China Baoli Technologies Holdings Limited
中國寶力科技控股有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 164)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of China Baoli Technologies Holdings Limited (the "Company") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 September 2017 together with the comparative figures for the corresponding period in 2016. The unaudited consolidated interim results have been reviewed by the Company's audit committee.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2017

		Six months ended 30 September	
		2017	2016
		(Unaudited)	(Unaudited)
			(Restated)
	Notes	***HK$'000***	*HK$'000*
Continuing operations			
Revenue	*4*	**3,764**	23,138
Other income and gains (losses)	*4*	**13,375**	(130,935)
		17,139	(107,797)
Cost of sales		**(1,853)**	(6,235)
Cost of fuel oil consumed		**(4,021)**	(9,366)
Administrative expenses		**(78,626)**	(100,207)
Loss from operations		**(67,361)**	(223,605)
Finance costs		**(4,758)**	(2,985)
Share of loss of an associate		**(15,498)**	(18,122)
Share of loss of a joint venture		**(9,652)**	–
Loss before taxation	*5*	**(97,269)**	(244,712)
Taxation	*6*	**–**	–
Loss for the period from continuing operations		**(97,269)**	(244,712)
Discontinued operation			
Loss for the period from discontinued operation	*16*	**–**	(137)
Loss for the period		**(97,269)**	(244,849)

	Note	Six months ended 30 September 2017 (Unaudited) HK$'000	2016 (Unaudited) (Restated) HK$'000
Loss for the period attributable to equity shareholders of the Company:			
– from continuing operations		**(92,934)**	(244,318)
– from discontinued operation		**–**	(137)
		(92,934)	(244,455)
Loss for the period attributable to non-controlling interests:			
– from continuing operations		**(4,335)**	(394)
– from discontinued operation		**–**	–
		(4,335)	(394)
Loss for the period		**(97,269)**	(244,849)
Loss per share attributable to equity shareholders of the Company during the period	*7*		
From continuing and discontinued operations			
– Basic and diluted		**(0.27) cents**	(0.84) cents
From continuing operations			
– Basic and diluted		**(0.27) cents**	(0.84) cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the period	**(97,269)**	(244,849)
Other comprehensive (expense)/income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**(1,326)**	128
Share of other comprehensive income of an associate	**625**	–
Other comprehensive (expense)/income	**(701)**	128
Total comprehensive expense for the period	**(97,970)**	(244,721)
Attributable to:		
Equity shareholders of the Company	**(93,665)**	(244,505)
Non-controlling interests	**(4,305)**	(216)
Total comprehensive expense for the period	**(97,970)**	(244,721)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Notes	**30 September 2017 (Unaudited) *HK$'000***	31 March 2017 (Audited) *HK$'000*
Non-current Assets			
Property, plant and equipment		**12,171**	12,846
Land use rights		**9,053**	8,919
Intangible asset		**31**	30
Goodwill		**326,046**	320,066
Interest in an associate		**205,627**	221,619
Interest in a joint venture		**–**	13,076
Available-for-sale financial asset		**6,300**	6,300
Total non-current assets		**559,228**	582,856
Current Assets			
Inventories	*8*	**13,208**	1,198
Trade and other receivables	*9*	**78,035**	25,772
Amounts due from subsidiaries of an associate	*10*	**544,896**	498,146
Amount due from a joint venture		**–**	2
Financial assets at fair value through profit or loss	*11*	**2,421**	3,232
Cash and cash equivalents		**89,927**	83,424
Total current assets		**728,487**	611,774
Current Liabilities			
Trade and other payables	*12*	**122,995**	59,047
Bank and other borrowings	*13*	**79,568**	59,872
Total current liabilities		**202,563**	118,919
Net Current Assets		**525,924**	492,855

	Notes	30 September 2017 (Unaudited) HK$'000	31 March 2017 (Audited) HK$'000
Non-current Liabilities			
Bank and other borrowings	*13*	**146,350**	37,471
Deferred taxation		**1,804**	1,775
Total non-current liabilities		**148,154**	39,246
Net Assets		**936,998**	1,036,465
Equity			
Capital and reserves attributable to equity shareholders of the Company:			
Share capital	*14*	**345,050**	340,864
Reserves		**595,123**	692,976
		940,173	1,033,840
Non-controlling interests		**(3,175)**	2,625
Total Equity		**936,998**	1,036,465

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention, except for certain financial assets and financial liabilities which are carried at fair value.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2017 except for the adoption of new and revised standards and interpretations with effect from 1 April 2017.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group's financial period beginning on 1 April 2017.

Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 cycle
Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealized loss

The adoption of the new or revised Hong Kong Financial Reporting Standards ("HKFRS") had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented.

The Group has not early adopted the following new or revised standards and amendments that have been issued but are not yet effective.

Amendments to HKFRS 2[1]	Classification and measurement of share-based payment transactions
Amendments to HKFRS 4[1]	Applying HKFRS 9 financial instrument with HKFRS 4 Insurance contracts
Amendments to HKFRS 15[1]	Clarification to HKFRS 15
Amendments to HKFRS 10 and HKAS 28[3]	Sales or contribution of assets between an investor and its associate or joint venture
HKFRS 9[1]	Financial instruments
HKFRS 15[1]	Revenue from contracts with customers and related amendments
Amendment to HKAS 40[1]	Transfers of investment property
HK(IFRIC) – Int 22[1]	Foreign currency transactions and advance consideration
HKFRS 16[2]	Leases

[1] *Effective for annual periods beginning on or after 1 January 2018*

[2] *Effective for annual periods beginning on or after 1 January 2019*

[3] *Effective date to be determined*

The Group has not early adopted the new HKFRSs that have been issued but are not yet effective. The Directors are currently assessing the impact of these new HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's result of operations and financial position.

3. SEGMENT INFORMATION

For management purpose, the Group has three (2016: three) principal lines of businesses, namely (1) mobile technologies business; (2) tourism and hospitality business; and (3) gamma ray irradiation services which, together with other operation – securities trading and investment, are the basis on which the Group reports its primary segment information.

An analysis of the Group's revenue, contribution to operating results and segment assets and liabilities by business segments is presented as follows:

Segment results

For the six months ended 30 September 2017

	Mobile technologies business (Unaudited) *HK$'000*	Tourism and hospitality business (Unaudited) *HK$'000*	Gamma ray irradiation services (Unaudited) *HK$'000*	Other operation – securities trading and investment (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
CONSOLIDATED INCOME STATEMENT					
REVENUE	–	1,627	2,137	–	3,764
Segment results	(23,489)	(17,602)	(1,170)	(818)	(43,079)
Unallocated corporate expenses					(24,282)
Loss from operations					(67,361)
Finance costs					(4,758)
Share of loss of an associate					(15,498)
Share of loss of a joint venture					(9,652)
Loss before taxation					(97,269)
Taxation					–
Loss for the period from continuing operations					(97,269)

Segment assets and liabilities

As at 30 September 2017

	Mobile technologies business (Unaudited) *HK$'000*	Tourism and hospitality business (Unaudited) *HK$'000*	Gamma ray irradiation services (Unaudited) *HK$'000*	Other operation – securities trading and investment (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
ASSETS					
Segment assets	**869,941**	**340,055**	**19,540**	**4,021**	**1,233,557**
Unallocated corporate assets					**54,158**
Consolidated total assets					**1,287,715**
LIABILITIES					
Segment liabilities	**183,859**	**69,544**	**9,298**	**35,805**	**298,506**
Unallocated corporate liabilities					**52,211**
Consolidated total liabilities					**350,717**

Segment results

For the six months ended 30 September 2016

	Mobile technologies business (Unaudited) *HK$'000*	Tourism and hospitality business (Unaudited) *HK$'000*	Gamma ray irradiation services (Unaudited) *HK$'000*	Other operation – securities trading and investment (Unaudited) *HK$'000*	Total (Unaudited) (Restated) *HK$'000*
CONSOLIDATED INCOME STATEMENT					
REVENUE	–	20,698	2,440	–	23,138
Segment results	(13,772)	(29,029)	(1,305)	(138,205)	(182,311)
Unallocated corporate expenses					(41,294)
Loss from operations					(223,605)
Finance costs					(2,985)
Share of loss of an associate					(18,122)
Loss before taxation					(244,712)
Taxation					–
Loss for the period from continuing operations					(244,712)

Segment assets and liabilities

As at 31 March 2017

	Mobile technologies business (Audited) *HK$'000*	Tourism and hospitality business (Audited) *HK$'000*	Gamma ray irradiation services (Audited) *HK$'000*	Other operation – securities trading and investment (Audited) *HK$'000*	Total (Audited) *HK$'000*
CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
ASSETS					
Segment assets	757,508	344,776	20,813	4,833	1,127,930
Unallocated corporate assets					66,700
Consolidated total assets					1,194,630
LIABILITIES					
Segment liabilities	12,503	56,486	9,227	34,437	112,653
Unallocated corporate liabilities					45,512
Consolidated total liabilities					158,165

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the period (2016: HK$Nil).

Segment results represents the profit (loss) earned or incurred by each segment without allocation of central administration costs including directors' emoluments, investment and other income, finance costs, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

4. REVENUE, OTHER INCOME AND GAINS (LOSSES)

Revenue represents the aggregate of the net amounts received and receivable from third parties during the period. An analysis of the Group's revenue, other income and gains (losses) is as follows:

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Continuing operations		
Revenue		
Gamma ray irradiation services	**2,137**	2,440
Tourism and hospitality business		
– Income from cruise and cruise-related products	**103**	20,698
– Service income from sales of travel related products *(Note)*	**1,524**	–
	3,764	23,138
Other income and gains (losses)		
Other income	**265**	–
Exchange gain	**2,560**	–
Interest income from financial institutions	**4**	22
Interest income from subsidiaries of an associate	**14,609**	–
Loss on disposal of a joint venture	**(3,252)**	–
Net realised losses on financial assets at fair value through profit or loss	**–**	(75,190)
Net unrealised losses on financial assets at fair value through profit or loss	**(811)**	(64,077)
Other interest income	**–**	8,310
	13,375	(130,935)
	17,139	(107,797)

Note:

Total customer sales proceeds

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Gross sales proceeds related to service income*	**79,602**	–

* *The Group's gross sales proceeds from sale of travel related products, includes air tickets, hotel accommodation and other travel related products, are considered as cash collected on behalf of a principal as an agent. The gross sales proceeds from these sales, which do not represent revenue, represent the price at which products have been sold inclusive of service fees. The related service income is recorded by the Group on net basis.*

5. LOSS BEFORE TAXATION

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
		(Restated)
	HK$'000	*HK$'000*
Continuing operations		
Amortisation of land use rights	**226**	232
Consultancy fee	**17,264**	10,829
Cost of inventories sold	**–**	4,067
Depreciation of property, plant and equipment	**1,878**	2,122
Exchange loss	**420**	302
Operating lease payments *(Note 17)*	**6,008**	10,056
Share-based payments	**–**	29,309

6. TAXATION

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Company and its subsidiaries in Hong Kong have no assessable profits for the six months ended 30 September 2017 and 2016. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rate of taxation prevailing in the countries in which the Group operates.

7. LOSS PER SHARE

The calculation of basic and diluted loss per share for the six months ended 30 September 2017 is based on the loss for the period attributable to equity shareholders of the Company, and the weighted average number of ordinary shares in issue during the period.

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

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss attributable to equity shareholders of the Company, used in the basic and diluted loss per share calculation		
From continuing operations	**(92,934)**	(244,318)
From discontinued operation	**–**	(137)
	(92,934)	(244,455)

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares in issue during the period	**34,418,121,084**	28,963,139,606

From continuing and discontinued operation

The calculation of basic loss per share from continuing and discontinued operation attributable to the equity shareholders of the Company is based on the following data:

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
Loss attributable to equity shareholders of the Company, used in the basic and diluted loss per share	**(92,934)**	(244,455)

The calculation of diluted loss per share for the six months ended 30 September 2017 and 30 September 2016 has not included the potential effect of share options outstanding as they have an anti-dilutive effect on the basic loss per share for the respective period.

From discontinued operation

Basic loss per share for the discontinued operation is HK$0.00 cents per share (2016: HK$0.00 cents loss per share), based on the loss for the period from discontinued operation attributable to equity shareholders of the Company of HK$0.00 (2016: approximately HK$137,000) and the denominators detailed above for basic loss per share.

8. INVENTORIES

	30 September 2017	31 March 2017
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Fuel oil	**571**	1,198
Raw materials for mobile phone	**12,637**	–
	13,208	1,198

9. TRADE AND OTHER RECEIVABLES

	30 September 2017 (Unaudited) *HK$'000*	31 March 2017 (Audited) *HK$'000*
Trade receivables	**35,212**	36,816
Less: allowance for impairment	**34,714**	35,356
Trade receivables, net	**498**	1,460
Other receivables and prepayments	**111,537**	58,312
Less: allowance for impairment	**34,000**	34,000
Other receivables and prepayments, net	**77,537**	24,312
	78,035	25,772

The Directors consider that the carrying amounts of trade and other receivables approximate to their fair values.

The Group allows an average credit period of 90 days to 180 days (31 March 2017: 90 days to 180 days) to its trade customers. The following is an analysis of trade receivables net of allowance for impairment by age, presented based on the invoice date:

	30 September 2017 (Unaudited) *HK$'000*	31 March 2017 (Audited) *HK$'000*
Up to 30 days	**302**	1,429
31 to 90 days	**183**	2
91 to 365 days	**13**	29
	498	1,460

10. AMOUNTS DUE FROM SUBSIDIARIES OF AN ASSOCIATE

The amounts due from subsidiaries of an associate are unsecured and repayable on demand. As at 30 September 2017, except for the amounts due from subsidiaries of an associate with principal of approximately USD36,660,000 (equivalent to approximately HK$286,354,000) (31 March 2017: approximately USD32,879,000 (equivalent to approximately HK$255,491,000)) and approximately USD13,254,000 (equivalent to approximately HK$103,527,000) (31 March 2017: approximately USD13,254,000 (equivalent to approximately HK$102,990,000)) which bear interest 8% and 7% per annum respectively and USD15,000,000 (equivalent to approximately HK$117,165,000) (31 March 2017: USD15,000,000 (equivalent to approximately HK$116,558,000)) which is interest free, the remaining balance of approximately USD4,846,000 (equivalent to approximately HK$37,850,000) (31 March 2017: approximately USD2,973,000 (equivalent to approximately HK$23,107,000)) is the interest receivable of the above loans. Based on the assessment on the recoverability of the balance, the management considers no impairment provision is necessary.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2017 (Unaudited)	31 March 2017 (Audited)
	HK$'000	*HK$'000*
Listed securities held for trading:		
– Equity securities listed in Hong Kong	**2,421**	3,232

The fair value of all equity securities is based on their current bid prices in an active market.

As at 30 September 2017, the Group's listed securities of aggregate carrying amount of approximately HK$2,350,000 (31 March 2017: approximately HK$3,081,000) were pledged by the Group to secure margin account payable.

12. TRADE AND OTHER PAYABLES

	30 September 2017	31 March 2017
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade payables	**29,770**	13,341
Other payables and accruals	**70,406**	34,043
Amounts due to directors	**11,052**	–
Amount due to a subsidiary of an associate	**11,760**	11,656
Amount due to a non-controlling shareholder of a subsidiary	**7**	7
	122,995	59,047

Amounts due to directors are unsecured, interest-free and repayable on demand.

Amount due to a subsidiary of an associate is unsecured, interest-free and repayable within one year.

In the opinion of the Directors, all of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

The Directors consider that the carrying amounts of trade and other payables approximate to their fair values.

The following is an analysis of trade payables by age based on the invoice date:

	30 September 2017	31 March 2017
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Up to 30 days	**17,271**	13,335
31 to 90 days	**12,017**	6
91 to 365 days	**482**	–
	29,770	13,341

13. BANK AND OTHER BORROWINGS

	30 September 2017	31 March 2017
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Current		
Bank borrowing – secured *(Note a)*	**9,154**	226
Margin account payable *(Note b)*	**34,764**	33,396
Other borrowings – unsecured *(Note d)*	**35,650**	26,250
	79,568	59,872
Non-current		
Bank borrowing – secured *(Note a)*	**–**	8,682
Other borrowings – unsecured *(Note e)*	**117,417**	–
Placing notes *(Note c)*	**28,933**	28,789
	146,350	37,471
Total bank and other borrowings	**225,918**	97,343
Bank borrowing repayable		
Within one year	**9,154**	226
After one year but within two years	**–**	8,682
	9,154	8,908
Other borrowings repayable		
Within one year	**70,414**	59,646
After one year but within five years	**146,350**	28,789
	216,764	88,435
Total bank and other borrowings	**225,918**	97,343

Notes:

(a) The bank borrowing will mature on 7 September 2018 and the average effective interest rate of the bank borrowing is 5.70% (31 March 2017: 5.70%) per annum. As at 30 September 2017 and 31 March 2017, the bank borrowing is secured by certain leasehold buildings and land use rights of the Group.

(b) Margin account payable as at 30 September 2017 and 31 March 2017 is secured by certain listed securities held by the Group and carries interest at prime rate plus 3% per annum.

(c) On 20 August 2013, the Company entered into a placing agreement (the “2013 Placing Agreement”) with a placing agent (the “Placing Agent”), pursuant to which the Company agreed to place, through the Placing Agent, on a best effort basis, the notes up to an aggregate amount of HK$300,000,000 to be issued by the Company in the denomination of HK$2,000,000 each (the “Placing Notes”) to independent third parties. Pursuant to the 2013 Placing Agreement, the Placing Notes carry interest at 5% per annum and are to be redeemed on the seventh anniversary from the respective issue dates of the Placing Notes. The Company may early redeem in whole the Placing Notes at a redemption price equal to the principal amount together with accrued interest after the third anniversary from the respective issue dates of the Placing Notes.

On 15 August 2014, the Company and the Placing Agent renewed the placing period and agreed to place the notes in the remaining principal amount of up to HK$280,000,000. Details of the placing and the renewal were set out in the Company’s announcements dated 20 August 2013 and 15 August 2014 respectively.

(d) Other borrowings represent loans obtained by a wholly-owned subsidiary of the Company, Century Crest Limited, from an independent third party. In accordance with the loan agreements, the loan principal and outstanding interest are repayable within 12 months from the date of the loan agreements. The other borrowings are unsecured and carry fixed interest rate of 12% per annum.

(e) During the period, the Group entered into an agreement (the “CQ Agreement”) with an independent third party. The loan was obtained by an indirect wholly-owned subsidiary of the Company, Chongqing Baoli Yota Technologies Limited. Pursuant to the CQ Agreement, the loan principal and outstanding interest are repayable within 18 months from the date of drawdown. The loan is unsecured and carries the benchmark interest rate of The People’s Bank of China (i.e. 4.75% per annum).

14. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each of the Company:		
Authorised:		
As at 31 March 2017 and 30 September 2017	65,000,000,000	650,000
Issued and fully paid:		
As at 31 March 2017	34,086,439,803	340,864
Issue of shares for acquisition of a subsidiary *(Note)*	418,604,651	4,186
As at 30 September 2017	34,505,044,454	345,050

Note:

During the period, 418,604,651 ordinary shares of the Company, with aggregate nominal value of approximately HK$4,186,000, were issued as the second tranche consideration shares conditions have been satisfied. Details of the acquisition of the subsidiary are set out in the Company's announcements dated 26 January 2017, 31 March 2017 and 8 May 2017.

15. CONTINGENT LIABILITIES

As at 30 September 2017, the Group had no significant contingent liabilities (31 March 2017: Nil).

16. DISCONTINUED OPERATION

On 29 March 2017, a wholly-owned subsidiary of the Company, New Team Limited, entered into an equity transfer agreement with an independent third party to dispose of its entire equity interests in Red Code Limited, Super Target Limited, Prosper City International Limited and 上海華龍建設有限公司 (Shanghai Hualong Construction Co. Ltd.**) (collectively the "Disposal Group") at a consideration of HK$3,000,000 for cash. The Disposal Group was engaged in property business. The disposal was completed on 30 March 2017.

The results of the discontinued operation for the prior period is as follows:

	Six months ended 30 September 2016 (Unaudited) *HK$'000*
Administrative expenses	(137)
Loss before taxation	(137)
Taxation	–
Loss for the period from discontinued operation	(137)

Loss for the period from discontinued operation include the following:

	Six months ended 30 September 2016 (Unaudited) *HK$'000*
Depreciation	24

17. COMMITMENTS

(i) Capital commitments

	30 September 2017 (Unaudited) HK$'000	31 March 2017 (Audited) HK$'000
Contracted but not provided:		
Further investment in a joint venture	–	88,620
Increase in registered capital of subsidiaries	541,695	11,275
	541,695	99,895

(ii) Operating lease commitments

The Group as lessee

The Group made minimum lease payments of approximately HK$6,008,000 (2016: approximately HK$10,056,000 (restated)) under operating leases during the period.

At the end of reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 September 2017 (Unaudited) HK$'000	31 March 2017 (Audited) HK$'000
Within one year	9,586	6,734
After one year and within five years	14,034	2,006
	23,620	8,740

Operating lease payments represent rental payable by the Group for certain of its office premises, staff quarter, warehouses, motor vehicle, cruise ship and yacht. Leases are negotiated and fixed for an average term of one to three years.

18. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

During the period, the Group had the following transactions with its associate and its related parties, details of which are as follows:

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loan interest income from subsidiaries of an associate	**14,609**	7,237
Rental expenses to related companies	**(1,020)**	(1,716)

(b) Compensation of key management of the Group

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Fee, salaries and other short-term employee benefits	**3,837**	2,377
Pension scheme contributions	**34**	36
	3,871	2,413

(c) Period/year-end balances

	30 September 2017 (Unaudited)	31 March 2017 (Audited)
	HK$'000	*HK$'000*
Amounts due from subsidiaries of an associate	**544,896**	498,146
Amounts due to directors	**11,052**	–
Amount due to a subsidiary of an associate	**11,760**	11,656
Amount due to a joint venture	**–**	2
Amounts due to related companies	**28,304**	150

Save as disclosed above, there were no other significant transactions with related parties during the period or significant balances with them at the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period under review, the Group is mainly engaged in mobile technologies business, tourism and hospitality business, gamma ray irradiation services, and securities trading and investment.

Mobile Technologies Business

The Group acquired 30% of the equity interest of Yota and was granted an exclusive intellectual property licence to market and sell "YOTAPHONE" in the Greater China Region for 7 years commencing in April 2016.

YOTA 3, the third generation of dual-screen smartphone was officially unveiled in China. At the end of October 2017, YOTA 3 was launched at JD.com, a Chinese e-commerce company and one of the two largest B2C online retailers in China. Also, the Group will also start to sell YOTA 3 through the offline retail channel at the end of 2017. Meanwhile, the Group will invest more resources in improving the brand awareness. Also, the Group will continue to strengthen its R&D capability to bring customers the best experience of the YOTA brand products and thus expand the customer base. Mobile technologies business will become a strong revenue contributor to the Group and enhance a better return for shareholders.

On 19 May 2017, Allied Jumbo Investments Limited ("Allied Jumbo", an indirect wholly-owned subsidiary of the Company) and Yulong Computer Telecommunication Scientific (Shenzhen) Co., Ltd.** ("Yulong Shenzhen", an indirect wholly-owned subsidiary of Coolpad Group Limited ("Coolpad", stock code:2369)) entered into an agreement to amend the total investment amount of their joint venture, Baoli Yota Technologies (Shenzhen) Limited** ("Baoli Yota"), from RMB500,000,000 to RMB300,000,000, the registered capital of Baoli Yota will be changed from RMB200,000,000 to RMB100,000,000, and increase Allied Jumbo's equity interest in Baoli Yota from 51% to 80%. Baoli Yota is principally engaged in the research and development, production, distribution and sale of dual-screen mobile handsets in the Greater China. Under the agreement, the Group will have better control of Baoli Yota as the Group will have a higher equity stake in Baoli Yota and the Group will nominate a majority of the board of Baoli Yota. The financial results of Baoli Yota will be consolidated into the financial results of the Group. Therefore, the Group's income sources can be broadened and its financial performance can be enhanced in the long run.

Moreover, the Group is going to cooperate with the People's Government of Tongnan County of Chongqing City in the PRC (the "Tongnan Government"). The Group has established a project company in Tongnan County, Chongqing City, the PRC in relation to the development of the YotaPhone. The Tongnan Government will provide subsidies to support the research and development activities of the project company. The Group considers that the project company represents an opportunity for the Group to further develop its mobile technologies business.

During the period under review, revenue for this segment was HK$Nil (2016: HK$Nil) as the business is still in R&D phase. Segment loss was approximately HK$23,489,000 (2016: approximately HK$13,772,000). The management of the Group currently expects that revenue would be generated later this financial year since YOTA 3 has been launched at the end of October 2017.

The Group will continue to look for new technologies business opportunities so as to generate sustainable profitability and growth in the long run.

Tourism and Hospitality Business

The Group strives to strengthen the tourism and hospitality business by monitoring its business performance and taking appropriate measures to tackle the challenge faced by the Group. The Group expanded its business line by acquiring an online travel agent, We Fly Travel Limited ("We Fly"), this year to increase the income source of the tourism and hospitality business. During the period under review, We Fly reported its net revenue of approximately HK$1,524,000 which is mainly due to the business strategy of setting competitive prices of its products to attract more customers and promote its brand awareness. Actually, the success in this business strategy has been reflected in the gross sales proceeds from We Fly which has reached approximately HK$79.6 million. To further improve the operational results of We Fly, the management will try to obtain more competitive terms through negotiating with business partners and increasing its product mix such as provision of package tours and ancillary travel related products and services. The Group will keep on exploring suitable investment opportunity to maintain a stable growth of the tourism and hospitality business.

In view of the soaring operating expenses of cruise ship caused by increasing fuel costs and higher crew expenses and the expiration of a lease agreement in relation to the leisure facilities onboard, the Group has wound down the cruise ship operation and temporarily suspended its passenger service to perform routine and preventive maintenance. Meanwhile, the Group has been looking into different opportunities to maximize the potential and value of the cruise ship. During the period under review, revenue of the Group's cruise ship business was approximately HK$103,000 (2016: approximately HK$20,698,000) and recorded a loss of approximately HK$14,892,000 (2016: approximately HK$29,029,000).

The Group will continue to monitor the tourism and hospitality industry closely and take appropriate measures to redeploy the resources for the development of the Group.

Gamma Ray Irradiation Services

The Group's gamma ray irradiation business is conducted through 淄博利源高科輻照技術有限公司 (Zibo Liyuan Gamma Ray Technologies Co. Limited**), a 80% owned subsidiary of the Group which is licensed by 中華人民共和國環境保護部 (Ministry of Environmental Protection of the People's Republic of China**), for the provision of irradiation services by utilising gamma ray technologies.

During the period under review, the Group's gamma ray irradiation business provided radiation sterilization processing services to different clients in the food and healthcare industries. Revenue generated from the gamma ray irradiation services for the period under review was approximately HK$2,137,000 (2016: approximately HK$2,440,000). Segment loss was approximately HK$1,170,000 (2016: approximately HK$1,305,000).

Other Operation

The Group's securities trading and investment business continued to maintain a conservative investment strategy during the period under review. The Group's securities trading and investment business reported a loss of approximately HK$818,000 (2016: approximately HK$138,205,000) which was attributable to a net unrealised losses of approximately HK$811,000 (2016: net unrealised losses approximately HK$64,077,000) due to change in fair value of listed securities held for trading. As at 30 September 2017, the carrying amount of the listed securities was approximately HK$2,421,000 (31 March 2017: approximately HK$3,232,000).

A summary of the listed securities held by the Group during the period under review is set out in the table below.

Company name	Place of incorporation	Percentage of shareholdings in equity investment as at 30 September 2017	Percentage of total asset of the Group as at 30 September 2017	Fair value as at 30 September 2017 *HK$'000*	Unrealised gains/(losses) on fair value change for the period *HK$'000*	Realised loss on fair value change for the period *HK$'000*	Dividend Received *HK$'000*	Principal activities
REXLot Holdings Limited	Bermuda	0.1850%	0.0807%	1,039	(1,187)	–	–	Provision of lottery machines, related operating software system, the distribution and marketing of lottery products in the People's Republic of China (the "PRC")
Tech Pro Technology Development Limited	Cayman Islands	0.0041%	0.0017%	22	(24)	–	–	Manufacture, sale and trading of LED lighting products
King Force Group Holdings Limited	Cayman Islands	0.5169%	0.1056%	1,360	400	–	–	Provision of security guarding services and mobile game business

Prospects

Looking back to the first half of 2017, the world economy continued to grow slowly and the global economy struggled to recover. There were still some uncertainties and risks. However, the management of the Group believes that opportunities are still more than challenges. The Group is committed to identifying and evaluating appropriate opportunities to invest in, thereby continuously improving its market competitiveness and maintaining its overall performance.

In the coming future, the Group will continue to put its main focus in the mobile technologies business as it believes that mobile phone and related applications could improve the Group's profitability and would deliver long-term benefits to the Group. The smartphone market in China remains the largest market, but the competition becomes much more fierce. In order to compete in the smartphone market, differentiated features of mobile phones would bring the success to a business. The Group will increase its R&D investment so as to make breakthroughs in key technologies to continuously enhance the overall user experience and hence increase its market share in the Greater China and even in overseas.

Furthermore, the Group would form alliances with other content providers such as Shanghai Yuewen（上海閱文）, Migu（咪咕）, Ireader（掌閱）and JDRead（京東閱讀）to create effective synergies with the Group's existing technologies capabilities. Due to the convenience of reading on mobile devices, reading through mobile devices and apps has become increasingly popular for content consumption among mobile users. The Group can capitalise on the opportunity through the unique dual-screen function of YOTA 3 and build a mobile reading ecosystem in the China market.

In the meantime, the Group will continue to monitor the tourism and hospitality business closely. In order to improve the business financial performance, we will keep the relationship with business partners to negotiate a more competitive price on our FIT products and thus increase the profit margin on selling FIT products. Also, we will try to explore more business lines such as package tours and ancillary travel related products and services to expand the revenue stream on tourism and hospitality business.

Moreover, the Group intends to develop investment and fund management business. The goal is to generate stable fee based income and performance based revenue.

Looking ahead, the Group will keep on seeking new growth opportunities to create greater values to the Group. The management of the Group will continue to be committed to diligently and carefully execute the business plan for the long-term development of the Group and the best interests of shareholders of the Company.

Financial Review

Financial Result

During the period under review, the Group recorded a revenue of approximately HK$3,764,000 (2016: approximately HK$23,138,000), representing a decrease of 84% compared with previous corresponding period. The decrease was mainly from the tourism and hospitality business.

Loss from continuing operations for the period under review amounted to approximately HK$67,361,000 (2016: approximately HK$223,605,000 (restated)). Net loss attributable to equity shareholders of the Company for the period under review decreased to approximately HK$92,934,000 (2016: approximately HK$244,455,000), which was mainly attributable to significant decrease in realised and unrealised losses from securities trading and investment business. As at 30 September 2017, the total assets and net assets of the Group were approximately HK$1,287,715,000 and approximately HK$936,998,000 (31 March 2017: approximately HK$1,194,630,000 and approximately HK$1,036,465,000) respectively.

Liquidity and Financial Resources

As at 30 September 2017, the Group had cash and cash equivalents of approximately HK$89,927,000 (31 March 2017: approximately HK$83,424,000). Short term bank and other borrowings were approximately HK$79,568,000 (31 March 2017: approximately HK$59,872,000). Long term bank and other borrowings were approximately HK$146,350,000 (31 March 2017: approximately HK$37,471,000). The gearing ratio, being the ratio of the sum of total borrowings to total equity, was 24% as at 30 September 2017 (31 March 2017: 9%). The increase of gearing ratio was mainly due to the loan from an indirect wholly-owned subsidiary obtained during the period under review. The liquidity ratio, being the ratio of current assets over current liabilities, was 360% as at 30 September 2017 (31 March 2017: 514%). The decrease of liquidity ratio was mainly due to the increase of trade and other payables during the period under review.

Property, Plant and Equipment

During the period under review, there were addition of approximately HK$901,000 (2016: approximately HK$885,000) to property, plant and equipment to expand the Group's operation.

Pledge of Assets

As at 30 September 2017, the Group's land use rights and certain property, plant and equipment with carrying amount of approximately HK$13,837,000 (31 March 2017: approximately HK$13,696,000) were pledged to a bank to secure the bank borrowing granted to the Group.

As at 30 September 2017, the Group's listed securities with carrying amount of approximately HK$2,350,000 (31 March 2017: approximately HK$3,081,000) were pledged to secure margin account payable granted to the Group.

Contingent Liabilities

As at 30 September 2017, the Group had no significant contingent liabilities (31 March 2017: Nil).

Exposure to Exchange Rate Risk and Interest Rate Risk

The Group's transactions are denominated in Hong Kong dollars, Renminbi and United States dollars. The Group did not enter into any foreign exchange forward contracts to hedge against exchange rates fluctuations during the period under review. Foreign exchange risk arising from the normal course of operations is considered to be minimal and the management will closely monitor the fluctuation in the currency and take appropriate actions when condition arises.

In terms of the interest rate risk exposures, the Group does not have any significant interest rate risk as majority of the borrowings of the Group carries fixed interest rates. As at 30 September 2017, the Group's bank and other borrowings with fixed interest rates accounted for approximately 81% of total borrowings.

Use of Proceeds

On 1 March 2017, the first tranche consideration shares of 976,744,186 shares of the Company were allotted and issued to the vendor under general mandate for the acquisition of 75% equity interest of We Fly. On 8 May 2017, the second tranche consideration shares of 418,604,651 shares of the Company were allotted and issued to the vendor under general mandate as all conditions for the second tranche consideration shares had been satisfied.

On 27 March 2017, an aggregate of 552,500,000 shares were allotted and issued to placees under general mandate. The gross proceeds and net proceeds from the placing were approximately HK$100,002,500 and approximately HK$97,987,000 respectively. As at 30 September 2017, the net proceeds from the placing has been applied to (a) the research and development of YOTA 3 as to approximately HK$53.425 million; (b) the marketing and professional fee of YOTA 3 of approximately HK$23.085 million; and (c) general working capital of the Group as to approximately HK$21.477 million.

Material Acquisitions and Disposal

Step acquisition of Baoli Yota

On 2 November 2016, Allied Jumbo Investments Limited ("Allied Jumbo", an indirect wholly-owned subsidiary of the Company) entered into a joint venture agreement and a capital increase agreement (the "Agreements") with Yulong Computer Telecommunication Scientific (Shenzhen) Co., Ltd.** ("Yulong Shenzhen", an indirect wholly-owned subsidiary of Coolpad Group Limited ("Coolpad", stock code: 2369)), in relation to the formation of a joint venture, Baoli Yota, which would be held as to 51% by Allied Jumbo and as to 49% by Yulong Shenzhen. The registered capital of Baoli Yota would be RMB200,000,000. The registered capital contribution in cash by each Allied Jumbo and Yulong Shenzhen is in proportion to their respective shareholding in Baoli Yota.

On 19 May 2017, Allied Jumbo and Yulong Shenzhen entered into an amended and restated agreement (the "Amended and Restated Agreement") to amend certain terms of the Agreements in respect of, among other things, the capital contribution by each party to Baoli Yota, the board composition and the operations of Baoli Yota. Under the Amended and Restated Agreement, the total investment amount of Baoli Yota will be changed from RMB500,000,000 to RMB300,000,000, the registered capital of Baoli Yota will be changed from RMB200,000,000 to RMB100,000,000, and Allied Jumbo's equity interest in Baoli Yota will be increased from 51% to 80%. Therefore, the Group will have better control of Baoli Yota as the Group will a higher equity stake in Baoli Yota and the Group will nominate a majority of the board of Baoli Yota.

The step acquisition was completed on 3 August 2017. Together with the 51% interest previously held by the Group, the Group is able to exercise control over Baoli Yota and Baoli Yota became an 80% subsidiary of the Company from that date.

Baoli Yota is principally engaged in the research and development, production, distribution and sale of dual-screen mobile handsets in the Greater China.

Litigations

In April 2016, the Company completed a placing pursuant to the terms of the placing agreement with a placing agent and allotted and issued 25,000,000,000 new shares to various placees (the "Placing"). Pursuant to the terms of the placing agreement, each placee undertook to the Company that the shares issued and allotted to it under the Placing would be subject to a lock-up period of 24 months from the date of allotment and issue of such shares.

In May 2016, three placees under the Placing were found to have breached their lock-up undertakings to the Company under the Placing by pledging their shares to two lenders as security for loans. An interlocutory injunction order (the "Injunction Order") was obtained by the Company from the High Court of Hong Kong (the "Court") on 27 May 2016, which was subsequently continued by a court order given on 3 June 2016, restraining the three placees from breaching the lock-up undertakings by, among other things, directly or indirectly selling, mortgaging, charging, pledging, hypothecating, lending, granting or selling any option, warrant, contract or right to purchase, transferring, disposing of, creating any right over, or agreeing or offering to do any of the aforesaid in relation to the 1,667 million shares allotted and issued to them under the Placing until trial or further order. Further details of the court orders are set out in the announcements of the Company dated 29 May 2016 and 7 June 2016. The two lenders then took out applications in the Court in June 2016 and July 2016 respectively seeking declarations that they are beneficially entitled to the shares being the subject matter of the Injunction Order and later for variation of the Injunction Order to the effect that those shares shall no longer be the subject matter of the Injunction Order. The three placees disputed the contention that the lenders are the beneficial owners of the shares and legal proceedings regarding the ownership of those shares were brought in foreign jurisdictions. On 12 June 2017, the Court ordered that one of the lenders' application be adjourned pending the decision of the legal proceedings in foreign jurisdiction and the other lender's application be dismissed with costs to the Company. As at the date of this announcement, the litigation is still in progress.

Employee and Emolument Policy

As at 30 September 2017, the Group employed 259 employees (2016: 337).

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are reviewed periodically based on performance appraisal and other relevant factors. Staff benefits plans maintained by the Group include medical insurance, hospitalisation scheme, mandatory provident fund and share option scheme. Employees in the PRC are remunerated according to the prevailing market conditions in the locations of their employments.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2017 (2016: Nil).

CORPORATE GOVERNANCE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, throughout the period under review, in compliance with the code provisions (the "Code Provision(s)") as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules, except the following deviations:

Under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Currently, save for Mr. Chan Kee Huen, Michael and Mr. Han Chunjian who were appointed as an independent non-executive Director for a term of 3 years, the other independent non-executive Directors are not appointed for a specific term, while all of them are subject to retirement by rotation at the Company's annual general meetings as specified in the Company's bye-laws.

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. During the period under review, Mr. Chan Chi Yuen (independent non-executive Director and chairman of remuneration committee of the Company) and Mr. Wong Hoi Kuen (independent non-executive Director) were absent from the 2017 annual general meeting of the Company due to other important matters.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the unaudited consolidated interim results of the Company for the six months ended 30 September 2017.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 September 2017, the Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code").

During the six months ended 30 September 2017, Mr. Zhang Yi ("Mr. Zhang"), an executive Director and the Chairman of the Board, did not comply with the requirement under rule B.8 of the Model Code as he did not first notify in writing to and receive written acknowledgement from a Director designated by the Board before his controlled company, One Faith Investments Limited ("One Faith"), bought 66,775,000 shares of the Company between 6 March and 28 April 2017 (the "Dealings"). Mr. Zhang reported that he was well aware of the requirement under rule B.8 of the Model Code, however the Dealings were carried out by his staff without his prior instructions and approvals. The Dealings represented approximately 3.20% and 3.10% of his total holding through One Faith before the Dealings and as at 30 September 2017 respectively. Mr. Zhang has confirmed that he will act in strict compliance with rule B.8 of the Model Code in the future.

Save as disclosed above, having made specific enquiry, all Directors have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the period under review.

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

During the six months ended 30 September 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

By order of the Board
China Baoli Technologies Holdings Limited
Zhang Yi
Chairman

Hong Kong, 29 November 2017

As at the date of this announcement, the executive Directors are Mr. Zhang Yi (Chairman), Ms. Chu Wei Ning (Chief Executive Officer), Mr. Yeung Chun Wai, Anthony and Mr. Wong King Shiu, Daniel; and the independent non-executive Directors are Mr. Chan Chi Yuen, Mr. Chan Kee Huen, Michael, Mr. Han Chunjian and Mr. Wong Hoi Kuen.

** *The English translation of Chinese names or words are for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*