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 2018

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 2018 together with the comparative figures for the corresponding period in 2017. The unaudited consolidated interim results for the six months ended 30 September 2018 have been reviewed by the Company's audit committee.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 September 2018

		Six months ended 30 September	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Continuing operations			
Revenue	*4*	**35,851**	3,764
Cost of sales		**(52,146)**	(5,874)
Gross loss		**(16,295)**	(2,110)
Other income, gains and losses, net	*4*	**16,154**	13,375
Administrative expenses		**(73,510)**	(78,626)
Selling and distribution expenses		**(35,246)**	–
Finance costs		**(7,438)**	(4,758)
Share of profit/(loss) of associates		**474**	(15,498)
Share of loss of a joint venture		**–**	(9,652)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT *(continued)*
For the six months ended 30 September 2018

		Six months ended 30 September	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Loss before tax	*5*	**(115,861)**	(97,269)
Taxation	*6*	**–**	–
Loss for the period		**(115,861)**	(97,269)
Loss for the period attributable to owners of the Company		**(115,453)**	(92,934)
Loss for the period attributable to non-controlling interests		**(408)**	(4,335)
Loss per share	*7*		
From continuing and discontinued operations			
– Basic and diluted		**(0.33) cents**	(0.27) cents
From continuing operations			
– Basic and diluted		**(0.33) cents**	(0.27) cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the period	**(115,861)**	(97,269)
Other comprehensive (expense) income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(4,831)**	(1,326)
Share of other comprehensive (expense) income of associates	**(3,167)**	625
Other comprehensive (expense) for the period, net of income tax	**(7,998)**	(701)
Total comprehensive expense for the period	**(123,859)**	(97,970)
Total comprehensive expense attributable to:		
Owners of the Company	**(122,818)**	(93,665)
Non-controlling interests	**(1,041)**	(4,305)
	(123,859)	(97,970)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
Non-current Assets			
Property, plant and equipment		**12,041**	11,936
Land use rights		**8,339**	9,392
Intangible asset		**26**	27
Goodwill		**271,675**	271,675
Interest in associates		**330,444**	334,003
		622,525	627,033
Current Assets			
Inventories	*8*	**46,316**	89,650
Trade and other receivables	*9*	**57,274**	58,334
Amounts due from associates	*10*	**612,316**	579,614
Financial assets at fair value through profit or loss	*11*	**1,475**	2,155
Bank balances and cash		**14,879**	33,271
		732,260	763,024
Current Liabilities			
Trade and other payables	*12*	**326,704**	278,133
Bank and other borrowings	*13*	**179,471**	198,637
		506,175	476,770
Net current assets		**226,085**	286,254
Total assets less current liabilities		**848,610**	913,287

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 September 2018

	Notes	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
Non-current liabilities			
Bank and other borrowings	*13*	**38,198**	29,083
Deferred taxation		**1,782**	30
		39,980	29,113
Net assets		**808,630**	884,174
Capital and reserves:			
Share capital	*14*	**354,794**	352,251
Reserves		**459,254**	535,975
Equity attributable to owners of the Company		**814,048**	888,226
Non-controlling interests		**(5,418)**	(4,052)
Total equity		**808,630**	884,174

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 2018 except for the adoption of new and revised standards and interpretations with effect from 1 April 2018.

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 2018.

Annual Improvements Project HKFRS 1 and HKAS 28 (Amendment)	Annual Improvements to HKFRSs 2014–2016 Cycle
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendment)	Clarifications to HKFRS 15
HKAS 40 (Amendment)	Transfers of Investment Property
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

The adoption of the above new and revised HKFRSs has no material impact on the Group's accounting policies, presentation of the condensed consolidated interim financial statements and amounts reported for the current and prior periods.

The nature and the impact of the new and revised HKFRSs which are relevant to the Group's operations are described below:

(a) HKFRS 9 Financial Instruments

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The new guidance does not have a significant impact on the classification and measurement of the Group's financial assets because a fair value through other comprehensive income ("**FVOCI**") election is available for the equity instrument which was previously classified as available-for-sale and the Group does not have the following financial assets:

- Debt instrument that is classified as available-for-sale financial asset;
- Debt instrument classified as held-to-maturity and measured at amortized cost.

It has no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for non-derivative financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 "Financial Instruments: Recognition and Measurement" and have not been changed.

The new impairment model requires the recogintion of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts.

The adoption of HKFRS 9 has no material impact on the results and financial position of the Group for the current and prior periods.

(b) HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. The five steps are as follows:

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

iv) Allocate the transaction price to the performance obligations; and

v) Recognize revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 has superseded the revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

Management considered that there is no material change to the existing revenue recognition policy for the adoption of this new standard.

3. SEGMENT INFORMATION

For management purpose, the Group has three (2017: 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 2018

	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	**26,640**	**6,695**	**2,516**	**–**	**35,851**
Segment results	**(71,836)**	**(214)**	**(937)**	**(686)**	**(73,673)**
Unallocated corporate expenses					**(35,224)**
Loss from operations					**(108,897)**
Finance costs					**(7,438)**
Share of profit of an associate					**474**
Loss before taxation					**(115,861)**
Taxation					**–**
Loss for the period					**(115,861)**

Segment assets and liabilities
As at 30 September 2018

	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	**1,014,610**	**270,467**	**16,637**	**3,076**	**1,304,790**
Unallocated corporate assets					**49,995**
Consolidated total assets					**1,354,785**
LIABILITIES					
Segment liabilities	**350,067**	**61,321**	**9,275**	**38,701**	**459,364**
Unallocated corporate liabilities					**86,791**
Consolidated total liabilities					**546,155**

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 31 March 2018

	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	1,053,937	268,748	18,781	3,755	1,345,221
Unallocated corporate assets					44,836
Consolidated total assets					1,390,057
LIABILITIES					
Segment liabilities	297,292	56,261	9,795	36,179	399,527
Unallocated corporate liabilities					106,356
Consolidated total liabilities					505,883

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the period (2017: HK$Nil)

Segment results represents the profit/(loss) earned or incurred by each segment without allocation of central administration costs including directors' salaries, 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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Continuing operations		
Revenue		
Sales of mobile phones and related products	**26,640**	–
Gamma ray irradiation service income	**2,516**	2,137
Tourism and hospitality business		
– Income from cruise and cruised-related products	**–**	103
– Service income from sales of travel related products *(Note)*	**6,695**	1,524
	35,851	3,764
Other income and gains (losses)		
Net unrealised losses on financial assets at fair value through profit or loss	**(679)**	(811)
Other income	**141**	265
Exchange gain	**169**	2,560
Interest income from financial institutions	**10**	4
Interest income from subsidiaries of an associate	**16,373**	14,609
Loss on disposal of a joint venture	**–**	(3,252)
Gain on disposal of fixed assets	**140**	–
	16,154	13,375
	52,005	17,139

Note:

Total customer sales proceeds

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Gross sales proceeds related to service income*	**83,776**	79,602

* *The Group's gross sales proceeds from sale of travel related products, including the 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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Amortisation of land use rights	**236**	226
Consultancy fee	**300**	17,264
Cost of inventories sold	**50,520**	–
Depreciation of property, plant and equipment	**1,746**	1,878
Exchange loss	**1,753**	420
Operating lease payments *(Note 16)*	**4,513**	6,008

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 2018 and 2017. 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 loss per share for the six months ended 30 September 2018 is based on the loss for the period attributable to equity shareholders of the Company of approximately HK$115,453,000 (2017: approximately HK$92,934,000) and on the weighted average number of 3,472,135,385 shares (2017: 3,441,812,108 shares) in issue during the period. The weighted average number of shares for the purpose of basic and diluted loss per share has been adjusted for the effect of the share consolidation which became effective on 3 August 2018.

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

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the period attributable to equity shareholders of the Company used in the basic and diluted loss per share calculation	**(115,453)**	(92,934)

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary share in issue during the period used in the basic and diluted loss per share calculation	**3,472,135,385**	3,441,812,108

The calculation of diluted loss per share for the six months ended 30 September 2018 and 30 September 2017 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.

8. INVENTORIES

	30 September 2018	31 March 2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Mobile technologies business		
– Raw materials	**17,092**	29,254
– Work in progress	**16,313**	51,175
– Finished goods	**12,911**	9,221
	46,316	89,650

9. TRADE AND OTHER RECEIVABLES

	30 September 2018 (Unaudited) *HK$'000*	31 March 2018 (Audited) *HK$'000*
Trade receivables	**38,954**	42,457
Less: allowance for impairment	**(34,714)**	(34,714)
Trade receivables, net	**4,240**	7,743
Other receivables and prepayments	**87,034**	78,822
Less: allowance for impairment	**(34,000)**	(28,231)
Other receivables and prepayments, net	**53,034**	50,591
	57,274	58,334

The Group allows an average credit period of 30 days to 180 days (31 March 2018: 30 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:

	30 September 2018 (Unaudited) *HK$'000*	31 March 2018 (Audited) *HK$'000*
Up to 30 days	**3,649**	6,568
31 to 90 days	**328**	244
91 to 365 days	**263**	931
	4,240	7,743

10. AMOUNTS DUE FROM ASSOCIATES

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

	30 September 2018 (Unaudited) *HK$'000*	31 March 2018 (Audited) *HK$'000*
Interest free borrowing	**119,000**	119,312
7% borrowing	**123,750**	120,423
8% borrowing	**369,566**	339,879
	612,316	579,614

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2018 (Unaudited) *HK$'000*	31 March 2018 (Audited) *HK$'000*
Listed securities held for trading:		
− Equity securities listed in Hong Kong	**1,475**	2,155

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

As at 30 September 2018, the Group's listed securities of aggregate carrying amount of approximately HK$1,475,000 (31 March 2018: approximately HK$2,155,000) were pledged by the Group to secure margin account payable.

12. TRADE AND OTHER PAYABLES

	30 September 2018 (Unaudited) *HK$'000*	31 March 2018 (Audited) *HK$'000*
Trade payables	**101,405**	80,656
Other payables and accruals	**54,581**	71,283
Receipt in advance	**3,676**	4,267
Deposit received	**15,640**	15,640
Amounts due to directors	**19,975**	18,175
Amount due to a subsidiary of an associate	**103,269**	69,363
Amount due to a non-controlling shareholder of a subsidiary	**28,158**	18,749
	326,704	278,133

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 2018 (Unaudited) ***HK$'000***	31 March 2018 (Audited) *HK$'000*
Up to 30 days	**48,754**	41,902
31 to 90 days	**25,373**	10,629
91 to 180 days	**16,415**	20,120
181 to 365 days	**2,581**	3,372
Over 365 days	**8,282**	4,633
	101,405	80,656

13. BANK AND OTHER BORROWINGS

	30 September 2018 (Unaudited) ***HK$'000***	31 March 2018 (Audited) *HK$'000*
Current		
Bank borrowing – secured *(Note a)*	**–**	9,621
Margin account payable *(Note b)*	**37,660**	36,179
Other borrowings – unsecured *(Notes d & e)*	**141,811**	152,837
	179,471	198,637
Non-current		
Bank borrowing – secured *(Note a)*	**9,115**	–
Placing notes *(Note c)*	**29,083**	29,083
	38,198	29,083
Total bank and other borrowings	**217,669**	227,720
Bank borrowing repayable		
Within one year	**–**	9,621
After two years but within five years	**9,115**	–
	9,115	9,621

	30 September 2018 (Unaudited) *HK$'000*	31 March 2018 (Audited) *HK$'000*
Other borrowings repayable		
Within one year	**179,471**	189,016
After two years but within five years	**29,083**	29,083
	208,554	218,099
Total bank and other borrowings	**217,669**	227,720

Notes:

(a) The bank borrowing matures until 2 September 2020 (31 March 2018: matures until 7 September 2018) and the average effective interest rate of the bank borrowing is 5.7% (31 March 2018: 5.7%) per annum. As at 30 September 2018 and 31 March 2018, the bank borrowing is secured by certain leasehold buildings and land use rights of the Group.

(b) Margin account payable as at 30 September 2018 and 31 March 2018 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 "**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 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) Included in other borrowings of approximately HK$27,706,000 represent loans from an independent third party. In accordance with the loan agreement, the loan principal and outstanding interest are repayable within 12 months from the date of the loan agreement. The loans are unsecured and carry fixed interest rate of 12% per annum.

(e) Included in other borrowings of approximately HK$114,105,000 (equivalent to RMB100,145,000) represent loans from an independent third party. In accordance with the loan agreement, the loan principal is repayable within 18 months from the date of the loan agreement. The loans are unsecured and carry interest rate of the People's Bank of China Benchmark Rate.

14. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares		
Authorised:		
As at 31 March 2018 of HK$0.01 each	65,000,000,000	650,000
Share Consolidation *(Note 2)*	(58,500,000,000)	–
As at 30 September 2018 of HK$0.10 each	6,500,000,000	650,000
Issued and fully paid:		
As at 31 March 2018 of HK$0.01 each	35,225,130,641	352,251
Share Consolidation *(Note 2)*	(31,702,617,577)	–
	3,522,513,064	–
Issue of shares for investment in an associate *(Note 1)*	25,424,836	2,543
As at 30 September 2018 of HK$0.10 each	3,547,937,900	354,794

Note 1: During the period, 25,424,836 ordinary shares of the Company with aggregate nominal value of HK$2,542,483.60 were issued as the second tranche consideration shares.

Note 2: On 2 August 2018, the Company passed an ordinary resolution to consolidate every ten shares of HK$0.01 each in the issued and unissued share capital of the Company into one consolidated share of HK$0.10 each in the issued and unissued share capital of the Company.

On 3 August 2018, the Share Consolidation became effective with authorised share capital of HK$650,000,000 divided into 6,500,000,000 consolidated shares of HK$0.10 each, of which 3,522,513,064 consolidated shares were in issue.

15. CONTINGENT LIABILITIES

As at 30 September 2018, the Group had no significant contingent liabilities (31 March 2018: Nil).

16. COMMITMENTS

(i) Capital commitments

	30 September 2018 (Unaudited)	31 March 2018 (Audited)
	HK$'000	*HK$'000*
Contracted but not provided:		
Unpaid registered capital for subsidiaries	**161,246**	177,772
	161,246	177,772

(ii) Operating lease commitments

The Group made minimum lease payments of approximately HK$21,291,000 (2017: approximately HK$9,080,000) under operating leases during the period.

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

	30 September 2018 (Unaudited)	31 March 2018 (Audited)
	HK$'000	*HK$'000*
Within one year	**8,123**	6,261
After one year and within five years	**13,568**	2,819
	21,691	9,080

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 two years.

17. 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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loan interest income from subsidiaries of an associate	**16,381**	14,609
Rental expenses to related companies	**–**	(1,020)
Royalty fee to subsidiaries of an associate	**28,013**	–

(b) Compensation of key management of the Group

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Fee, salaries and other short-term employee benefits	**6,858**	3,837
Pension scheme contributions	**389**	34
	7,247	3,871

Save as disclosed above, there were no significant transactions with related parties during the period.

(c) Period/year-end balances

	30 September	31 March
	2018	2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Amount due from associates	**612,316**	579,614
Amount due to a subsidiary of an associate	**103,269**	69,363

Save as disclosed above, there were no 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.

In the first half of 2018, frequent global trade disputes and mounting trade protectionism posed more uncertainties and risks to the economic development across the globe, in particular the Chinese and the US economies. In China, the smartphone market is highly competitive and intense, there are numerous market players selling mobile phones and there are also new entrants to the market from time to time. Meanwhile, the inadequate protection of intellectual property rights in China is still the biggest challenge and threat for the business of most companies, especially the Hi-tech company's business.

Mobile Technologies Business

YOTA pioneers the dual-screen design always-on smartphone which is the most distinctive feature among competitors. The Group currently owns 40% equity interest of YOTA and was granted an exclusive intellectual property license to market and sell "YotaPhone" in the Greater China Region.

In the past 2 years, 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** ("**Baoli Yota**") and Chongqing Baoli Yota Technologies Limited** ("**CQ Baoli Yota**"), are mainly responsible for the funding, localization, ODM, supply chain management and identification of suitable 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. 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.

During the period under review, competition in the China smartphone market was very intense, the market condition of the smartphone business was challenging in 2018, as total smartphone shipments in the global and Chinese market continued to decline year on year. According to the statistical data from IDC (an international research institution), the global smartphone shipments reached 676 million units in the first half of 2018, down by 2.35% year-on-year. According to the latest data released by China Academy of Telecommunication Research, smartphone shipments in China were 185 million units, down by 17.8% year-on-year over the same period. The Group continued to promote the Yota 3 smartphone through various channels and has conducted marketing campaigns from time to time.

In addition to the current B2C retail business, the Group has been exploring new business models to cooperate with some large state-owned enterprises in China to develop customized versions of mobile devices for their customers. On 12 October 2018, the Group entered into an exclusive technology cooperation agreement with Zhejiang Jiu Jiu Sharing Information Technology Co. Ltd.** (浙江久久共享傳媒有限公司) ("**Jiu Jiu**") in relation to the development of "Xinhua 99" dual-screen mobile devices ("**Xinhua 99 mobile devices**") and the construction of the "Xinhua 99" sharing platform ("**Xinhua 99 Project**"). Xinhua 99 Project originates from the sharing economy idea with its major focus on advertising and information dissemination. It aims to build a comprehensive community through the Xinhua 99 mobile devices utilizing the dual screen technology and the "Xinhua 99" application (the "**Xinhua 99 APP**"). This community service platform integrates advertising, information, e-commerce and community by providing multiple functions including economic information, O2O, online transactions, integrated communication and community resources. The Xinhua 99 mobile device is a transformation of the Group's YOTA mobile device and has adopted YOTA's dual-screen technology in its hardware. The back screen can be used for internet surfing, reading, advertising and conducting e-commerce. The Group will be the provider of the Xinhua 99 mobile devices.

The Group considers that through the Xinhua 99 Project, its dual-screen mobile devices can be widely promoted in both the wholesale and consumer market, thereby creating additional revenue to the Group's mobile technologies business and improving the Group's profitability to deliver long-term benefits to the Group and the shareholders of the Company. For details of Xinhua 99 Project, please refer to the announcement of the Company dated 12 October 2018.

During the period under review, the revenue from this segment was approximately HK$26,640,000 (2017: Nil). Segment loss was approximately HK$71,836,000 (2017: approximately HK$23,489,000). The Group expects to expand the smartphone portfolio to satisfy the demand from its customers next year. The Group is also looking into new related business opportunities, such as IoT solutions utilizing its world-class product design and services.

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 period under review, We Fly reported its net revenue of approximately HK$6,695,000 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$83,776,000. 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 ended 31 March 2018, the Group has wound down the cruise ship operation and suspended its passenger service. At the same time, the Group has been actively looking into different opportunities to maximize the value of the tourism and hospitality business.

The Group is monitoring the market environment to rationalize 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 utilizing gamma ray technologies.

During the period under review, the Group's gamma ray irradiation business continued to provide irradiation 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$2,516,000 (2017: approximately HK$2,137,000). Segment loss was approximately HK$937,000 (2017: approximately HK$1,170,000).

Other Operation

The Group's securities trading and investment business continued to adopt a wait and see attitude investment strategy during the period under review. The Group's securities trading and investment business reported a loss of approximately HK$686,000 (2017: approximately HK$818,000), representing net unrealised losses of approximately HK$679,000 (2017: net unrealised losses of approximately HK$811,000) arising from change in fair value of listed securities held for trading. As at 30 September 2018, the carrying amount of the listed securities was approximately HK$1,475,000 (31 March 2018: approximately HK$2,155,000).

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 2018	Percentage of total asset of the Group as at 30 September 2018	Fair value as at 30 September 2018 *HK$'000*	Unrealised gain (loss) on fair value change for the period *HK$'000*	Realised gain (loss) on fair value change for the period *HK$'000*	Dividend received *HK$'000*	Principal activities
REXLot Holdings Limited	Bermuda	0.1233%	0.0233%	315	(519)	–	–	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%	–	–	–	–	–	Manufacture, sale and trading of LED lighting products and accessories and energy efficiency projects
Greatwalle Inc. (formerly known as King Force Group Holdings Limited)	Cayman Islands	0.4873%	0.0856%	1,160	(160)	–	–	Provision of security guarding services and mobile game business

Prospects

In face of slowing handset market demand across the globe and increasingly fierce industry competition as well as rising requirement of consumers for product quality, domestic and foreign smart phone brands have become more focused on the product appearance design and characteristic function to achieve differentiation, in order to enhance their own market competitiveness. During the period under review, thinner, lighter and large-screen smartphones continued to lead the development trend of smartphone industry. YOTA's unique dual-screen design maximizing the utilization of mobile phone's appearance, and the secondary grayscale screen is an always-on display that consumes less power and does not strain the eyes. These are the most distinctive features among competitors. The Group will increase its R&D investment so as to reinforce its leading position in dual-screen market and make breakthroughs in key technologies to continuously enhance the overall user experience, thus to attract more orders from customers and achieve long-term sustainable development of smartphone business.

Besides, the smartphone market in mainland China is in a period of recalibration. The Group will continue to expand new business cooperation with large-scale enterprises and state-owned enterprises. The Group believes its strategic focus to further penetrate the B2B smartphone market by optimizing its distribution channels in 2018 will lay the groundwork for further smartphone shipment unit growth in China in next year, and it is expected that the business will achieve stable revenue growth.

On the other hand, the Group believes that there is also a market opportunity in the smart software business outside of smartphones. The Group is also considering to diversify the business models such as licensing the technologies to other mobile operators or industry players and further developing IoT solutions. The Group will continue to look for new technologies business opportunities so as to generate sustainable profitability and growth in the long run.

In the meantime, the Group will continue to monitor the tourism and hospitality business closely. 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. In addition, 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.

Looking ahead, the Group will push ahead in-depth synergetic business cooperation with strategic investors, speed up improvement in innovative capability to allow the Group to establish unique differentiated advantages and create new strategic opportunities for the Group's development. The Group will spare no effort to push forward sustainable development and elevate overall competitiveness and corporate efficiency to create greater value for its shareholders.

Financial Review

Financial Result

During the period under review, the Group recorded a revenue of approximately HK$35,851,000 (2017: HK$3,764,000), representing an increase of approximately 852% compared with previous corresponding period. The increase in revenue was mainly generated from the sale of smartphones and accessories under the mobile technologies business.

Loss for the period under review amounted to approximately HK$115,861,000 (2017: approximately HK$97,269,000). Loss attributable to owners of the Company for the period under review increased to approximately HK$115,453,000 (2017: approximately HK$92,934,000), which was mainly attributable to the increase in marketing and operation expenses from the mobile technologies business. As at 30 September 2018, the total assets and net assets of the Group were approximately HK$1,354,785,000 and HK$808,630,000 (2017: HK$1,390,057,000 and HK$884,174,000) 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 30 September 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 30 September 2018, the Group had bank balance and cash of approximately HK$14,879,000 (31 March 2018: HK$33,271,000), of which 29.89% was in Hong Kong dollars, 68.78% was in Renminbi and 1.33% was in other currencies. As at 30 September 2018, the Group had total bank and other borrowings of approximately HK$217,669,000 (31 March 2018: HK$227,720,000), of which 47.58% was in Hong Kong dollars and 52.42% was in Renminbi and of which borrowings due within one year was HK$179,471,000 (31 March 2018: HK$198,637,000), accounting for approximately 82.45% (31 March 2018: 87.23%) of the total borrowings. The decrease in borrowings was mainly due to the repayment of loan during the period under review. As at 30 September 2018, the Group's borrowings with fixed interest rates to total borrowings was approximately 82.70%. The gearing ratio, being the ratio of the sum of total borrowings to total equity, was 27% as at 30 September 2018 (31 March 2018: 26%). The increase in gearing ratio was mainly due to decrease in total equity during the period under review. The liquidity ratio, being the ratio of current assets over current liabilities, was 145% as at 30 September 2018 (31 March 2018: 160%). The decrease of liquidity ratio was mainly due to the increase of trade and other payables during the period under review.

Pledge of Assets

As at 30 September 2018, the Group's land use rights and certain property, plant and equipment with carrying amount of approximately HK$12,629,000 (31 March 2018: HK$14,291,000) were pledged to a bank to secure the bank borrowing granted to the Group.

As at 30 September 2018, the Group's listed securities with carrying amount of approximately HK$1,475,000 (31 March 2018: HK$2,115,000) were pledged to secure margin account payable granted to the Group.

Contingent Liabilities

As at 30 September 2018, the Group had no significant contingent liabilities (31 March 2018: 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 both the borrowings of the Group and the interest rates currently remain at low levels. As at 30 September 2018, the Group's bank and other borrowings with fixed interest rates accounted for approximately 82.70% of total borrowings.

Use of Proceeds

On 29 March 2018, the first tranche consideration shares of 593,246,187 shares were allotted and issued to the vendor (MTH Limited) (the "**Vendor**") under general mandate for the acquisition of 10% equity interest of YOTA. The aggregate nominal value of such first tranche consideration shares amounted to HK$5,932,461.87. On 26 September 2018, the second tranche consideration shares of 25,424,836 shares (adjusted to take into account of the Share Consolidation of every ten (10) shares of HK$0.01 each in the share capital of the Company into one (1) share of HK$0.10 each in the share capital of the Company, which became effective on 3 August 2018) were allotted and issued to the Vendor under general mandate. The aggregate nominal value of such second tranche consideration shares amounted to HK$2,542,483.60.

Material Acquisitions and Disposal

The Group had no material acquisition and disposal of subsidiaries during the six months ended 30 September 2018.

Share Consolidation

On 28 June 2018, the Board proposed to implement the Share Consolidation and the change in board lot size involving: (i) consolidation of every ten (10) existing shares of HK$0.01 each in the issued and unissued share capital of the Company into one (1) consolidated share of HK$0.10 each in the issued and unissued share capital of the Company (the "**Share Consolidation**") subject to, among other things, approval by shareholders at general meeting of the Company; and (ii) change in board lot size of the shares for trading on the Stock Exchange from 25,000 existing shares to 5,000 consolidated shares upon the Share Consolidation becoming effective. As approved by the shareholders of the Company at the special general meeting of the Company held on 2 August 2018, the Share Consolidation became effective on 3 August 2018.

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 in April 2018 and 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 against the three placees for their breach of the lock-up undertakings.

Employee and Emolument Policy

As at 30 September 2018, the Group employed 161 employees (2017: 259). Staff costs (including Directors' emoluments) of the Group for the six months ended 30 September 2018 amounted to approximately HK$12,961,000 (2017: approximately HK$19,402,000).

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, share option scheme and share award scheme. Employees in the PRC are remunerated according to the prevailing market conditions in the locations of their employments.

The emolument policy of the employees of the Group is set up by the Board on the basis of their merit, qualifications and competence. The emoluments of the Directors are decided by the Board, as authorised by the shareholders at annual general meetings of the Company, having regard to the Group's operating results, individual performance and comparable market statistics.

Important Events after the Reporting Period

Acquisition of 25.1% equity interest in YOTA

On 4 June 2018, China Baoli Technologies Services Limited (the "**Purchaser**"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "**Agreement**") with Trinity World Management Limited ("**Trinity World**") in relation to further acquisition of 25.1% equity interest in YOTA (the "**Further Acquisition**"), a company incorporated in Cayman Islands with limited liability, for a consideration of USD60,000,000 (equivalent to approximately HK$471,660,000) which will be satisfied by the allotment and issue of 8,232,850,410 consideration shares on the completion date at the issue price of HK$0.05729 per share. The Listing Department informed the Company that based on the information provided, it made a ruling in its decision letter dated 27 June 2018 that the Further Acquisition constitutes a reverse takeover under Rule 14.06(6) of the Listing Rules. The Company then submitted a review application to the Listing Committee for a review of the ruling on 9 July 2018. On 3 October 2018, the Company received a decision letter from the Listing Committee that it decided to uphold the Listing Department's ruling that the Further Acquisition is a reverse takeover under Rule 14.06(6) of the Listing Rules (the "**Decision**"). In light of the Decision, on 3 October 2018, the Purchaser and Trinity World entered into a termination agreement to terminate the Agreement, hence the Further Acquisition did not proceed. Details of the Further Acquisition and the ruling and decision of the Listing Committee are set out in the announcements of the Company dated 5 July 2018, 9 July 2018 and 3 October 2018.

Xinhua 99 Project

On 12 October 2018, the Company and Zhejiang Jiu Jiu Sharing Information Technology Co., Ltd.** (浙江久久共享傳媒有限公司) entered into a technology cooperation agreement in relation to the cooperation on the development of "Xinhua 99" dual-screen mobile devices and the construction of the "Xinhua 99" sharing platform (collectively, the "**Xinhua 99 Project**"). For details of Xinhua 99 Project, please refer to the announcement of the Company dated 12 October 2018 and the Management Discussion and Analysis section of this annoucement.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 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 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 Chi Yuen who was appointed as an independent non-executive Director not for a specific term, the other independent non-executive Directors were appointed for a term of three years, 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) was absent from the special general meeting held on 2 August 2018, and Mr. Han Chunjian (independent non-executive Director) was absent from the special general meetings held on 12 June 2018 and 2 August 2018 and the 2018 annual general meeting of the Company, in each case due to other important matter.

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 2018.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 September 2018, 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**"). Having made specific enquiry by the Company, all the 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 2018, 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 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 Fong Kong, Francis, Mr. Chan Kee Huen, Michael and Mr. Han Chunjian.

** *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.*