

NORTH ASIA STRATEGIC HOLDINGS LIMITED

北亞策略控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8080)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2023

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

** For identification purpose only*

RESULTS

The Board of directors (the “Board”) of North Asia Strategic Holdings Limited (the “Company”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30th September 2023, together with the comparative unaudited figures of the corresponding period in 2022.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30th September		For the three months ended 30th September	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	3	517,740	791,116	297,899	370,842
Cost of sales		<u>(423,247)</u>	<u>(659,124)</u>	<u>(249,539)</u>	<u>(309,323)</u>
Gross profit		94,493	131,992	48,360	61,519
Other income and gains, net		8,974	8,140	6,991	7,110
Selling and distribution expenses		<u>(75,093)</u>	<u>(66,711)</u>	<u>(36,592)</u>	<u>(29,726)</u>
General and administrative expenses		<u>(87,127)</u>	<u>(113,462)</u>	<u>(43,440)</u>	<u>(53,149)</u>
Operating loss		<u>(58,753)</u>	<u>(40,041)</u>	<u>(24,681)</u>	<u>(14,246)</u>
Finance income	4	6,040	2,053	3,273	1,411
Finance costs	4	<u>(1,688)</u>	<u>(2,534)</u>	<u>(901)</u>	<u>(1,252)</u>
Loss before income tax		<u>(54,401)</u>	<u>(40,522)</u>	<u>(22,309)</u>	<u>(14,087)</u>
Income tax credit/(expense)	5	<u>9,828</u>	<u>1,280</u>	<u>3,839</u>	<u>(564)</u>
LOSS FOR THE PERIOD		<u><u>(44,573)</u></u>	<u><u>(39,242)</u></u>	<u><u>(18,470)</u></u>	<u><u>(14,651)</u></u>
Loss per share attributable to ordinary shareholders of the Company	6				
Basic (HK cents)		<u><u>(9.8)</u></u>	<u><u>(9.2)</u></u>	<u><u>(4.1)</u></u>	<u><u>(3.4)</u></u>
Diluted (HK cents)		<u><u>(9.8)</u></u>	<u><u>(9.2)</u></u>	<u><u>(4.1)</u></u>	<u><u>(3.4)</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30th September		For the three months ended 30th September	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Loss for the period	<u>(44,573)</u>	<u>(39,242)</u>	<u>(18,470)</u>	<u>(14,651)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME				
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:				
Currency translation differences of foreign operations	<u>(19,526)</u>	<u>(34,749)</u>	<u>4,622</u>	<u>(18,152)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX OF NIL	<u>(19,526)</u>	<u>(34,749)</u>	<u>4,622</u>	<u>(18,152)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(64,099)</u>	<u>(73,991)</u>	<u>(13,848)</u>	<u>(32,803)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30th September 2023	As at 31st March 2023
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	8	93,047	88,810
Investment properties	8	234,135	236,660
Intangible assets	8	401,563	378,992
Right-of-use assets	8	61,476	66,131
Trade and other receivables	9	10,159	19,298
Deferred tax assets		12,021	1,927
		812,401	791,818
Current assets			
Financial assets at fair value through profit or loss		108,379	123,903
Inventories		256,124	173,033
Trade and other receivables	9	474,417	562,223
Pledged deposits		1,712	4,490
Cash and cash equivalents		463,292	425,154
		1,303,924	1,288,803
Total assets		2,116,325	2,080,621
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	11	45,450	45,450
Reserves		1,326,652	1,389,886
Total equity	12	1,372,102	1,435,336

		As at 30th September 2023 <i>HK\$'000</i> (Unaudited)	As at 31st March 2023 <i>HK\$'000</i> (Audited)
LIABILITIES			
Current liabilities			
Other borrowings		—	1,800
Trade and other payables	<i>10</i>	659,532	553,634
Lease liabilities		19,947	18,456
Income tax liabilities		13,749	15,224
		<u>693,228</u>	<u>589,114</u>
Non-current liabilities			
Lease liabilities		47,059	52,737
Deposits received		—	2,564
Other non-current liabilities		109	185
Deferred tax liabilities		3,827	685
		<u>50,995</u>	<u>56,171</u>
Total liabilities		<u>744,223</u>	<u>645,285</u>
Total equity and liabilities		<u>2,116,325</u>	<u>2,080,621</u>
Net current assets		<u>610,696</u>	<u>699,689</u>
Total assets less current liabilities		<u>1,423,097</u>	<u>1,491,507</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Unaudited)		
	Attributable to shareholders of the Company		
	Share capital	Reserves	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balances as at 1st April 2022	42,512	1,404,930	1,447,442
Comprehensive income			
Loss for the period	—	(39,242)	(39,242)
<i>Other comprehensive loss</i>			
Currency translation differences of foreign operations	—	(34,749)	(34,749)
Total other comprehensive loss	—	(34,749)	(34,749)
Total comprehensive loss for the period	—	(73,991)	(73,991)
Balances as at 30th September 2022	<u>42,512</u>	<u>1,330,939</u>	<u>1,373,451</u>
Balances as at 1st April 2023	45,450	1,389,886	1,435,336
Comprehensive income			
Loss for the period	—	(44,573)	(44,573)
<i>Other comprehensive loss</i>			
Currency translation differences of foreign operations	—	(19,526)	(19,526)
Total other comprehensive loss	—	(19,526)	(19,526)
Total comprehensive loss for the period	—	(64,099)	(64,099)
Equity-settled share-based transactions	—	865	865
Balances as at 30th September 2023	<u><u>45,450</u></u>	<u><u>1,326,652</u></u>	<u><u>1,372,102</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30th September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flows from operating activities	<u>75,114</u>	<u>48,232</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(52,005)	(72,555)
Proceeds from disposal of items of property, plant and equipment	27,496	20,198
Additions of intangible assets	—	(2,000)
Acquisition of a subsidiary	(13,059)	—
Purchases of financial assets at fair value through profit or loss	—	(35,052)
Receipts from sales of financial assets at fair value through profit or loss	17,226	39,678
Others	<u>8,818</u>	<u>256</u>
Net cash flows used in investing activities	<u>(11,524)</u>	<u>(49,475)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of other borrowings	(1,800)	(8,427)
Principal portion of lease payments	<u>(10,369)</u>	<u>(8,026)</u>
Net cash flows used in financing activities	<u>(12,169)</u>	<u>(16,453)</u>
Increase/(decrease) in cash and cash equivalents	51,421	(17,696)
Cash and cash equivalents at 1st April	425,154	485,495
Effect of foreign exchange rate changes, net	<u>(13,283)</u>	<u>(19,874)</u>
Cash and cash equivalents at 30th September	<u><u>463,292</u></u>	<u><u>447,925</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash at banks and on hand	219,349	355,276
Non-pledged time deposits with original maturity of three months or less when acquired	<u>243,943</u>	<u>92,649</u>
Cash and cash equivalents as stated in the unaudited condensed consolidated statement of financial position	<u><u>463,292</u></u>	<u><u>447,925</u></u>

Notes:

1 GENERAL INFORMATION

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

- **hi-tech distribution and services:** trading of surface mount technology (“SMT”) assembly machinery and spare parts and provision of related installation, training, repair and maintenance services for SMT assembly machinery;
- **leasing:** provision of finance to its customers via a wide array of assets under finance lease arrangements and operating lease arrangements, and trading of lease assets;
- **electronic payment solution:** provision of payment solution that bridges online payment acquirers and the merchants; and
- **property and investment holding.**

The Company is a limited liability company incorporated in Bermuda as an exempted company under the Bermuda Companies Act 1981 (the “Companies Act”). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and that of its principal place of business is Suite 1618, 16th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong.

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

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

This report has been approved and authorised for issue by the Company’s board of directors on 9th November 2023.

2 BASIS OF PREPARATION

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

This report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31st March 2023.

The accounting policies adopted in the preparation of this unaudited condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31st March 2023, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) effective as of 1st April 2023.

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

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

3 REVENUE AND SEGMENT INFORMATION

3.1 Revenue

An analysis of revenue is as follows:

	For the six months ended 30th September		For the three months ended 30th September	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Revenue from contracts with customers (note)				
Recognised at a point in time:				
Sales of goods	477,289	726,276	278,186	335,166
Sales support service	7,869	17,166	1,976	11,460
E-payment service income	3,815	—	1,918	—
Recognised over time:				
Commission and other service income	15,306	23,092	7,970	9,091
	504,279	766,534	290,050	355,717
Revenue from other sources				
Income from finance lease arrangements	3,950	3,471	2,024	1,665
Income from operating lease arrangements	9,511	21,111	5,825	13,460
	517,740	791,116	297,899	370,842
<i>Note:</i>				
Disaggregated revenue information				
<i>Geographic markets</i>				
The PRC including Hong Kong	481,374	751,817	277,483	350,341
Asia — others	22,905	14,717	12,567	5,376
Total revenue from contracts with customers	504,279	766,534	290,050	355,717

3.2 *Operating segment information*

For management purposes, the Group is organised into three major reportable operating segments — hi-tech distribution and services, leasing and electronic payment solution. The hi-tech distribution and services operating segment derives revenue from the sales of goods, sales support services, commission and other service income. The leasing operating segment derives revenue from finance lease and operating lease arrangements, and trading of lease assets. The electronic payment solution operating segment derives revenue from providing payment solution.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before income tax. The adjusted profit/loss before income tax is measured consistently with the Group's profit/loss before tax except that finance income, finance costs, fair value gain/loss from the Group's financial instruments as well as corporate and other unallocated expenses are excluded from such measurement.

Segment assets consist primarily of property, plant and equipment, intangible assets, right-of-use assets, other non-current assets, inventories and trade and other receivables. Unallocated assets comprise investment properties, pledged deposits, cash and cash equivalents, financial assets at fair value through profit or loss, deferred tax assets and corporate and others.

Capital expenditure comprises additions to property, plant and equipment, intangible assets, investment properties and right-of-use assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The operating segment results for the period are as follows:

	For the six months ended 30th September 2023			
	(Unaudited)			
	Hi-tech distribution and services operation HK\$'000	Leasing operation HK\$'000	Electronic payment solution HK\$'000	Total HK\$'000
Revenue				
— Sales to external customers	<u>445,839</u>	<u>68,086</u>	<u>3,815</u>	<u>517,740</u>
Segment results	<u>(28,365)</u>	<u>2,914</u>	<u>(81)</u>	<u>(25,532)</u>
Change in fair value of financial assets at fair value through profit or loss				2,084
Interest income of financial assets at fair value through profit or loss				567
Finance income				6,040
Finance costs				(1,688)
Corporate and other unallocated expenses				<u>(35,872)</u>
Loss before income tax				(54,401)
Income tax credit				<u>9,828</u>
Loss for the period				<u>(44,573)</u>
Capital expenditure	11,179	44,702	22,740	78,621
Corporate and other unallocated expenditure				<u>2,968</u>
				<u>81,589</u>
Depreciation and amortisation	12,380	15,062	64	27,506
Corporate and other unallocated depreciation				<u>4,107</u>
				<u>31,613</u>
Reversal of impairment of trade, bills and finance lease receivables, net	(95)	(177)	—	(272)
Gain on disposal of items of property, plant and equipment	<u>(503)</u>	<u>—</u>	<u>—</u>	<u>(503)</u>

For the six months ended 30th September 2022
(Unaudited)

	Hi-tech distribution and services operation <i>HK\$'000</i>	Leasing operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
— Sales to external customers	<u>736,875</u>	<u>54,241</u>	<u>791,116</u>
Segment results	<u>(7,439)</u>	<u>637</u>	(6,802)
Gain on disposal of financial assets at fair value through profit or loss			7
Change in fair value of financial assets at fair value through profit or loss			664
Finance income			2,053
Finance costs			(2,534)
Corporate and other unallocated expenses			<u>(33,910)</u>
Loss before income tax			(40,522)
Income tax credit			<u>1,280</u>
Loss for the period			<u>(39,242)</u>
Capital expenditure	31,290	52,579	83,869
Corporate and other unallocated expenditure			<u>4,050</u>
			<u>87,919</u>
Depreciation and amortisation	13,973	14,959	28,932
Corporate and other unallocated depreciation			<u>4,414</u>
			<u>33,346</u>
Reversal of impairment of trade, bills and finance lease receivables, net	(4,034)	(79)	(4,113)
Loss on disposal of items of property, plant and equipment	<u>529</u>	<u>518</u>	<u>1,047</u>

The segment assets at the end of the reporting period are as follows:

	Hi-tech distribution and services operation <i>HK\$'000</i>	Leasing operation <i>HK\$'000</i>	Electronic payment solution <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30th September 2023 (Unaudited)				
Segment assets	<u><u>998,568</u></u>	<u><u>266,854</u></u>	<u><u>23,465</u></u>	1,288,887
Unallocated assets:				
Investment properties				234,135
Deferred tax assets				12,021
Financial assets at fair value through profit or loss				108,379
Pledged deposits				1,712
Cash and cash equivalents				463,292
Corporate and others				<u>7,899</u>
Total assets per the unaudited condensed consolidated statement of financial position				<u><u>2,116,325</u></u>
		Hi-tech distribution and services operation <i>HK\$'000</i>	Leasing operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31st March 2023 (Audited)				
Segment assets		<u><u>1,008,188</u></u>	<u><u>267,390</u></u>	1,275,578
Unallocated assets:				
Investment properties				236,660
Deferred tax assets				1,927
Financial assets at fair value through profit or loss				123,903
Pledged deposits				4,490
Cash and cash equivalents				425,154
Corporate and others				<u>12,909</u>
Total assets per the consolidated statement of financial position				<u><u>2,080,621</u></u>

Geographical information

(a) Revenue from external customers

The Group's activities are conducted predominantly in the Hong Kong, Mainland China and the rest of Asia. Revenue by geographical location is determined on the basis of the destination of shipment of goods for the hi-tech distribution and service operating segment and the location of the customers by the leasing operation segment.

The following table provides an analysis of the Group's revenue by geographical location:

	For the six months ended	
	30th September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The PRC including Hong Kong	494,835	776,399
Asia — others	22,905	14,717
	517,740	791,116

(b) Non-current assets

The geographic information of non-current assets is not presented since over 90% of the Group's non-current assets are located in the PRC (including Hong Kong).

Information about major customers

During the six months ended 30th September 2022, revenue of HK\$101,195,000 was derived from sales to a customer of the hi-tech distribution and services operating segment, which accounted for more than 10% of the Group's total revenue.

Revenue from each major customer is set out as below:

	For the six months ended	
	30th September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer 1	N/A*	101,195

* Less than 10% of the Group's total revenue.

4 FINANCE INCOME AND COSTS

An analysis of finance income and costs is as follows:

	For the six months ended 30th September		For the three months ended 30th September	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Finance income:				
Interest income from bank deposits	<u>6,040</u>	<u>2,053</u>	<u>3,273</u>	<u>1,411</u>
Finance costs:				
Interest on other borrowings	<u>131</u>	<u>645</u>	<u>99</u>	<u>488</u>
Interest on lease liabilities	<u>1,557</u>	<u>1,889</u>	<u>802</u>	<u>764</u>
	<u>1,688</u>	<u>2,534</u>	<u>901</u>	<u>1,252</u>

5 INCOME TAX (CREDIT)/EXPENSE

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

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

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

	For the six months ended 30th September		For the three months ended 30th September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Current taxation				
Hong Kong profits tax				
— current period	—	—	—	—
Mainland China corporate income tax				
— current period	516	2,487	477	715
— overprovision in prior year	—	(497)	—	—
Deferred	(10,344)	(3,270)	(4,316)	(151)
	<u>(9,828)</u>	<u>(1,280)</u>	<u>(3,839)</u>	<u>564</u>

6 LOSS PER SHARE

Basic loss per share is calculated by dividing the Group's loss attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

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

The calculation of basic and diluted loss per share amount are based on:

	For the six months ended 30th September		For the three months ended 30th September	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Loss				
Loss attributable to shareholders of the Company, used in the basic and diluted loss per share calculation (HK\$'000)	<u>(44,573)</u>	<u>(39,242)</u>	<u>(18,470)</u>	<u>(14,651)</u>
Shares				
Weighted average number of ordinary shares in issue, used in the basic loss per share and the diluted loss per share calculation	<u>454,509,311</u>	<u>425,125,311</u>	<u>454,509,311</u>	<u>425,125,311</u>

7 DIVIDENDS

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

8 CAPITAL EXPENDITURE

	Property, plant and equipment <i>HK\$'000</i> (Unaudited)	Investment properties <i>HK\$'000</i> (Unaudited)	Intangible assets <i>HK\$'000</i> (Unaudited)	Right-of-use assets <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
At 1st April 2023	88,810	236,660	378,992	66,131	770,593
Additions	52,005	—	—	6,849	58,854
Acquisition of a subsidiary (<i>note 15</i>)	—	—	22,735	—	22,735
Disposals	(26,993)	—	—	—	(26,993)
Depreciation and amortisation	(18,068)	(2,525)	(164)	(10,856)	(31,613)
Exchange realignments	(2,707)	—	—	(648)	(3,355)
At 30th September 2023	<u>93,047</u>	<u>234,135</u>	<u>401,563</u>	<u>61,476</u>	<u>790,221</u>
At 1st April 2022	86,180	241,710	377,192	70,094	775,176
Additions	72,555	—	2,000	13,364	87,919
Disposals	(21,245)	—	—	—	(21,245)
Depreciation and amortisation	(19,674)	(2,525)	(100)	(11,047)	(33,346)
Exchange realignments	(1,153)	—	—	(1,428)	(2,581)
At 30th September 2022	<u>116,663</u>	<u>239,185</u>	<u>379,092</u>	<u>70,983</u>	<u>805,923</u>

9 TRADE AND OTHER RECEIVABLES

	As at 30th September 2023 HK\$'000 (Unaudited)	As at 31st March 2023 HK\$'000 (Audited)
Trade receivables	257,879	348,815
Less: Impairment of trade receivables	<u>(6,659)</u>	<u>(6,797)</u>
	<u>251,220</u>	<u>342,018</u>
Bills receivable	29,798	19,386
Less: Impairment of bills receivable	<u>(129)</u>	<u>(86)</u>
	<u>29,669</u>	<u>19,300</u>
Trade and bills receivables, net (<i>note (a)</i>)	<u>280,889</u>	<u>361,318</u>
Finance lease receivables	65,764	78,959
Less: Impairment of finance lease receivables	<u>(432)</u>	<u>(609)</u>
Finance lease receivables, net (<i>note (b)</i>)	65,332	78,350
Less: Non-current portion*	<u>(6,215)</u>	<u>(9,741)</u>
Finance lease receivables, net, current portion (<i>note (b)</i>)	<u>59,117</u>	<u>68,609</u>
Prepayments, deposits and other receivables, net	138,355	141,853
Less: Non-current portion*	<u>(3,944)</u>	<u>(9,557)</u>
Prepayments, deposits and other receivables, net, current portion	<u>134,411</u>	<u>132,296</u>
Total trade and other receivables, current portion	<u>474,417</u>	<u>562,223</u>
* Total trade and other receivables, non-current portion	<u>10,159</u>	<u>19,298</u>

(a) Trade and bills receivables, net

The Group's trading terms with its customers of hi-tech distribution and service operation are mainly on letters of credit or documents against payment, and in some cases granting a credit period of 5 to 180 days. Payment in advance is normally required. In respect of the Group's operating leasing operation, trade receivables are settled based on the terms stipulated in the lease agreements. The trade receivables of the Group's electronic payment solution operation are settled based on the terms as stipulated in the service agreement. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Since the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Except for a trade receivable with a carrying amount of HK\$12,052,000 which was fully covered by a deposit received, the Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances.

An ageing analysis of trade and bills receivables, based on the invoice date and net of loss allowance, as at the end of the reporting period is as follows:

	As at 30th September 2023 <i>HK\$'000</i> (Unaudited)	As at 31st March 2023 <i>HK\$'000</i> (Audited)
3 months or less	187,922	300,320
4 to 6 months	54,355	32,866
7 to 9 months	17,801	11,733
10 to 12 months	4,507	3,058
Over 12 months	16,304	13,341
	<u>280,889</u>	<u>361,318</u>

(b) Finance lease receivables, net

	As at 30th September 2023 <i>HK\$'000</i> (Unaudited)	As at 31st March 2023 <i>HK\$'000</i> (Audited)
Gross investment in finance leases	68,017	83,437
<i>Less: Unearned finance lease income</i>	<u>(2,253)</u>	<u>(4,478)</u>
Present value of minimum lease amounts receivables	65,764	78,959
<i>Less: Accumulated allowance for impairment</i>	<u>(432)</u>	<u>(609)</u>
	65,332	78,350
<i>Less: Current portion</i>	<u>(59,117)</u>	<u>(68,609)</u>
Non-current portion	<u>6,215</u>	<u>9,741</u>

Gross amounts and present values

The analysis of the Group's gross investment in finance leases and present value of minimum lease amounts receivable under finance leases by relevant maturity groupings at the end of the reporting period is as follows:

	Gross amounts		Present values	
	As at 30th September 2023 <i>HK\$'000</i> (Unaudited)	As at 31st March 2023 <i>HK\$'000</i> (Audited)	As at 30th September 2023 <i>HK\$'000</i> (Unaudited)	As at 31st March 2023 <i>HK\$'000</i> (Audited)
Within one year	61,584	73,367	59,117	68,609
After one year but not more than two years	6,433	10,070	6,215	9,741
	<u>68,017</u>	<u>83,437</u>	<u>65,332</u>	<u>78,350</u>

10 TRADE AND OTHER PAYABLES

	As at 30th September 2023 <i>HK\$'000</i> (Unaudited)	As at 31st March 2023 <i>HK\$'000</i> (Audited)
Trade and bills payables (<i>note</i>)	255,492	292,885
Accrual for operating expenses	89,008	77,746
Receipts in advance	1,733	1,496
Contract liabilities	275,361	154,128
Deposits received	503	3,795
Other payables	37,435	23,584
	<u>659,532</u>	<u>553,634</u>

Note:

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

	As at 30th September 2023 <i>HK\$'000</i> (Unaudited)	As at 31st March 2023 <i>HK\$'000</i> (Audited)
3 months or less	232,288	250,613
4 to 6 months	6,407	21,799
7 to 9 months	1,197	1,321
10 to 12 months	1,625	2,348
Over 12 months	13,975	16,804
	<u>255,492</u>	<u>292,885</u>

11 SHARE CAPITAL

(a) Share capital of the Company

	Ordinary shares Number of shares '000	Ordinary share capital <i>HK\$'000</i>	Preference shares Number of shares '000	Preference share capital <i>HK\$'000</i>	Total <i>HK\$'000</i>
Authorised:					
At 1st April 2022, 31st March 2023, 1st April 2023 and 30th September 2023 — HK\$0.1 each	<u>4,000,000</u>	<u>400,000</u>	<u>3,000,000</u>	<u>300,000</u>	<u>700,000</u>
Issued:					
At 1st April 2022	425,125	42,512	—	—	42,512
Share options exercised	<u>29,384</u>	<u>2,938</u>	—	—	<u>2,938</u>
At 31st March 2023, 1st April 2023 and 30th September 2023	<u>454,509</u>	<u>45,450</u>	—	—	<u>45,450</u>

Details of the Company's movements in share capital and reserves are included in note 12 to the interim financial information.

(b) Share options of the Company

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

The movement in the number of share options outstanding and their related weighted average exercise price are as follows:

	Weighted average exercise price per share HK\$	Number of share options
At 31st March 2022, 1st April 2022 and 30th September 2022	<u>0.87</u>	<u>18,928,388</u>
At 31st March 2023 and 1st April 2023	0.79	22,196,388
Granted during the period	<u>0.34</u>	<u>9,860,000</u>
At 30th September 2023	<u>0.65</u>	<u>32,056,388</u>

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

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

As at 30th September 2023

Number of options	Exercise price* <i>HK\$ per share</i>	Exercise period
7,404,388	1.14	16th August 2017 — 15th August 2027
11,524,000	0.70	24th December 2021 — 23rd December 2031
3,268,000	0.33	7th November 2022 — 6th November 2032
<u>9,860,000</u>	0.34	6th July 2023 — 5th July 2033
<u><u>32,056,388</u></u>		

As at 30th September 2022

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

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted during the six months ended 30th September 2023, determined using a binomial model, was approximately HK\$865,000. The Group had recognised a share option expense of HK\$865,000 during the six months ended 30th September 2023. No share option was granted during the six months ended 30th September 2022.

The fair value of equity-settled share options granted during the six months ended 30th September 2023 was determined as at the date of grant using a binomial model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

Expected dividend yield (%)	0.000
Expected volatility (%)	76.965
Risk-free interest rate (%)	3.937
Exercise multiple (times)	1.03

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the share options granted was incorporated into the measurement of fair value.

12 EQUITY

Movements in unaudited consolidated equity are as follows:

	Share capital <i>HK\$'000</i> <i>(note 11(a))</i>	(Unaudited) Other reserves <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balances as at 1st April 2023	45,450	1,196,669	193,217	1,435,336
Loss for the period	—	—	(44,573)	(44,573)
Currency translation differences of foreign operations	—	(19,526)	—	(19,526)
Total comprehensive loss for the period	—	(19,526)	(44,573)	(64,099)
Equity-settled share-based transactions <i>(note 11(b))</i>	—	865	—	865
Balances as at 30th September 2023	45,450	1,178,008	148,644	1,372,102
Balances as at 1st April 2022	42,512	1,212,801	192,129	1,447,442
Loss for the period	—	—	(39,242)	(39,242)
Currency translation differences of foreign operations	—	(34,749)	—	(34,749)
Total comprehensive loss for the period	—	(34,749)	(39,242)	(73,991)
Balances as at 30th September 2022	42,512	1,178,052	152,887	1,373,451

13 RELATED PARTY TRANSACTIONS

Key management compensation of the Group

	For the six months ended 30th September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Salaries, allowances and bonuses	6,273	7,861
Equity-settled share option expenses	865	—
Retirement benefits — defined contribution scheme	27	36
	<u>7,165</u>	<u>7,897</u>

14 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade, bills and other receivables, trade and other payables and other borrowings approximate to their carrying amounts largely due to short term maturities of these instruments.

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of finance lease receivables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The carrying amounts of finance lease receivables approximate to their fair values.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			Total <i>HK\$'000</i>
	Quoted prices in markets (Level 1) <i>HK\$'000</i>	Significant observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>	
As at 30th September 2023				
(Unaudited)				
Financial assets at fair value through profit or loss	108,379	—	—	108,379
As at 31st March 2023 (Audited)				
Financial assets at fair value through profit or loss	123,903	—	—	123,903

The Group did not have any financial liabilities measured at fair value as at 30th September 2023 and 31st March 2023.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30th September 2022: Nil).

15. BUSINESS COMBINATION

On 4th April 2023, the Group acquired a 100% interest in Jarvix (Hong Kong) Limited from a vendor (the “Vendor”). Jarvix (Hong Kong) Limited is engaged in operating the payment business. Details of the transactions are set out in the Company’s announcement dated 21st December 2022. The acquisition was made as part of the Group’s strategy to expand its business into other industry. The purchase consideration for the acquisition was in the form of cash of US\$2,400,000 (equivalent to HK\$18,672,000).

The provisional fair values of the identifiable assets and liabilities of Jarvix (Hong Kong) Limited as at the date of acquisition were as follows:

	Provisional fair value recognised on acquisition <i>HK\$'000</i>
Intangible assets	19,107
Inventories	9
Trade and other receivables	42
Trade and other payables	(961)
Deferred tax liabilities	(3,153)
	<hr/>
Total identifiable net assets at fair value	15,044
	<hr/>
Goodwill on acquisition	3,628
	<hr/>
Satisfied by cash	18,672
	<hr/> <hr/>

The fair value of the identifiable assets and liabilities of the subsidiary at the completion date of the acquisition for initial accounting purpose are determined on a provisional basis as the Group is in the process of completing the valuation. They may be adjusted upon the completion of the initial accounting year which shall not exceed one year from the acquisition date.

The fair values of the other receivables as at the date of acquisition amounted to HK\$42,000.

The Group incurred transaction costs of HK\$3,674,000 for this acquisition. These transaction costs have been expensed and are included in general and administrative expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	<i>HK\$'000</i>
Cash consideration	<u>(18,672)</u>
Deposit paid in the prior year	(5,613)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(13,059)
Transaction costs of the acquisition included in cash flows from operating activities	<u>(3,674)</u>
	<u><u>(22,346)</u></u>

Since the acquisition, Jarvix (Hong Kong) Limited contributed HK\$3,815,000 to the Group's revenue and HK\$71,000 to the consolidated loss for the six months ended 30th September 2023.

Had the combination taken place at the beginning of the period, there would have been no significant impact to the revenue and the loss of the Group for the period.

BUSINESS REVIEW

Financial and Business Performance

For the six months ended 30th September 2023 (the “Interim Period”), the Group recorded unaudited consolidated revenue of approximately HK\$517,740,000, representing a decrease of 34.6% from approximately HK\$791,116,000 in the corresponding period last year. During the Interim Period, revenue of the Group’s hi-tech distribution and services division decreased by 39.5%, from corresponding period last year. Such decrease is mainly due to the continued sluggish demand in global mobile phone market which caused the Group’s customers, which are mainly mobile phone manufacturers in China, to trim down their acquisition plans. The leasing division recorded an increase in revenue of 25.5% compared to corresponding period last year. Such increase is mainly due to the increase in revenue from sale of machines during the Interim Period.

During the Interim Period, the Group’s total operating expenses amounted to approximately HK\$162,220,000, representing a decrease of 10.0% from approximately HK\$180,173,000 in the corresponding period last year. The decrease in operating expenses was mainly because of the reduction in net exchange loss from approximately HK\$25,498,000 in the corresponding period last year to approximately HK\$8,944,000 in the Interim Period. During the Interim Period, the Group’s total operating expenses (excluding the exchange loss) to the revenue ratio was increased to 29.6% from approximately 19.6% in the corresponding period last year.

During the Interim Period, the Group recorded an increase in unaudited consolidated net loss from approximately HK\$39,242,000 in the corresponding period last year to approximately HK\$44,573,000 in the Interim Period. The unaudited basic loss per share in the Interim Period was approximately HK9.8 cents, representing an increase of HK0.6 cents from approximately HK9.2 cents in the corresponding period last year.

Below is a summary of the financial and business highlights of the Group’s business divisions. The profit/loss figures disclosed below do not include any intra-group sales and charges, as they are eliminated upon consolidation.

Hi-Tech Distribution and Services Division

The Group conducts its hi-tech distribution and services business through its wholly-owned subsidiary, American Tec Company Limited (“AMT”). AMT is a leader in Asia in the business of distribution, sales and service of SMT equipment, semiconductor manufacturing equipment and software on manufacturing control, with a history of more than 30 years in serving its customers in the hi-technology sector. AMT’s team of more than 250 engineers and customer care staff are located in more than 25 cities in China, South-East Asia, including Thailand, Vietnam and India. Customers include most of the major telecom and electronic equipment manufacturers in the world. AMT is especially well positioned with the growing base of Chinese manufacturers. Its suppliers include leading equipment and solutions manufacturers from Asia, the United States and Europe.

During the Interim Period, the unaudited revenue of the division was approximately HK\$445,839,000, representing a decrease of 39.5% from approximately HK\$736,875,000 in the corresponding period last year. Such decrease was mainly due to the continued sluggish demand in global mobile phone market from the start of 2022 till now. A recent market research report by Counterpoint indicated that global smartphone shipments declined from April to September 2023. This decline marks the ninth consecutive quarter of year-on-year decrease, with a 8% decline compared to the previous year. The decrease in volumes is largely due to a slower-than-expected recovery in consumer demand, and it is expected that the market will continue to decline throughout the full year of 2023, reaching its lowest level in a decade. This is primarily attributed to a shift in device replacement patterns, particularly in developed markets. The division’s customers, mainly mobile phone manufacturers in China, have also been cutting down their manufacturing facilities acquisition plans which contributed to a significant drop in orders placed to the division during the first six months of 2023 and thereafter. This has led to a reduction in completion of orders during the Interim Period as compared to the same period last year and consequently a decrease in the revenue of the division.

The division’s direct machine sales during the Interim Period was approximately HK\$382,951,000, representing a decrease of 41.9% from approximately HK\$658,716,000 in the corresponding period last year. It also recorded sales support service, commission and other services income of approximately HK\$22,847,000, representing a decrease of 42.6% from approximately HK\$39,803,000 in the corresponding period last year. Sales of spare parts and software sales were approximately HK\$40,041,000, representing an increase of 4.4% from approximately HK\$38,356,000 in the corresponding period last year. The disappointing result was mainly due to withholding of capital investment by AMT’s customers, who hold unfavorable outlook of demand for smartphones.

During the Interim Period, the division recorded an unaudited net loss of approximately HK\$20,624,000, representing an increase of 220.6% from approximately HK\$6,433,000 in the corresponding period last year.

Leasing Division

The Group conducts its leasing business through its wholly-owned subsidiaries, North Asia Financial Leasing (Shanghai) Co., Ltd. (“NAFL”) in China Shanghai Pilot Free Trade Zone and Fuji North Asia Financial Leasing (Shenzhen) Co., Ltd. (“FNAFL”) in Qianhai Shenzhen-Hongkong Modern Service Industry Cooperation Zone. The leasing division provides finance and operating lease arrangements to customers of the Group’s hi-tech distribution and services division and other projects.

Throughout the Interim Period, the leasing industry has continued to face persistent challenges arising from market conditions experienced in last year. Specifically, the market for consumer electronics products remains significantly weak and volatile. Despite the challenging market conditions, the division generated unaudited revenue of approximately HK\$68,086,000 during the Interim Period, representing an increase of 25.5%, as compared with same period last year of approximately HK\$54,241,000. Such increase in revenue is mainly because the division records revenue from sales of machines of approximately HK\$54,625,000 during the Interim Period, representing a 84.2% increase from approximately HK\$29,659,000 in the same period last year. To address market changes, the management focused on enhancing service levels, such as equipment customization, scheduling, and technical support, while also making appropriate price adjustments.

Despite the revenue growth, the gross profit of the division is still under significant pressure due to heightened customer price sensitivity and intensified price competition from competitors. During the Interim Period, the division recorded revenue of approximately HK\$9,511,000 from operating lease arrangements, decreased by 54.9% from approximately HK\$21,111,000 in same period last year. The decrease in revenue is primarily due to a substantial disparity in rental prices compared to last year, as well as an overall downward trend in equipment utilization rates.

Furthermore, in response to changes in the market environment and interest rates, the leasing division has adjusted its strategies flexibly to achieve a good balance between risk and business growth. The division continued to diversify its customer base to manufacturers and offer short-term (6-12 months) finance option to its customers. The division’s finance lease business has shown slight growth in that the principal amount of finance lease receivables increased by 37.0% to approximately HK\$65,332,000 as of 30th September 2023 from approximately HK\$47,679,000 at of 30th September 2022. During the Interim Period, finance lease income increased by approximately 13.8% to approximately HK\$3,950,000, as compared with same period last year of approximately HK\$3,471,000.

Despite the challenges from market instability, the division continues to strengthen its customer base and diversify revenue streams, to sale of electronic components, devices and equipment. Additionally, the division is actively adding new brands to its portfolio to further enhance it product offering.

The division has made persistent effort in leveraging the resources of the market to generate revenue and implemented cost-saving measures under unfavourable market conditions. During the Interim Period, the division managed to record an unaudited net profit of approximately HK\$2,927,000, representing an increase of 1,611% from approximately HK\$171,000 in the same period last year.

Electronic Payment Solution Division

The Group conducted its payment solution business through its wholly-owned subsidiary, Jarvix (Hong Kong) Limited (“Jarvix”). Jarvix is principally engaged in providing a payment solution to local merchants such that they can accept wide range of electronic payment methods. Jarvix has been focusing on various industries such as fitness and beauty and sports. Jarvix offers tailored market analysis and payment solutions to help its merchants effectively respond to market changes and capitalize on business opportunities.

During the Interim Period, the division has strategically increased its investment in advertising and manpower both to enable it to expand and diversify its client base both within and beyond those three industries and to deliver prompt and client friendly services at competitive prices. Post pandemic normalisation of consumer activities in Hong Kong (where Jarvix’s operations are focused) has included increased travel, especially to the north of Hong Kong, has had a both positive and negative impact on the electronic consumer industry during the Interim Period.

The division recorded unaudited revenue of approximately HK\$3,815,000 and unaudited net loss of approximately HK\$71,000 for the Interim Period.

OUTLOOK

General

The reopening of China brought a rebound in first three quarters of 2023 but the GDP growth became slower in the third quarter of 2023 than that in the previous two quarters. The China industrial and commercial activities did not rebound sharply as expected but remained sluggish and rebounded weakly. Furthermore, the geo-political and economic impact of the ongoing Russia-Ukraine military conflict, surging youth unemployment rate in China and stress on financial institution caused by debt defaults of giant China real estate companies may further dampen consumer confidence and economic activities. In response to the US-China decoupling and other geopolitical risks, the trend of diversification of manufacturing bases to outside China amongst our customers continues. In order to serve our customer, management has also diversified and continued to expand its operations in Thailand and Vietnam.

In its latest Global Economic Prospect report in June 2023, World Bank projected that the global economic growth rate will slow substantially from 3.1 percent in 2022 to 2.1 percent in 2023 and economic growth in China is projected to rebound to 5.6 percent. However, the recovery in China is expected to be led by services activity and therefore industrial recovery is weaker than expected. According to the National Bureau of Statistics of China's preliminary estimate in October 2023, the gross domestic product (GDP) for the third quarter of 2023 was up 4.9 percent year on year while the GDP for the first three quarters of 2023 was up by 5.2 percent year on year, showing the China's GDP growth was losing momentum in the third quarter of 2023. The total value added of its industrial enterprises grew by only 4.0 percent year on year in the first nine months of 2023, or 0.2 percentage points faster than that in the first half year of 2023. The Group is still facing challenges and uncertainty in market recovery in the coming quarters given the factors mentioned above.

International Data Corporation (“IDC”) has predicted in March 2023 that the worldwide smartphone shipments would decline by 1.1% to 1.19 billion units in 2023 from 1.21 billion units in 2022. According to IDC’s latest Worldwide Quarterly Mobile Phone Tracker forecast published in October 2023, it reported that the worldwide shipments of smartphones declined by 0.1% year on year in Q3 2023, representing an improvement from the 6.7% year on year decline in Q2 2023. However, the China shipments of smartphones declined by 6.3% year on year in Q3 2023 which is worse than the decline of 2.1% in Q2 2023. IDC explained that the continuous decline of smartphone shipment for the past ten consecutive quarters in China is mainly caused by climbing youth unemployment, ongoing real estate crisis and deflation that significantly dampened consumer spending and macroeconomic environment in China. According to a recent research report by Counterpoint, the global smartphone market has undergone significant consolidation, with the number of brands decreasing from over 700 in 2017 to just 250 by 2023. This decline can be attributed to various factors, including global economic and political influences, as well as industry-wide reshuffling that has resulted in the survival of stronger brands and the elimination of weaker ones. As a major manufacturing hub, Mainland China has undoubtedly experienced a substantial impact from these changes.

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

Hi-Tech Distribution and Services Division

The division continued to see significant reduction in orders during and after the Interim Period. The division’s customers, which are mainly mobile phone manufacturers in China, has become very cautious in acquiring new manufacturing facilities under current economic environment. As a result, revenue to be recognised upon completion of orders in the coming quarters may significantly decline.

The emerging electric vehicle manufacturing industry creates new opportunities for the Group as the 2030 net-zero emissions target set by most countries can lead to the accelerated replacement of petroleum fuelled vehicles with electric vehicles, and the Group has observed that some of its major customers are repositioning themselves towards electric vehicles manufacturing. The Group is also seeing potentials for growth in demand for AI Cloud servers hardware and hard disk storage as the deployment of artificial intelligence (AI) in a wide range of activities have become increasingly extensive, not in the least due to popularity of ChatGPT, Copilot, Bard and Ernie Bot etc. Those of the Group’s customers that operate in this sector can stand to benefit from such growth, which can in turn lead increase in demand for SMT and semi-conductor manufacturing facilities.

Leasing Division

In light of the challenging and highly uncertain market environment, the division will continue to provide its customers more flexible and diverse operating leasing solutions including competitive price and value added services that support customers' needs. The division will nevertheless strive appropriately to manage the balance between risk and growth, while optimizing operations and maintaining corporate image. For the finance lease operation, the new CNC digital control system developed by the division last year facing great difficulty in attracting repeated customers and acquiring new customers in the coming quarters.

Electronic Payment Solution Division

After the pandemic, various consumer patterns have gradually returned to normal, such as resuming travel, particularly the popular trend of traveling north. Jarvix's merchant business is primarily focused in Hong Kong and has experienced both positive and negative impacts. However, we believe that these impacts are predominantly seasonal in nature and do not have long-term effects. The division is committed towards providing high quality and competitive services to local merchants and is developing new mobile applications that enables Jarvix to expand its services to consumers. The division is optimistic that the future introduction by the Hong Kong Government of a retail central bank digital currency (e-HKD) would further increase.

LIQUIDITY AND FINANCIAL RESOURCES

During the Interim Period, the Group generally finance its operation with internally generated resources and banking facilities provided by its principal bankers in Hong Kong. As at 30th September 2023, the Group had no secured other borrowings (31st March 2023: HK\$1,800,000). At 30th September 2023, the gearing ratio of the Group, which was calculated as total liabilities over the total assets was 35.2%, as compared to 31.0% as at 31st March 2023.

Contingent Liabilities

As at 30th September 2023, the guarantees given by the Group to certain banks in respect of performance bonds and standby letter of credit in favour of certain contract customers and a supplier amounted to HK\$105,584,000 (31st March 2023: HK\$61,303,000).

Foreign Currency Exposure

The business of the Group was primarily transacted in HK\$, US\$, Japanese Yen and Renminbi. The Group's cash and bank deposits were mainly denominated in HK\$ and US\$. The foreign currency exposure of the Group is mainly driven by its business division. The Group attempts to minimise its foreign currency exposure through (i) matching its payables for purchases against its receivables on sales and (ii) maintain sufficient foreign currency cash balances to settle the foreign currency payables. The Group will continue to monitor closely the exchange rate between Renminbi, US\$ and Japanese Yen and will make necessary hedging arrangements to minimise its foreign currency exposure arising from foreign currency fluctuation in the future.

Employee Information

As at 30th September 2023, the Group employed 395 staff (as at 30th September 2022: 396). Total staff costs including contribution to retirement benefit schemes incurred during the six months ended 30th September 2023 amounted to approximately HK\$79,432,000 (for the six months ended 30th September 2022: HK\$82,949,000).

Capital Commitments

There was no material capital commitments as at 30th September 2023.

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

As at 30th September 2023, the Directors and chief executive of the Company and their respective associates had the following interests or short positions in the shares and/or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by Directors:

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

Name of Director	Capacity	Number of ordinary shares held	Number of underlying shares held (Share Options)	Approximate percentage of shares and underlying shares held (Note a)
Zhang Yifan	Beneficial owner	3,268,000	8,279,817	24.82%
	Interest of controlled corporation (Note b)	101,272,000	—	
Kenneth Kon Hiu King	Beneficial owner	—	8,994,217	1.97%
Pierre Tsui Kwong Ming	Beneficial owner	—	1,182,217	0.26%
Joseph Liang Hsien Tse	Beneficial owner	—	1,078,217	0.23%
Joseph Chan Nap Kee	Beneficial owner	—	1,078,217	0.23%

Notes:

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

Save as disclosed above, as at 30th September 2023, none of the Directors and chief executive of the Company or their respective associates had any interests or short positions in the securities of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors.

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

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

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

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

Notes:

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

Save as disclosed above, the Directors and the chief executive of the Company were not aware of any person (other than the Directors or chief executive of the Company the interests of which were disclosed above) who has any interests or short positions in the securities of the Company that were required to be entered in the register of the Company pursuant to Section 336 of the SFO as at 30th September 2023.

SHARE OPTION SCHEME

2023 Scheme

On 7th September 2023, the shareholders of the Company approved the adoption of a share option scheme (the “2023 Scheme”). Under the terms of the 2023 Scheme, the Board may at its discretion offer share options to eligible participants including any Director or employee of the Company or any subsidiary, including any executive or non-executive director of the Company or any subsidiary, and any employee whom the Board considers, at its sole discretion, have contributed or will contribute to the Group, and persons who are granted options under 2023 Scheme as inducement to enter into employment contracts with the Company or any subsidiary. The purpose of the 2023 Scheme is to reward eligible participants who have contributed or will contribute to the Group and to encourage longer term commitment of eligible participants to the Group and to better align their interests with those of shareholders as a whole, which can contribute towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The 2023 Scheme shall be valid and effective for a period of ten years commencing on the adoption date.

As at 30th September 2023, no share options have been granted by the Company pursuant to the 2023 Scheme. As at the adoption date and 30th September 2023, the number of share options available for grant under the 2023 Scheme was 45,450,931.

2014 Scheme

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

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

Name	Date of grant	Exercise period	Vesting period	Exercise price ⁽²⁾	Number of share options					
					Outstanding as at 1st April 2023	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30th September 2023
Executive Directors										
Zhang Yifan	16th August 2017	16th August 2017 to 15th August 2027	Vested on the date of grant	HK\$1.137	2,755,817	—	—	—	—	2,755,817
	24th December 2021	24th December 2021 to 23rd December 2031	Vested on the date of grant	HK\$0.700	980,000	—	—	—	—	980,000
	7th November 2022	7th November 2022 to 6th November 2032	Vested on the date of grant	HK\$0.325	3,268,000	—	—	—	—	3,268,000
	6th July 2023	6th July 2023 to 5th July 2033	Vested 12 months after date of grant	HK\$0.339	—	1,276,000 ⁽¹⁾	—	—	—	1,276,000
Kenneth Kon Hiu King	16th August 2017	16th August 2017 to 15th August 2027	Vested on the date of grant	HK\$1.137	202,217	—	—	—	—	202,217
	24th December 2021	24th December 2021 to 23rd December 2031	Vested on the date of grant	HK\$0.700	4,248,000	—	—	—	—	4,248,000
	6th July 2023	6th July 2023 to 5th July 2033	Vested 12 months after date of grant	HK\$0.339	—	4,544,000 ⁽¹⁾	—	—	—	4,544,000
Non-executive Director										
Pierre Tsui Kwong Ming	16th August 2017	16th August 2017 to 15th August 2027	Vested on the date of grant	HK\$1.137	202,217	—	—	—	—	202,217
	24th December 2021	24th December 2021 to 23rd December 2031	Vested on the date of grant	HK\$0.700	980,000	—	—	—	—	980,000

Name	Date of grant	Exercise period	Vesting period	Exercise price ⁽²⁾	Number of share options					
					Outstanding as at 1st April 2023	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30th September 2023
Independent non-executive Directors										
Joseph Liang Hsien Tse	16th August 2017	16th August 2017 to 15th August 2027	Vested on the date of grant	HK\$1.137	202,217	—	—	—	—	202,217
	24th December 2021	24th December 2021 to 23rd December 2031	Vested on the date of grant	HK\$0.700	424,000	—	—	—	—	424,000
	6th July 2023	6th July 2023 to 5th July 2033	Vested 12 months after date of grant	HK\$0.339	—	452,000 ⁽¹⁾	—	—	—	452,000
Joseph Chan Nap Kee	16th August 2017	16th August 2017 to 15th August 2027	Vested on the date of grant	HK\$1.137	202,217	—	—	—	—	202,217
	24th December 2021	24th December 2021 to 23rd December 2031	Vested on the date of grant	HK\$0.700	424,000	—	—	—	—	424,000
	6th July 2023	6th July 2023 to 5th July 2033	Vested 12 months after date of grant	HK\$0.339	—	452,000 ⁽¹⁾	—	—	—	452,000
Sub-Total					13,888,685	6,724,000	—	—	—	20,612,685
Substantial Shareholder										
Lu Ying	16th August 2017	16th August 2017 to 15th August 2027	Vested on the date of grant	HK\$1.137	275,016	—	—	—	—	275,016
	24th December 2021	24th December 2021 to 23rd December 2031	Vested on the date of grant	HK\$0.700	424,000	—	—	—	—	424,000
Employees of the Group										
Other Employees	16th August 2017	16th August 2017 to 15th August 2027	Vested on the date of grant	HK\$1.137	3,564,687	—	—	—	—	3,564,687
	24th December 2021	24th December 2021 to 23rd December 2031	Vested on the date of grant	HK\$0.700	4,044,000	—	—	—	—	4,044,000
	6th July 2023	6th July 2023 to 5th July 2033	Vested 12 months after date of grant	HK\$0.339	—	3,136,000 ⁽¹⁾	—	—	—	3,136,000
Total					22,196,388	9,860,000	—	—	—	32,056,388

Notes:

- (1) The closing price per share immediately before 6th July 2023, the date of grant, was HK\$0.300. There are no performance targets attached to the grant of share options.
- (2) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

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

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

The number of share options available for grant under the 2014 Scheme as at 1st April 2023 and 30th September 2023 was 9,860,531 and 45,450,931 respectively.

Fair value of share options and assumptions

The fair value of the share options granted to Directors, a substantial shareholder and employees was determined using the binomial model. The inputs into the model and the fair value of the total share options granted were as follows:

	Date of grant			
	16th August 2017	24th December 2021	7th November 2022	6th July 2023
Expected dividend yield (%)	0.000	0.000	0.000	0.000
Expected volatility (%)	79.012	72.564	73.844	76.965
Risk-free interest rate (%)	2.030	1.512	4.422	3.937
Exercise multiple (times)	2.80	1.10	1.10	1.03
Fair value of the total share options granted	HK\$4,684,000	HK\$730,000	HK\$961,000	HK\$865,000

The binomial model is a generally accepted method of valuing share options. The significant assumptions used in the calculation of the values of the share options were risk-free interest rate, exercise multiple, expected volatility and expected dividend yield. The measurement date used in the valuation model was the date on which the share options were granted.

The values of share options determined using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself. The value of the share option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of the share option.

The total number of shares of the Company (the “Shares”) that may be issued in respect of share options granted under all schemes of the Company during six months ended 30th September 2023 divided by the weighted average number of Shares in issue for the six months ended 30th September 2023 is 2.17%.

Save as disclosed above, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, (i) none of the grantees is a director, chief executive or substantial shareholder of the Company or an associate (as defined under the GEM Listing Rules) of any of them; (ii) none of the grantees is a participant with options granted and to be granted exceeding the 1% individual limit under Rule 23.03D(1) of the GEM Listing Rules; and (iii) none of the grantees is a related entity participant or a service provider (as defined under the GEM Listing Rules). The above grant of options would not result in the options granted and to be granted to a grantee in the 12-month period up to and including the date of grant in aggregate exceed 1% of the Shares in issue.

COMPETING INTERESTS

As at 30th September 2023, none of the Directors or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities for the six months ended 30th September 2023.

CORPORATE GOVERNANCE CODE

The Company endeavours to maintain high standards of corporate governance in the interests of shareholders, and follows the principles set out in the Corporate Governance Code (the “Code”) contained in Appendix 15 of the GEM Listing Rules. Except for the deviations described below, no Director is aware of any information which would reasonably indicate that the Company is not, or was not at any time during the six months ended 30th September 2023, acting in compliance with the Code.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard"). Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the Required Standard and the Company's code of conduct regarding securities transactions throughout the six months ended 30th September 2023.

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

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

1. On 1st September 2023, Mr. Joseph Liang Hsien Tse retired from United International College.
2. On 15th September 2023, Mr. Joseph Chan Nap Kee resigned as a non-executive director of Oriental Patron Securities Limited.
3. In July 2021, Mr. Joseph Chan Nap Kee obtained a Master of Social Sciences degree in International Relations for Belt and Road Countries from Hong Kong Chu Hai College.

AUDIT COMMITTEE

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

The unaudited condensed consolidated financial information for the six months ended 30th September 2023 of the Company now reported on has been reviewed by the audit committee.

By Order of the Board
NORTH ASIA STRATEGIC HOLDINGS LIMITED

Zhang Yifan
Chairlady and Executive Director

Hong Kong, 9th November 2023

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

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk on the "Latest Listed Company Information" page for at least seven days from the date of its posting and on the Company's website at www.nasholdings.com.