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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 RESULTS FOR THE YEAR ENDED 31 MARCH 2018

FINANCIAL RESULTS

The board (the “**Board**”) of directors (“**Directors**”) of China Baoli Technologies Holdings Limited (the “**Company**”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2018, together with the comparative audited figures for the year ended 31 March 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the year ended 31 March 2018

	<i>Notes</i>	2018 HK\$'000	2017 HK\$'000
Continuing operations			
Revenue	3	53,482	37,343
Cost of sales		(42,278)	(28,276)
Gross profit		11,204	9,067
Other income, gains and losses, net	5	41,006	(154,783)
Impairment loss on goodwill		(56,901)	(14,592)
Administrative expenses		(220,564)	(180,975)
Selling and distribution expenses		(37,597)	–
Finance costs	6	(15,679)	(6,607)
Share of loss of associates		(13,332)	(20,720)
Share of loss of a joint venture		(9,652)	(11,229)
Loss before tax		(301,515)	(379,839)
Income tax credit	7	1,821	–
Loss for the year from continuing operations	8	(299,694)	(379,839)

CONSOLIDATED STATEMENT OF PROFIT AND LOSS *(continued)*

For the year ended 31 March 2018

	<i>Note</i>	2018 HK\$'000	2017 HK\$'000
Discontinued operation			
Profit for the year from discontinued operation		—	370
Loss for the year		(299,694)	(379,469)
(Loss) profit for the year attributable to owners of the Company:			
– from continuing operations		(294,509)	(379,171)
– from discontinued operation		—	443
Loss for the year attributable to owners of the Company		(294,509)	(378,728)
Loss for the year attributable to non-controlling interests:			
– from continuing operations		(5,185)	(668)
– from discontinued operation		—	(73)
Loss for the year attributable to non-controlling interests		(5,185)	(741)
		(299,694)	(379,469)
Loss per share	<i>9</i>		
From continuing and discontinued operations			
– Basic and diluted		(0.85) cent	(1.23) cents
From continuing operations			
– Basic and diluted		(0.85) cent	(1.23) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Loss for the year	<u>(299,694)</u>	<u>(379,469)</u>
Other comprehensive (expense) income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(1,219)	(160)
Release of other comprehensive income of a joint venture upon step-acquisition	(89)	–
Release of exchange reserve upon disposal of subsidiaries	–	3,795
Share of other comprehensive (expense) income of a joint venture	(172)	261
Share of other comprehensive income of associates	<u>1,305</u>	<u>1,550</u>
Other comprehensive income for the year, net of income tax	<u>(175)</u>	<u>5,446</u>
Total comprehensive expense for the year	<u><u>(299,869)</u></u>	<u><u>(374,023)</u></u>
Total comprehensive expense attributable to:		
Owners of the Company	(294,687)	(373,618)
Non-controlling interests	<u>(5,182)</u>	<u>(405)</u>
	<u><u>(299,869)</u></u>	<u><u>(374,023)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

		2018	2017
	Notes	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		11,936	12,846
Land use rights		9,392	8,919
Intangible asset		27	30
Goodwill		271,675	320,066
Interests in associates		334,003	221,619
Interest in a joint venture		–	13,076
Available-for-sale financial asset		–	6,300
		<u>627,033</u>	<u>582,856</u>
Current assets			
Inventories		89,650	1,198
Trade and other receivables	11	58,334	25,772
Amounts due from associates	12	579,614	498,146
Amount due from a joint venture		–	2
Financial assets at fair value through profit or loss		2,155	3,232
Bank balances and cash		<u>33,271</u>	<u>83,424</u>
		<u>763,024</u>	<u>611,774</u>
Current liabilities			
Trade and other payables	13	278,133	59,047
Bank and other borrowings		<u>198,637</u>	<u>59,872</u>
		<u>476,770</u>	<u>118,919</u>
Net current assets		<u>286,254</u>	<u>492,855</u>
Total assets less current liabilities		<u>913,287</u>	<u>1,075,711</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 31 March 2018

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current liabilities		
Bank and other borrowings	29,083	37,471
Deferred tax liabilities	<u>30</u>	<u>1,775</u>
	<u>29,113</u>	<u>39,246</u>
Net assets	<u>884,174</u>	<u>1,036,465</u>
Capital and reserves		
Share capital	352,251	340,864
Reserves	<u>535,975</u>	<u>692,976</u>
Equity attributable to owners of the Company	888,226	1,033,840
Non-controlling interests	<u>(4,052)</u>	<u>2,625</u>
Total equity	<u>884,174</u>	<u>1,036,465</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

China Baoli Technologies Holdings Limited (the “**Company**”) was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business in Hong Kong is located at Suites 3401-3413, 34/F., Two Pacific Place, 88 Queensway, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries (together with the Company collectively referred to as the “**Group**”) are mobile technologies business, tourism and hospitality business, gamma ray irradiation services and securities trading and investment.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) for the first time in the current year:

Amendments to Hong Kong Accounting Standard (“ HKAS ”) 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in the consolidated financial statements, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ⁴
HK(IFRIC)-Interpretation ("Int") 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 <i>Financial Instruments</i> with HKFRS 4 <i>Insurance Contracts</i> ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 19	Plan Amendments, Curtailment or Settlement ²
Amendments to HKAS 40	Transfer of Investment Property ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ²

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 for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2021.

Except for the new and amendments to HKFRSs and interpretations mentioned in the consolidated financial statements, the Directors anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE

An analysis of the Group's revenue for the year from continuing operations is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Sales of mobile phones and related products	40,925	–
Service income from sale of travel related products (<i>Note</i>)	7,364	570
Gamma ray irradiation service income	5,090	5,315
Cruise ship leasing and management fee income	36	17,399
Passenger ticket revenue	64	6,944
Onboard and other revenues	3	7,115
	<u>53,482</u>	<u>37,343</u>

Note:

Total customer sales proceeds

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Gross sales proceeds related to passenger ticket revenue*	<u>164,334</u>	<u>15,203</u>

* *The Group's gross sales proceeds from the sales of travel related products, including 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 the products have been sold inclusive of service fees. The related service income is recorded by the Group on net basis.*

4. SEGMENT INFORMATION

Information reported to the Board being the chief operating decision maker (the “**CODM**”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

During the year ended 31 March 2017, “Mobile technologies business” became a new operating activity of the Group and it is separately assessed by the CODM. Therefore, it is reported as a new reportable and operating segment.

During the years ended 31 March 2018 and 31 March 2017, the Group’s reportable and operating segments under HKFRS 8 *Operating Segments* are as follows:

- a) Mobile technologies business – research and development, production, distribution and sale of dual-screen mobile handsets in the People’s Republic of China (the “**PRC**”).
- b) Tourism and hospitality business – provision of online travel product booking platform and provision of management services for a cruise ship.
- c) Gamma ray irradiation services – provision of irradiation services by utilising gamma ray technologies.
- d) Other operations – securities trading and investment – trading of securities.

An operating segment regarding the property business was discontinued during the year ended 31 March 2017. The segment information reported below does not include any amounts for this discontinued operation, which are described in the Group’s consolidated financial statements.

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segments.

For the year ended 31 March 2018

Continuing operations

	Mobile technologies business <i>HK\$'000</i>	Tourism and hospitality business <i>HK\$'000</i>	Gamma ray irradiation services <i>HK\$'000</i>	Other operations – securities trading and investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>40,925</u>	<u>7,467</u>	<u>5,090</u>	<u>–</u>	<u>53,482</u>
Segment results	<u>(118,577)</u>	<u>(72,444)</u>	<u>(1,964)</u>	<u>(1,084)</u>	(194,069)
Unallocated corporate income					7,080
Unallocated corporate expenses					(75,863)
Finance costs					(15,679)
Share of loss of associates					(13,332)
Share of loss of a joint venture					<u>(9,652)</u>
Loss before tax					<u>(301,515)</u>

For the year ended 31 March 2017

Continuing operations

	Mobile technologies business <i>HK\$'000</i>	Tourism and hospitality business <i>HK\$'000</i>	Gamma ray irradiation services <i>HK\$'000</i>	Other operations – securities trading and investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>–</u>	<u>32,028</u>	<u>5,315</u>	<u>–</u>	<u>37,343</u>
Segment results	<u>(11,934)</u>	<u>(94,644)</u>	<u>(16,712)</u>	<u>(139,912)</u>	(263,202)
Unallocated corporate income					1,041
Unallocated corporate expenses					(79,122)
Finance costs					(6,607)
Share of loss of associates					(20,720)
Share of loss of a joint venture					<u>(11,229)</u>
Loss before tax					<u>(379,839)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in the Group's consolidated financial statements. Segment results represent the loss from each segment without allocation of central administration cost, certain other income, gains and losses, net, finance costs, share of loss of associates, share of loss of a joint venture and directors' emoluments. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

5. OTHER INCOME, GAINS AND LOSSES, NET

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest income from financial institutions	555	32
Other interest income	–	1,111
Reversal of impairment loss recognised in respect of trade receivables	642	–
Reversal of impairment loss recognised in respect of other receivables	6,000	–
Impairment loss recognised in respect of available-for-sale financial asset	–	(3,000)
Loss on disposal of available-for-sale financial asset	(1,300)	–
Impairment loss recognised in respect of other receivables	(231)	(19,000)
Impairment loss recognised in respect of trade receivables	–	(13,025)
Loss on disposal of property, plant and equipment	(45)	(2)
Interest income from associates	29,937	19,104
Net realised losses on financial assets at fair value through profit or loss	–	(101,461)
Net unrealised losses on financial assets at fair value through profit or loss	(1,077)	(39,551)
Exchange gain, net	6,525	382
Sundry income	–	627
	<u>41,006</u>	<u>(154,783)</u>

6. FINANCE COSTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Continuing operations		
Interests on:		
Bank borrowing	567	598
Margin account payable	2,783	2,844
Placing notes at effective interest rates	1,794	1,776
Overdue royalty fee payable	2,570	–
Other borrowings	7,965	1,389
	<u>15,679</u>	<u>6,607</u>

7. INCOME TAX CREDIT

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Continuing operations		
Deferred taxation	<u>(1,821)</u>	<u>–</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years ended 31 March 2018 and 31 March 2017. No provision for taxation in Hong Kong has been made for both years ended 31 March 2018 and 31 March 2017 as the Group did not generate any assessable profits arising in Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years ended 31 March 2018 and 31 March 2017.

8. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Loss for the year from continuing operations has been arrived at after charging:		
Staff costs		
– directors' emoluments (excluding share-based payments)	7,731	8,249
– salaries and other benefits in kind	25,851	49,495
– retirement benefits scheme contributions	1,388	600
– share-based payments	<u>20,421</u>	<u>29,309</u>
	<u>55,391</u>	<u>87,653</u>
Auditors' remuneration		
– audit services	1,400	1,600
– non-audit services	80	–
Depreciation of property, plant and equipment	3,758	3,909
Amortisation of intangible asset	8	1
Amortisation of land use rights	463	455
Operating lease payments	12,589	17,868
Cost of inventories sold	30,311	6,894
Royalty fee	<u>54,865</u>	<u>11,641</u>

9. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted loss per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(294,509)</u>	<u>(378,728)</u>

	2018 <i>'000</i>	2017 <i>'000</i>
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Number of shares

Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>34,468,877</u>	<u>30,866,871</u>
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The diluted loss per share for both years does not assume the conversion of the Company's outstanding share options since their assumed exercise would result in an increase in loss per share from continuing operations.

From continuing operations

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company	(294,509)	(378,728)
Less: Profit for the year from discontinued operation	<u>–</u>	<u>443</u>
Loss for the purpose of basic and diluted loss per share from continuing operations	<u>(294,509)</u>	<u>(379,171)</u>

The denominators used are the same as those detailed above for both basic and diluted loss per share.

From discontinued operation

For the year ended 31 March 2017, basic and diluted earnings per share for the discontinued operation is HK0.00 cent loss per share, based on the profit for the year attributable to owners of the Company from the discontinued operation of approximately HK\$443,000 and the denominators detailed above for both basic and diluted earnings per share.

10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2018, nor has any dividend been proposed since the end of the reporting period (2017: Nil).

11. TRADE AND OTHER RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables	42,457	36,816
Less: Accumulated impairment losses	<u>(34,714)</u>	<u>(35,356)</u>
Trade receivables, net	<u>7,743</u>	<u>1,460</u>
Other receivables and prepayments	78,822	58,312
Less: Accumulated impairment losses	<u>(28,231)</u>	<u>(34,000)</u>
Other receivables and prepayments, net	<u>50,591</u>	<u>24,312</u>
	<u><u>58,334</u></u>	<u><u>25,772</u></u>

The Group allows an average credit period of 30 days to 180 days (2017: 90 days to 180 days) to its trade customers. The following is an aged analysis of trade receivables net of allowance for accumulated impairment losses, presented based on the invoice date:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Up to 30 days	6,568	1,429
31 to 90 days	244	2
91 to 365 days	931	29
	<u>7,743</u>	<u>1,460</u>

12. AMOUNTS DUE FROM ASSOCIATES

The amounts due from associates are unsecured, repayable on demand and interest bearing at the following rates:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest free borrowing	119,312	118,134
7% borrowing	120,423	112,025
8% borrowing	339,879	267,987
	<u>579,614</u>	<u>498,146</u>

13. TRADE AND OTHER PAYABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade payables (<i>Note (a)</i>)	80,656	13,341
Other payables and accruals	71,283	34,043
Receipt in advance	4,267	—
Deposit received	15,640	—
Amounts due to directors	18,175	—
Amount due to an associate	69,363	11,656
Amount due to a non-controlling shareholder	18,749	7
	<u>278,133</u>	<u>59,047</u>

Note:

(a) The following is an aged analysis of trade payables presented based on the invoice date:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Up to 30 days	41,902	13,335
31 to 90 days	10,629	6
91 to 180 days	20,120	—
181 to 365 days	3,372	—
Over 365 days	4,633	—
	<u>80,656</u>	<u>13,341</u>

Payment terms are generally 30 to 45 days (2017: 30 days).

14. COMPARATIVE FIGURES

During the year, for enhancing the relevance of the presentation of the consolidated financial statements, reclassifications have been made to certain comparative figures presented in the consolidated financial statements in respect of the prior year to achieve comparability with the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the year under review, China Baoli Technologies Holdings Limited (the “**Company**”) and its subsidiaries (collectively, as the “**Group**”) was principally engaged in mobile technologies business, tourism and hospitality business, gamma ray irradiation services, and securities trading and investment.

Mobile Technologies Business

In April 2016, the Group acquired 30% equity interest of YOTA and was granted an exclusive intellectual property license to market and sell “YotaPhone” in the Greater China Region.

YOTA pioneers the dual-screen design always-on smartphone which is the most distinctive feature among competitors. Since 2016, the Company has allocated significant resources to the development of the mobile technologies business. In the making of the third generation of the dual-screen mobile device Yota 3, the Company and its subsidiaries in the People’s Republic of China (the “**PRC**”), namely Baoli Yota Technologies (Shenzhen) Limited** and Chongqing Baoli Yota Technologies Limited** (“**CQ Baoli Yota**”), are mainly responsible for the funding, localization, ODM, supply chain management and identification of suitable content partners. The Yota team in Russia is responsible for the technology development of the electronic paper display (“**EPD**”) screens and the integration of the dual-screen functions. Following more than a year of hard work with over 100 specialists from China and Russia, the Group successfully launched the Yota 3 in the PRC at the end of October 2017. Yota 3 is fitted with a 5.5-inch AMOLED display that produces full HD resolution of 1,920 x 1,080 pixels. The backside of the smartphone is flanked with its unique selling point of a 5.2-inch secondary e-ink display that supports HD resolution of 720 x 1,280 pixels. The secondary grayscale screen is an always-on display that consumes less power and does not strain the eyes.

Moreover, the Group obtained support from the People's Government of Tongnan County of Chongqing City in the PRC (the "**Tongnan Government**") on the Yota 3 development project in Tongnan County. The Tongnan Government is committed to providing subsidies to support the research and development activities of CQ Baoli Yota.

During the year under review, the Group entered into distribution/sales contracts with large PRC telecommunications players. Yota 3 is currently sold through the following two distribution channels:–

1. JD.com (京東商城), one of the two most prominent B2C e-commerce platforms in the PRC by transaction volume and revenue, and a member of the Fortune Global 500. As of September 2017, the platform had 266.3 million active users.
2. Shenzhen Aisidi Co. Ltd. ("**Aisidi**") as the Group's exclusive offline distributor in the PRC. It has established long and stable strategic partnerships with outstanding mobile phone manufacturers in the PRC and abroad, and China Mobile, China Unicom and China Telecom. The number of Aisidi's customers is more than 100,000. Aisidi has built first-class retail stores to provide better shopping experience in high-end fashion shopping centres in 25 cities of 15 provinces in the PRC.

In addition, the Group is currently exploring new business opportunities with some large state-owned enterprises to develop tailored versions of mobile devices for their customers. The Group is also considering to diversify the business models such as licensing the technologies to other mobile operators or industry players.

Apart from the extensive cooperation among research and development, marketing and sale of Yota devices in the PRC, the Group also formed alliances with 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 and build a mobile reading ecosystem in the China market.

The Group believes that YOTA has high growth potential and ubiquitous demand with the increasing popularity of reading on mobile devices. To have greater influence over the development of YOTA, and to strengthen its foothold in the mobile technologies industry, the Group successfully acquired a further 10% equity interest of YOTA on 29 March 2018. The total equity interest of the Group in YOTA has increased from 30% to 40% since then.

During the year under review, the revenue for this segment was approximately HK\$40,925,000. The Group considers that as Yota 3 was launched at the end of October 2017, it would take time to build brand recognition in China's competitive smartphone industry. The Group believes that the sales revenue will be enhanced as the Group seeks strong partnerships, conducts effective marketing campaigns and expands the sales channels in the future.

The Group will continue to explore 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**”), on 1 March 2017 to broaden the income source of the tourism and hospitality business. During the year under review, We Fly reported its net revenue of approximately HK\$7,364,000 which is mainly owing to the business strategy that We Fly has adopted by setting competitive prices of its products to attract more customers and increase its brand awareness. The success of this business strategy has been reflected in the gross sale which has reached approximately HK\$164 million. To further improve the operational results of We Fly, the management will negotiate with business partners for more competitive terms and increase its product mix such as provision of package tours and ancillary travel related products and services.

During the year under review, the Group has wound down the cruise ship operation and suspended its passenger service. At the same time, the Group was actively looking into different opportunities to maximise the value of the cruise ship. In December 2017, the Group disposed of 10% equity interest of Star Sail Investments Limited, representing its entire interest of Star Sail Investments Limited which owns the cruise ship for a total consideration of HK\$5 million with an aim to mobilise resources to fund future development of the Group.

The Group is monitoring the market environment to rationalise the resources and product mix within the tourism and hospitality business.

Gamma Ray Irradiation Services

The Group's gamma ray irradiation business is conducted through 淄博利源高科辐照技术有限公司 (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 year under review, the Group's gamma ray irradiation business continued to provide irradiation sterilisation processing services to different clients in the food and healthcare industries. Revenue generated from the gamma ray irradiation services for the year under review was approximately HK\$5,090,000 (2017: HK\$5,315,000). Segment loss was approximately HK\$1,964,000 (2017: HK\$16,712,000).

Other Operation

The Group's securities trading and investment business continued to adopt a wait and see attitude investment strategy during the year under review. The Group's securities trading and investment business reported a loss of approximately HK\$1,084,000 (2017: HK\$139,912,000), representing net unrealised losses of approximately HK\$1,077,000 (2017: net unrealised losses of HK\$39,551,000) arising from change in fair value of listed securities held for trading. As at 31 March 2018, the carrying amount of the listed securities was approximately HK\$2,155,000 (2017: HK\$3,232,000).

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

Company name	Place of incorporation	Percentage of shareholdings in equity investment as at 31 March 2018	Percentage of total asset of the Group as at 31 March 2018	Fair value as at 31 March 2018 HK\$'000	Unrealised gain (loss) on fair value change for the year HK\$'000	Realised gain (loss) on fair value change for the year HK\$'000	Dividend received HK\$'000	Principal activities
REXLot Holdings Limited	Bermuda	0.1233%	0.06%	835	(1,391)	–	–	Development of the lottery systems and games, as well as the distribution and marketing of lottery products in the PRC
Tech Pro Technology Development Limited	Cayman Islands	0.0041%	–	–	(47)	–	–	Manufacture, sale and trading of LED lighting products and accessories and energy efficiency projects
King Force Group Holdings Limited	Cayman Islands	0.5083%	0.09%	1,320	360	–	–	Provision of security guarding services and mobile game business

Prospects

Looking into 2018, the world's economy continues to be filled with challenges and uncertainties. The escalated interest rates and tax reform in United States, trade wars between United States and China, and North Korea instability cause uncertainties to the prospects during the year. In spite of that, the Group will stay committed to the mission and work towards its goal. The Group is committed to evaluating and identifying new investment opportunities and continuously improving its market competitiveness and maintaining its overall performance.

In the coming future, the Group will stay focused on the mobile technologies business as it believes that mobile phone and related applications could improve the Group's growth and profitability, and deliver long-term benefits to the Group. China's smartphone market remains the largest in the world, while the competition has become increasingly fierce. In such a competitive landscape, mobile phones with innovative technologies and differentiated features would stand out in the market and achieve business success. The Group will steadily increase its investment in research and development and strive to make technical breakthroughs so as to continuously improve the user experience. The Group will also develop comprehensive marketing strategies to increase its market share in the Greater China and explore the promising business opportunities from all over the world.

In the meanwhile, the Group will continue to monitor the tourism and hospitality business closely. The Group will actively approach its business partners to negotiate for a more competitive price for its Free Independent Traveler products ("**FIT products**") so as to increase the profit margin on FIT products, and thus enhance the business financial performance. In addition, the Group will try to explore more business lines such as package tours and ancillary travel related products or services to expand the revenue stream on tourism and hospitality business.

Moreover, the Group intends to develop investment and fund management business with the aim of generating stable fee-based income and performance-based revenue.

In the future, the Group will keep on seeking more growth opportunities to create greater values to the Group. The management of the Group will continue to devote themselves to executing the business plan cautiously for the shareholders' interests and long-term development of the Group.

Financial Review

During the year under review, the Group recorded a revenue of approximately HK\$53,482,000 (2017: HK\$37,343,000), representing an increase of approximately 43.22% compared with last year. The increase in revenue was mainly from the mobile technologies business.

Loss from continuing operations for the year under review amounted to approximately HK\$299,694,000 (2017: HK\$379,839,000). Net loss attributable to owners of the Company for the year under review decreased to approximately HK\$294,509,000 (2017: HK\$378,728,000), which was mainly attributable to decrease in unrealised losses from securities trading and investment business. As at 31 March 2018, the total assets and net assets of the Group were approximately HK\$1,390,057,000 and HK\$884,174,000 (2017: HK\$1,194,630,000 and HK\$1,036,465,000) respectively.

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 efforts 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. In August 2014, the Company entered into an agreement to renew the placing period for the placing of the Placing Notes up to 31 August 2015. As at 31 March 2018, the Placing Notes in the aggregate principal amount of HK\$30,000,000 (2017: HK\$30,000,000) were outstanding.

Liquidity and Financial Resources

As at 31 March 2018, the Group had bank balance and cash of approximately HK\$33,271,000 (2017: HK\$83,424,000), of which 9.3% was in Hong Kong dollars, 82.22% was in United States dollars, 8.47% was in Renminbi and 0.01% was in Japanese Yen. As at 31 March 2018, the Group had total bank and other borrowings of approximately HK\$227,720,000 (2017: HK\$97,343,000), of which 40.83% was in Hong Kong dollars and 59.17% was in Renminbi and of which borrowings within one year was HK\$198,637,000 (2017: HK\$59,872,000), accounting for approximately 87.23% (2017: 61.5%) of the total borrowings. The increase in borrowings was mainly due to the loan was obtained by an indirect wholly-owned subsidiary during the year under review. As at 31 March 2018, the Group's borrowings with fixed interest rates to total borrowings was approximately 84.11%. The gearing ratio, being the ratio of the sum of total borrowings to total equity, was 26% as at 31 March 2018 (2017: 9%). The increase in gearing ratio was mainly due to the loan obtained by an indirect wholly-owned subsidiary during the year under review. The liquidity ratio, being the ratio of current assets over current liabilities, was 160% as at 31 March 2018 (2017: 514%). The decrease of liquidity ratio was mainly due to the increase of trade and other payables during the year under review.

Pledge of Assets

As at 31 March 2018, the Group's land use rights and certain property, plant and equipment with carrying amount of approximately HK\$14,291,000 (2017: HK\$13,696,000) were pledged to a bank to secure the bank borrowing granted to the Group.

As at 31 March 2018, the Group's listed securities with carrying amount of approximately HK\$2,115,000 (2017: HK\$3,081,000) were pledged to secure margin account payable granted to the Group.

Contingent Liabilities

As at 31 March 2018, the Group had no significant contingent liabilities (2017: Nil).

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. The lock-up period has already expired and Counsel’s view is that the Injunction Order has been automatically discharged upon expiry of the lock-up period. As at the date of this announcement, the litigation is still in progress.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2018 (2017: 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 year under review, in compliance with the code provisions (the “**Code Provision(s)**”) under the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (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 year 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 consolidated financial statements of the Company for the year ended 31 March 2018 with the Group’s management and the Company’s external auditor.

SCOPE OF WORK OF ASIAN ALLIANCE (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2018 as set out in the Preliminary Announcement have been agreed by the Group's auditors, Asian Alliance (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Asian Alliance (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Asian Alliance (HK) CPA Limited on the preliminary announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 March 2018, the Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules.

During the year under review, 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 31 March 2018 respectively. Mr. Zhang has confirmed that he will act in strict compliance with rule B.8 of the Model Code in the future.

During the year under review, Mr. Yeung Chun Wai, Anthony (“**Mr. Yeung**”), an executive Director, 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 the below dealings were entered into. During the period from 21 December 2016 to 30 September 2017, Mr. Yeung bought an aggregate of 107,125,000 shares of the Company and sold an aggregate of 189,500,000 shares of the Company, resulting in a net disposal of 82,375,000 shares of the Company. During the period from 29 November 2016 to 30 September 2017, Ms. Lui Lai Yan, the spouse of Mr. Yeung, bought an aggregate of 20,475,000 shares of the Company and sold an aggregate of 83,575,000 shares of the Company, resulting in a net disposal of 63,100,000 shares of the Company. The disposal of an aggregate of 145,475,000 shares of the Company by Mr. Yeung and his spouse during the aforesaid period represent approximately 5.63% of their total holding as at 31 March 2018. Mr. Yeung reported that the non-compliance of rule B.8 of the Model Code was inadvertent and he had no intention whatsoever to commit such breaches. Mr. Yeung has confirmed that he will apply closer scrutiny towards rule B.8 of the Model Code to avoid committing similar breaches in the future.

Upon becoming aware of the above incidents, the Company has immediately reminded the Directors and senior management again of the requirements of the Model Code and the importance of compliance with the Model Code. The Company will continue to provide regular training to the Directors, senior management and staffs of the Company so as to keep them abreast of the relevant requirements.

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 year under review.

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

During the year ended 31 March 2018, neither the Company nor any of its subsidiaries 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 June 2018

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.*