strengthening Coland’s revenue stream and improving Coland’s profitability in the future. Riding on the rapid growth of the China economy and the improvement in living standards, we believe that Coland, as one of the largest established fishmeal and fish oil distributors in China, will continue to benefit from the growth of aquaculture industry in China.

For our quick service restaurant division, renovation of the first Burger King restaurant has been started since early November and we target to open the first restaurant by early January 2008. We intend to open another five restaurants shortly after the first restaurant is opened, primarily in the business districts, shopping areas and tourist spots in Hong Kong and Macau. We believe that we are in a unique position to capture the market potential of the quick service restaurant industry in Hong Kong and Macau.

We are confident in the underlying strength and the economies in which our businesses operate. Growing consumer demand and increased capital formation are expected to continue to underpin economic performance in Hong Kong, India and the Mainland China. We will continue to bring added value to our business divisions and assist them to build up a scalable business platform to facilitate future expansion in upstream, downstream and other similar markets.

As mentioned in our announcement dated 2nd November 2007, the Company has entered into 14 subscription agreements with 14 institutional and professional investors for the placement of non-redeemable convertible preference shares similar to our existing issued preference shares (the “Second Placement”) for a total of approximately HK\$547.9 million before expenses. This Second Placement aims to raise additional financial resources for the Group to pursue new investment opportunities and strengthen the capital base of NAS. Discussion with other prospective investors are still ongoing, which may lead to the issue of further non-redeemable preference shares similar to our existing issued preference shares up to US\$350 million (equivalent to approximately HK\$2,730 million before expenses). We will also continue to seek new 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, where our competencies can deliver greater value to our shareholders.

On behalf of the Board of Directors, I would like to express my sincere gratitude to our worldwide suppliers and customers for their trust and support in our products and services throughout the period. I also wish to take this opportunity to offer my appreciation to our shareholders for their confidence in NAS, as well as our staff for their dedication and continuous commitment to excellence.

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

As at 30th September 2007, 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 (the "Preference Shares") issued by the Company under the placement as disclosed in the circulars to shareholders dated 24th January 2006 and 17th August 2006 (the "Placement"). 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 2007, not on the total number of issued shares upon full conversion of the Preference Shares and the convertible bonds (the "Convertible Bonds") as set out in the circular to shareholders dated 20th June 2005.

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	4,255,789	—	4,255,789	4.44%	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 1,633,676 shares of the Company owned by TN Development Limited ("TN"). Van Shung Chong (B.V.I.) Limited ("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. VSC BVI is a wholly-owned subsidiary of Van Shung Chong Holdings Limited ("VSC") of which Huge Top owns approximately 45.91%. Accordingly, Mr. Yao was deemed, under the SFO, to have an interest in these shares of the Company held by TN; and
 - (iii) 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 2007, 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 2007, 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 Placement. 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.
- (d) The approximate percentage of shareholdings set out below is based on 95,794,716 ordinary shares in issue as at 30th September 2007, 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
				<u>208,248,863</u>	<u>217.39%</u>	
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

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

Name	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate % of shareholdings ^(a)	Note
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
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
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

Name	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Approximate % of shareholdings ^(a)	Note
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
Mr. Frederik Harold Fentener van Vlissingen	Beneficial owner	—	78,544,061	78,544,061	81.99%	
Rawlco Capital Ltd. ("Rawlco")	Beneficial owner	—	49,553,001	49,553,001	51.73%	20
Mr. Gordon Stanley Rawlinson	Interests of controlled corporation	—	49,553,001	49,553,001	51.73%	20
UBS España, S.A. ("UBS")	Nominee	—	128,441,377	128,441,377	134.08%	21
Ms. Angeles González García	Interest of controlled corporation	—	49,553,001	49,553,001	51.73%	21
Mr. Jorge García González	Interest of controlled corporation	—	49,553,001	49,553,001	51.73%	21
Sphirantes	Nominee	—	49,553,001	49,553,001	51.73%	21
Mr. Cesar Molinas Sanz	Beneficial owner	—	17,343,550	17,343,550	18.10%	21
Kobrither, S.A.	Nominee	—	14,865,900	14,865,900	15.52%	21
Mr. Antonio Del Cano Barbón	Interest of controlled corporation	—	14,865,900	14,865,900	15.52%	21
Mr. Ramón Suarez Beltrán	Beneficial owner	—	9,910,600	9,910,600	10.35%	21
Mr. Ricardo Sanz Ferrer	Beneficial owner	—	9,910,600	9,910,600	10.35%	21
Mr. Miguel Orúe-Echeverría	Beneficial owner	—	9,910,600	9,910,600	10.35%	21

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%	21
Mr. Blanca Rueda Sabater	Interest of controlled corporation	—	7,432,950	7,432,950	7.76%	21
Mr. Fernando Rueda Sabater	Interest of controlled corporation	—	7,432,950	7,432,950	7.76%	21
Mr. Richardo de Ponga Bianco	Beneficial owner	—	5,946,360	5,946,360	6.21%	21

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.
- These underlying shares were held by Oikos, a company controlled by Walkers SPV Limited.
- 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.
- 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.
- 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 Doudtes, 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 Doudtes.
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 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.
21. 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.

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 2007.

SHARE OPTION SCHEMES

On 10th June 2002, the shareholders approved the adoption of a share option scheme (the “2002 Scheme”). Under the terms of the 2002 Scheme, the Board may at its discretion offer share options to any employee, agent, consultant or representative, including any executive or non-executive director, of any member of the Group or any other person who satisfies the selection criteria as set out in the 2002 Scheme. The principal purpose of the 2002 Scheme is to provide incentives to participants to contribute to the Group and/or to enable the Group to recruit and/or to retain high-calibre employees and attract human resources that are valuable to the Group. The 2002 Scheme shall be valid and effective for a period of ten years commencing on the adoption date. As at 30th September 2007, no share options have been granted by the Company pursuant to the 2002 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 30th September 2007, no share options have been granted pursuant to the Best Creation Scheme.

COMPETING INTERESTS

Mr. Andrew Yao Cho Fai, an executive Director of the Company, is the chairman and chief executive officer of VSC. According to the 2006/07 annual report of VSC, Huge Top held 173,424,000 shares (approximately 47.05%) in VSC as at 31st March 2007 and Mr. Yao is one of the two directors of Huge Top. Mr. Yao directly held approximately 11.91% and indirectly held approximately 42.86% of the issued share capital of Huge Top. Mr. Yao also has personal interests in 1,614,000 shares (approximately 0.44%) in VSC as at 31st March 2007. VSC is also engaged in steel trading business. The Group has ceased its steel trading operation after August 2007 and has no business that may compete with that of VSC.

Save as disclosed above, none of the Directors or the management 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.

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 2007.

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 2007.

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 2007. 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 four 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 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 condensed consolidated financial information for the six months ended 30th September 2007 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 2007

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. Takeshi Kadota (being the non-executive Director), Mr. Philip Ma King Huen, Mr. Kenny Tam King Ching, Mr. Edgar Kwan Chi Ping and Mr. Yu Wang Tak (being the independent non-executive Directors).

North Asia Strategic Holdings Limited 北亞策略控股有限公司*

Principal Place of Business

78th Floor, The Center, 99 Queen's Road Central, Hong Kong

Tel : (852) 2905 9000

Fax : (852) 2169 0209

主要營業地點

香港皇后大道中99號中環中心78樓

電話 : (852) 2905 9000

傳真 : (852) 2169 0209

www.nasholdings.com