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China Soft Power Technology Holdings Limited

中國軟實力科技集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 139)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2017

The Board of Directors (the “Board”) of China Soft Power Technology Holdings Limited (the “Company”) announces the annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2017 (the “Year”) together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2017

		For the year ended 31 March	
	<i>Notes</i>	2017	2016
		HK\$'000	HK\$'000
Revenue	2, 3		
Electronic and accessory products		2,525	650
Financial investments and services		(54,653)	(473,088)
		(52,128)	(472,438)
Cost of electronic and accessory products sold		(2,496)	(642)
Brokerage and commission expenses		(761)	(2,758)
		(3,257)	(3,400)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

For the year ended 31 March 2017

		For the year ended 31 March	
	Notes	2017 HK\$'000	2016 HK\$'000
Gross loss		(55,385)	(475,838)
Other income and gains	3	4,312	12,875
Administrative expenses		(81,805)	(40,004)
Research costs		–	(7,024)
Other operating expenses		(6,233)	(375)
Gain/(loss) on disposal of subsidiaries	4	15,566	(85,786)
Loss on disposal of available-for-sale equity investments		(48,186)	(31,322)
Impairment loss of available-for-sale equity investments		(3,947)	(669,615)
Fair value gains on equity investments at fair value through profit or loss, net		20,250	82,549
Finance costs	5	(969)	(204)
LOSS BEFORE TAX	6	(156,397)	(1,214,744)
Income tax expense	7	–	(1)
LOSS FOR THE YEAR		(156,397)	(1,214,745)
Attributable to:			
Owners of the parent		(156,397)	(1,252,637)
Non-controlling interests		–	37,892
		(156,397)	(1,214,745)
DIVIDEND	8	–	–
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	9	HK\$(0.02)	HK\$(0.18)
Diluted		HK\$(0.02)	HK\$(0.18)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
LOSS FOR THE YEAR	(156,397)	(1,214,745)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Equity investments:		
Changes in fair value	444,744	–
Debt component of acquired convertible bonds:		
Reclassification adjustment for gains included in profit or loss upon disposal	–	(2,577)
Exchanges differences:		
Exchange differences on translation of foreign operations	(1,199)	347
Release of exchange fluctuation reserve upon disposal of subsidiaries	881	(346)
Release of exchange fluctuation reserve upon deregistration of a subsidiary	890	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	445,316	(2,576)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	288,919	(1,217,321)
Attributable to:		
Owners of the parent	288,919	(1,255,177)
Non-controlling interests	–	37,856
	288,919	(1,217,321)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2017

	As at 31 March	
<i>Notes</i>	2017	2016
	HK\$'000	HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	3,631	3,216
Available-for-sale equity investments	1,121,372	655,121
Deposits	27,947	4,417
	<hr/>	<hr/>
Total non-current assets	1,152,950	662,754
	<hr/>	<hr/>
CURRENT ASSETS		
Equity investments at fair value through profit or loss	<i>10</i> 49,500	173,177
Loans receivable	<i>11</i> 180,656	–
Trade receivables	<i>12</i> –	–
Loan to a director	31,900	–
Prepayments, deposits and other receivables	5,400	25,517
Cash and bank balances	4,045	86,467
	<hr/>	<hr/>
	271,501	285,161
Assets of a disposal group classified as held for sale	–	77,629
	<hr/>	<hr/>
Total current assets	271,501	362,790
	<hr/>	<hr/>
CURRENT LIABILITIES		
Trade payables	<i>13</i> 502	3
Tax payable	–	179
Other payables and accruals	<i>14</i> 21,796	40,906
Shareholder loan	–	50,000
	<hr/>	<hr/>
Total current liabilities	22,298	91,088
	<hr/>	<hr/>
NET CURRENT ASSETS	249,203	271,702
	<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)*31 March 2017*

		As at 31 March	
		2017	2016
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,402,153</u>	<u>934,456</u>
NON-CURRENT LIABILITY			
Notes payable		<u>86,574</u>	<u>–</u>
Net assets		<u><u>1,315,579</u></u>	<u><u>934,456</u></u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>15</i>	89,651	85,004
Reserves		<u>1,225,928</u>	<u>849,452</u>
Total equity		<u><u>1,315,579</u></u>	<u><u>934,456</u></u>

NOTES

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for listed equity investments which have been measured at fair value. The disposal group held for sale is stated at the lower of its carrying amount and fair value less cost to sell. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Changes in accounting policies and disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
HKFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012–2014 Cycle</i>	Amendments to a number of HKFRSs

The adoption of the above revised standards has had no significant financial effect on these financial statements.

Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions²</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts²</i>
HKFRS 9	<i>Financial Instruments²</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
HKFRS 15	<i>Revenue from Contracts with Customers²</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers²</i>
HKFRS 16	<i>Leases³</i>
Amendments to HKAS 7	<i>Disclosure Initiative¹</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses¹</i>
Amendments to HKAS 40	<i>Transfers of Investment Property²</i>
HK(IFRIC) Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration²</i>
Amendments to HKFRS 12 included in <i>Annual Improvements 2014–2016 Cycle</i>	<i>Disclosure of Interests in Other Entities¹</i>
Amendments to HKFRS 1 included in <i>Annual Improvements 2014–2016 Cycle</i>	<i>First-time Adoption of Hong Kong Financial Reporting Standard²</i>
Amendments to HKAS 28 included in <i>Annual Improvements 2014–2016 Cycle</i>	<i>Investments in Associates and Joint Ventures²</i>

- ¹ Effective for annual periods beginning on or after 1 January 2017
² Effective for annual periods beginning on or after 1 January 2018
³ Effective for annual periods beginning on or after 1 January 2019
⁴ No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

2. OPERATING SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary of details of the operating segments are as follows:

- (a) the electronic and accessory products segment trades electronic and accessory products;
- (b) the financial investments and services segment comprises financial investments and trading, debt and equity investments and money lending business; and
- (c) the corporate and others segment comprises corporate income and expenses items; research and development of integrated circuit technology and property investment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss which is measured consistently with the Group's profit/loss before tax except that bank interest income, gain/loss on disposal of subsidiaries, finance costs and head office and corporate expenses are excluded from such measurement.

Segment assets exclude cash and bank balances and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude shareholder loan, receipt in advance for the exercise of the Company's bonus warrants, notes payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

There are no intersegment sales and transfers between the segments (2016: Nil).

Group

	Electronic and accessory products		Financial investments and services		Corporate and others		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	2,525	650	-	-	-	-	2,525	650
Losses from financial investments and services	-	-	(54,653)	(473,088)	-	-	(54,653)	(473,088)
Total	2,525	650	(54,653)	(473,088)	-	-	(52,128)	(472,438)
Segment results	3,011	7,099	(87,755)	(1,094,506)	(86,170)	(39,996)	(170,914)	(1,127,403)
<i>Reconciliation:</i>								
Bank interest income							9	44
Gain/(loss) on disposal of subsidiaries							15,566	(85,786)
Unallocated expenses							(89)	(1,395)
Finance costs							(969)	(204)
Loss before tax							(156,397)	(1,214,744)
Income tax expense							-	(1)
Loss for the year							(156,397)	(1,214,745)
Assets and liabilities								
Segment assets	-	213	1,387,002	553,132	32,553	384,652	1,419,555	937,997
<i>Reconciliation:</i>								
Unallocated assets							4,896	87,547
Total assets							1,424,451	1,025,544
Segment liabilities	756	5,694	2,478	170	18,085	2,776	21,319	8,640
<i>Reconciliation:</i>								
Unallocated liabilities							87,553	82,448
Total liabilities							108,872	91,088

	Electronic and accessory products		Financial investments and services		Corporate and others		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information:								
Depreciation	-	59	-	-	50	375	<u>50</u>	<u>434</u>
Impairment losses recognised in the statement of profit or loss	1,175	3	3,947	669,615	-	-	<u>5,122</u>	<u>669,618</u>
Write-off of items of property, plant and equipment	-	-	-	-	3,015	3	<u>3,015</u>	<u>3</u>
Write-off of deposits and other receivables	-	-	-	300	436	-	<u>436</u>	<u>300</u>
Gain on disposal of items of property, plant and equipment	-	(7,778)	-	-	(95)	-	<u>(95)</u>	<u>(7,778)</u>
Fair value gains on equity investments at fair value through profit or loss, net	-	-	(20,250)	(82,549)	-	-	<u>(20,250)</u>	<u>(82,549)</u>
Loss on disposal of available-for-sale equity investments	-	-	48,186	31,322	-	-	<u>48,186</u>	<u>31,322</u>
Equity-settled share option arrangements, net	-	-	-	-	60,600	(1,579)	<u>60,600</u>	<u>(1,579)</u>
Capital expenditure*	-	-	-	-	3,480	3,229	<u>3,480</u>	<u>3,229</u>

* Capital expenditure consists of additions to property, plant and equipment.

Geographical information

The Group's revenue and non-current assets are predominantly attributable to a single geographical region, Hong Kong, which is the Group's principal place of business and operations. Therefore, no analysis by geographical region is presented.

Information about a major customer

Revenue of approximately HK\$2,525,000 (2016: HK\$650,000) was derived from sales by the electronic and accessory products segment to a single customer.

3. REVENUE AND OTHER INCOME AND GAINS

Revenue represents the aggregate of the net invoiced value of goods sold, after allowances for returns and trade discounts, losses on disposal of equity investments at fair value through profit or loss and interest income from money lending business during the year.

An analysis of revenue and other income and gains is as follows:

	For the year ended	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
<u>Revenue</u>		
Sales of goods	2,525	650
Losses on disposal of equity investments at fair value through profit or loss*	(59,378)	(473,088)
Interest income from money lending business	4,725	–
	<u>(52,128)</u>	<u>(472,438)</u>
<u>Other income and gains</u>		
Gain on disposal of items of property, plant and equipment	95	7,778
Gain on deregistration of a subsidiary	4,208	–
Bank interest income	9	44
Government grants	–	3,556
Service income	–	966
Others	–	531
	<u>4,312</u>	<u>12,875</u>

* The gross proceeds from the disposal of equity investments at fair value through profit or loss for the year were approximately HK\$96,059,000 (2016: HK\$731,618,000).

4. DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2017, the Group disposed of (i) its entire interest in PLD Holdings Limited, a wholly-owned subsidiary of the Group, to a related company wholly owned by the father of Mr. Wei Zhenyu (“Mr. Wei”) for a cash consideration of US\$11.3 million (approximately HK\$87.7 million); and (ii) its entire interest in CSPT Holdings Limited, a wholly-owned subsidiary of the Group, to a related company wholly-owned by the step-mother of Mr. Wei for a cash consideration of US\$10.5 million (approximately HK\$81.9 million).

	2017
	HK\$'000
Net assets disposed of:	
Cash and bank balances	1,141
Prepayments, deposits and other receivables	153,220
Other payables and accruals	(1,163)
	<u>153,198</u>
Net assets disposed of	153,198
Release of exchange fluctuation reserve	881
Gain on disposal of subsidiaries	15,566
	<u>169,645</u>
Satisfied by:	
Cash	<u>169,645</u>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2017 HK\$'000
Cash consideration	169,645
Cash and bank balances disposed of	(1,141)
	<hr/>
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	168,504
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During the year ended 31 March 2016, the Group disposed of (i) its entire interest in King Place Investment Limited, a wholly-owned subsidiary of the Group, to an independent third party for a cash consideration of HK\$94 million; (ii) its entire interest in Alpha Ease Investment Limited, a wholly-owned subsidiary of the Group, to an independent third party for a cash consideration of HK\$13.5 million; (iii) its entire interest in West West Limited, a wholly-owned subsidiary of the Group, to an independent third party for a cash consideration of HK\$45 million; (iv) its entire interest in Four Sheets Limited, a wholly-owned subsidiary of the Group, to an independent third party for a cash consideration of HK\$30 million; and (v) its entire equity interest in 139 International Limited and its subsidiaries, a wholly-owned subsidiary of the Group, to an independent third party for a cash consideration of HK\$100.

	2016 HK\$'000
Net assets disposed of:	
Investment properties	92,000
Available-for-sale equity investments	153,000
Debt component of acquired convertible bonds	15,529
Derivative component of acquired convertible bonds	4,034
Property, plant and equipment	482
Cash and bank balances	1,273
Restricted bank balance	762
Prepayments, deposits and other receivables	1,141
Other payables and accruals	(4,336)
Deferred tax liabilities	(1,048)
	<hr/>
Net assets disposed of	262,837
Non-controlling interests	8,372
Available-for-sale investment revaluation reserve	(2,577)
Release of exchange fluctuation reserve	(346)
Loss on disposal of subsidiaries	(85,786)
	<hr/>
	182,500
	<hr/> <hr/>
Satisfied by:	
Cash	182,500
	<hr/> <hr/>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2016 <i>HK\$'000</i>
Cash consideration	182,500
Cash and bank balances disposed of	<u>(1,273)</u>
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u><u>181,227</u></u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the year ended 31 March	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on finance leases	–	8
Interest on bank overdrafts	31	196
Interest on notes payable	<u>938</u>	<u>–</u>
	<u><u>969</u></u>	<u><u>204</u></u>

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	For the year ended 31 March	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	2,496	642
Depreciation	50	434
Research costs	–	7,024
Impairment of trade receivables	1,175	–
Impairment of items of property, plant and equipment	–	3
Write-off of items of property, plant and equipment	3,015	3
Write-off of deposits and other receivables	436	300
Gain on disposal of items of property, plant and equipment	(95)	(7,778)
Gain on deregistration of a subsidiary	(4,208)	–
Foreign exchange differences, net	<u>–</u>	<u>8</u>

7. INCOME TAX EXPENSE

	For the year ended 31 March	
	2017 HK\$'000	2016 HK\$'000
Current — Hong Kong		
Underprovision in prior years	—	1
Total tax charge for the year	<u>—</u>	<u>1</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in Mainland China in the prior year had been calculated at the rates of tax prevailing in Mainland China in which the Group operated, based on existing legislation, interpretations and practices in respect thereof.

8. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 March 2017 (2016: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the parent of HK\$156,397,000 (2016: HK\$1,252,637,000), and the weighted average number of ordinary shares in issue of 8,958,428,816 (2016: 6,879,738,331). The weighted average numbers of ordinary shares in issue used in the basic and diluted loss per share calculation for the years ended 31 March 2017 and 2016 have been adjusted for the bonus warrants issue in the current year and in the prior year, respectively.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 March 2017 and 2016 as no dilutive events existed because the exercise of warrants and share options outstanding during those years had an anti-dilutive effect on the basic loss per share amounts presented.

10. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 March	
	2017 HK\$'000	2016 HK\$'000
Listed equity investments in Hong Kong, at fair value	<u>49,500</u>	<u>173,177</u>

The above equity investments at 31 March 2017 and 2016 were classified as held for trading. The fair values of listed equity investments are based on quoted market prices.

11. LOANS RECEIVABLE

	As at 31 March	
	2017 HK\$'000	2016 HK\$'000
Loans receivable	<u>180,656</u>	<u>—</u>

As at 31 March 2017, loans receivable represented loans of HK\$180,656,000 granted by the Group to a number of independent third parties. The loans bore interest at rates ranging from 5% to 10% per annum and were repayable within one year. The grants of these loans were approved and monitored by the Group's management. The loan balances were neither past due nor impaired for which there was no recent history of default.

The Group does not hold any collateral or other credit enhancement over its loan receivable balances. The carrying amount of the loans receivable approximates their fair value.

12. TRADE RECEIVABLES

	As at 31 March	
	2017	2016
	HK\$'000	HK\$'000
Trade receivables	1,175	–
Impairment	(1,175)	–
	<u>–</u>	<u>–</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to two months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management. As at 31 March 2017, there was a significant concentration of credit risk as 100% of the balances represented receivables from one major customer within the electronic and accessory products segment. Trade receivables are non-interest-bearing. The Group does not hold any collateral or other credit enhancement over its trade receivable balances. The carrying amounts of trade receivables approximate their fair values.

The movement in provision for impairment of trade receivables is as follows:

	2017	2016
	HK\$'000	HK\$'000
At 1 April	–	154
Impairment losses recognised	1,175	–
Amount written off as uncollectible	–	(154)
	<u>1,175</u>	<u>–</u>

Included in the above provision for impairment of trade receivables is a provision of HK\$1,175,000 (2016: Nil) for individually impaired trade receivables with a carrying amount before provision of HK\$1,175,000 (2016: Nil).

The individually impaired trade receivables relate to customers that were in dispute or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

13. TRADE PAYABLES

An aged analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 31 March	
	2017	2016
	HK\$'000	HK\$'000
3 months to 1 year	499	–
Over 1 year	3	3
	<u>502</u>	<u>3</u>

Trade payables are non-interest-bearing and have a credit period of an average of two months. The carrying amounts of trade payables approximate their fair values.

14. OTHER PAYABLES AND ACCRUALS

As at 31 March 2016, included in other payables and accruals of the Group was receipt in advance of HK\$31,013,000 for the exercise of the Company's bonus warrants during the year. The advance was fully utilised during the year.

The Group's payables and accruals are non-interest-bearing and are normally settled within three months.

15. SHARE CAPITAL

	As at 31 March	
	2017 HK\$'000	2016 HK\$'000
Authorised		
— 80,000,000,000 (2016: 80,000,000,000) ordinary shares of HK\$0.01 each	<u>800,000</u>	<u>800,000</u>
Issued and fully paid		
— 8,965,128,980 (2016: 8,500,360,724) ordinary shares of HK\$0.01 each	<u>89,651</u>	<u>85,004</u>

A summary of movements of the Company's issued shares capital and share premium account is as follows:

	Number of shares in issue	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 April 2015	4,190,796,225	41,908	3,060,703	3,102,611
Placing of new shares, net of expenses	(i) 4,000,000,000	40,000	958,285	998,285
Bonus warrants exercised	(ii) 309,564,499	3,096	24,876	27,972
At 31 March 2016 and 1 April 2016	8,500,360,724	85,004	4,043,864	4,128,868
Bonus warrants exercised	(ii) 464,768,256	4,647	26,957	31,604
At 31 March 2017	<u>8,965,128,980</u>	<u>89,651</u>	<u>4,070,821</u>	<u>4,160,472</u>

Notes:

- (i) During the year ended 31 March 2016, an aggregate of 4,000,000,000 new shares were placed to Mr. Wei at the subscription price of HK\$0.25 per share with total gross proceeds of HK\$1,000,000,000 and the related issue expense was HK\$1,715,000.
- (ii) During the year ended 31 March 2016, the subscription rights attaching to 309,564,499 bonus warrants were exercised at subscription prices ranging from HK\$0.068 to HK\$0.1 per share, resulting in the issue of 309,564,499 ordinary shares for proceeds of HK\$27,972,000.

During the year ended 31 March 2017, the subscription rights attaching to 464,768,256 bonus warrants were exercised at a subscription price of HK\$0.068, resulting in the issue of 464,768,256 ordinary shares for proceeds of HK\$31,604,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group for the year (the “Year”) recorded negative revenue of approximately HK\$52.1 million as compared to the negative revenue of approximately HK\$472.4 million last year. It was mainly attributable to the realized losses on the disposal of listed equity investments of approximately HK\$59.4 million in the financial investments and services segment. The net loss for the Year was approximately HK\$156.4 million as compared to the net loss of approximately HK\$1,214.7 million for the last year. Basic loss per share attributable to ordinary equity holders of the parent for the Year was approximately HK\$0.02 (2016: HK\$0.18). The Group’s net loss for the Year was mainly attributable to the realized losses on the disposal of listed equity investments and available-for-sale equity investments of approximately HK\$107.6 million in the financial investments and services segment and the net equity-settled share option arrangement expenses of approximately HK\$60.6 million in corporate and others segment. The unrealized fair value gain on available-for-sales equity investments of approximately HK\$444.7 million was taken to revaluation reserve account and resulted in an increase in the Group’s other comprehensive income and total net assets.

Electronic and Accessory Products

The electronic and accessory products business continued to slow down amid the sluggish export trade performance and the intense competition in the consumer electronic market. Given the continuously and increasingly difficult operating environment of electronic and accessory products business, the Group has been closely monitoring the progress of the business operation and placed much efforts in broadening the existing products range. During the Year, the sales revenue was approximately HK\$2.5 million, compared to that of approximately HK\$0.7 million for the last year. The operating profit for this segment for this Year, was approximately HK\$3.0 million (2016: HK\$7.1 million).

Financial Investments and Services

The financial investments and services of the Group comprises securities investment and trading, debt and equity investments and money lending business. The performance of Hong Kong stock market was dragged by the economic slowdown of Mainland China and rising global financial and political uncertainties. During the Year, the Hang Seng Index was volatile with fluctuations between 19,595 points to 24,657 points. Amid the expectation of further US interest hike, the political uncertainties following Brexit referendum and the U.S president election results, investors’ confidence remained cautious. During the Year, the financial investments and services segment recorded a realized loss on disposal of listed equity investments of approximately HK\$59.4 million and realized loss on disposal of available-for-sales equity investments of approximately HK\$48.2 million, unrealized fair value gain on available-for-sale equity investments of approximately HK\$444.7 million, an unrealized fair value gain on listed equity investments of approximately HK\$20.3 million and the interest income of approximately HK\$4.7 million was generated from money lending business.

Prospects

Since the property market may enter into consolidation phase with downward price pressure, the Group has been monitoring the property market in Hong Kong and Mainland China to seize investment opportunities. The recent completion of an acquisition of a prime residential property located at No. 2 Lincoln Road, Kowloon Tong, Hong Kong is a testament of the Group's continued effort in seeking appropriate investment opportunities to increase the return to the shareholders. Detailed information were set out in the Company's announcement and circular dated 28 November 2016 and 31 March 2017 respectively.

With a view of capitalizing on the business opportunities created by the Shanghai-HK Stock Connect and Shenzhen-HK Stock Connect and imminent launch of the HK-China Bond Connect later this year, the Group has recently acquired 34% equity interest in a target company carrying on business in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 5 (advising on futures contracts) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"). This acquisition is a vital step in which the Group intends to diversify into securities brokerage industries.

Looking ahead, apart from reinforcing its existing businesses, the Group will continue to place its efforts searching for suitable investment opportunities which strategically fit into its diversification moves and generate a steady source of income. However, the uncertain US monetary policies and the rising expectation of US interest hike, devaluation of RMB and the slowdown of Mainland China economy remain key factors dragging on the global economic recovery. As broad macroeconomic challenge persists, the Group will continue to be on the alert and to pursue a prudent investment strategy in developing its existing and new businesses.

Financial Review

The Group for the Year recorded negative revenue of approximately HK\$52.1 million as compared to the negative revenue of approximately HK\$472.4 million last year. The Group's revenue principally comprised the sales of electronic and accessory products of approximately HK\$2.5 million and the realized losses on disposal of listed equity investments of approximately HK\$59.4 million in financial investments and services. During the Year, the sales revenue from the electronic and accessory products segment was approximately HK\$2.5 million, compared to that of approximately HK\$0.7 million for the last year.

The Group's net loss for the Year was mainly attributable to the realized losses on the disposal of listed equity investments and available-for-sale equity investments of approximately HK\$107.6 million in the financial investments and services segment and the equity-settled share option arrangement expenses of approximately HK\$60.6 million in corporate and others segment. The Group recorded total comprehensive income of approximately HK\$288.9 million for the Year compared to the total comprehensive loss of approximately HK\$1,217.3 million for the last year.

As at 31 March 2017, the Group's net asset value was approximately HK\$1,315.6 million compared to the net asset value of approximately HK\$934.5 million last year. The consolidated net asset value per share of the Group as at 31 March 2017 was approximately HK\$0.147 (31 March 2016: HK\$0.110). The Group's total assets and total liabilities were approximately HK\$1,424.5 million (2016: HK\$1,025.5 million) and approximately HK\$108.9 million (2016: HK\$91.1 million).

Liquidity and Financial Resources

During the Year, the Group generally financed its operation with internally generated cash flow, proceeds from disposal of subsidiaries and other fund raising activities. The Group's cash and bank balance as at 31 March 2017 were approximately HK\$4.0 million (31 March 2016: HK\$86.5 million).

As at 31 March 2017, the Group had no bank overdrafts, short and long term interest-bearing bank borrowings (31 March 2016: Nil).

As at 31 March 2017 the Group's current ratio was approximately 12.2 times (31 March 2016: 4.0 times) based on current assets of approximately HK\$271.5 million (31 March 2016: HK\$362.8 million) and current liabilities of approximately HK\$22.3 million (31 March 2016: HK\$91.1 million).

As at 31 March 2017, the Group has capital commitment were approximately HK\$0.9 million (31 March 2016: HK\$4.4 million). The Group also had no other contingent liabilities or material commitments.

Capital Structure

As at 31 March 2017, the Group's gearing ratio, total borrowings to net asset value, was approximately 6.58% (31 March 2016: 5.35%).

The Group's bank deposits and borrowings are mainly denominated in Hong Kong dollars. Most of the Group's sales and purchases are made in United States dollars and Hong Kong dollars. Therefore, the exchange risks that the Group is exposed to are minimal.

On 22 December 2016, the Company entered into a placing agreement with Central Wealth Securities Investment Limited as the placing agent, pursuant to which the Company has agreed to issue and the placing agent has agreed to act as placing agent, on a best effort basis, to procure placees to subscribe for various 4% coupon unlisted and unsecured notes with maturity ranging from two to seven years to be issued by the Company and to be placed pursuant to the placing agreement with an aggregate principal amount of up to HK\$170.0 million during the placing period. Completion for the placing of seven-year 4% coupon notes took place on 10 January 2017 for gross proceeds and net proceeds of HK\$92.1 million and approximately HK\$86.6 million respectively.

Significant Investments

As at 31 March 2017, the Group maintained a portfolio of equity investments (including available-for-sale equity investments and equity investments at fair value through profit or loss) with total carrying amount of approximately HK\$1,170.9 million (31 March 2016: HK\$828.3 million). The details of the portfolio of equity investments as at 31 March 2017 and 31 March 2016 are respectively set out as follows:

2017

Stock Code	Name of Securities	% of shareholding in the listed securities held by the Group as at 31 March 2017	Unrealized gain/(loss) for the year ended 31 March 2017 HK\$'000	Fair value of the investment in listed securities as at 31 March 2017 HK\$'000
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Available-for-sale equity investments

572	Future World Financial Holdings Limited (formerly known as Central Wealth Financial Group Limited)	4.84%	87,263	185,170
1004	China Smarter Energy Group Holdings Limited	0.93%	6,966	67,923
1141	CMBC Capital Holdings Limited (formerly known as Skyway Securities Group Limited)	14.43%	350,515	857,979
1370	Hengshi Mining Investments Limited	0.31%	(3,947)	10,300
	Total		<u>440,797</u>	<u>1,121,372</u>

Equity investments at fair value through profit or loss

1141	CMBC Capital Holdings Limited (formerly known as Skyway Securities Group Limited)	0.83%	<u>20,250</u>	<u>49,500</u>
	Total		<u>20,250</u>	<u>49,500</u>

2016

Stock Code	Name of Securities	% of shareholding in the listed securities held by the Group as at 31 March 2016	Unrealized gain/(loss) for the year ended 31 March 2016 <i>HK\$'000</i>	Fair value of the investment in listed securities as at 31 March 2016 <i>HK\$'000</i>
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Available-for-sale equity investments

572	Future World Financial Holdings Limited (formerly known as Central Wealth Financial Group Limited)	0.26%	(936)	4,350
1004	China Smarter Energy Group Holdings Limited	4.26%	(313,447)	233,156
1141	CMBC Capital Holdings Limited (formerly known as Skyway Securities Group Limited)	16.91%	<u>(355,232)</u>	<u>417,615</u>
	Total		<u><u>(669,615)</u></u>	<u><u>655,121</u></u>

Equity investments at fair value through profit or loss

412	China Innovative Finance Group Limited	0.49%	34,764	90,128
1004	China Smarter Energy Group Holdings Limited	0.18%	(7,420)	9,800
1141	CMBC Capital Holdings Limited (formerly known as Skyway Securities Group Limited)	1.18%	11,550	29,250
1153	CMBC Capital Holdings Limited (formerly known as Skyway Securities Group Limited) W1702	3.62%	<u>43,655</u>	<u>43,999</u>
	Total		<u><u>82,549</u></u>	<u><u>173,177</u></u>

Details of Charges on Assets

As at 31 March 2017, the Company had no charges on assets (31 March 2016: Nil).

Material Acquisitions

During the Year, the Company had no material acquisition.

Material Disposals

On 30 March 2016, the Group entered into a sale and purchase agreement to dispose of its entire interest in PLD Holdings Limited, an indirect wholly-owned subsidiary of the Company to a connected person of the Company for a cash consideration of US\$11.3 million (approximately HK\$87.7 million). This disposal was completed on 13 May 2016.

On 16 June 2016, the Group entered into a sale and purchase agreement to dispose of its entire interest in CSPT Holdings Limited, an indirect wholly-owned subsidiaries of the Company to a connected person of the Company for a cash consideration of US\$10.5 million (approximately HK\$81.9 million). This disposal was completed on 24 August 2016.

Events After the Reporting Period

(a) Acquisition of 34% Equity Interest in Instant Achieve Limited

On 3 April 2017, the Company entered into an agreement with Future World Financial Holdings Limited (Stock Code: 572) for the transfer of shares equivalent to 34% equity interest of Instant Achieve Limited for a total consideration of HK\$7 million. Instant Achieve Limited directly holds the entire issued share capital of Central Wealth Securities Investment Limited, a licensed corporation carrying on business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO; and the entire issued share capital of Central Wealth Futures Limited, a licensed corporation carrying on business in type 2 (dealing in futures contracts) and type 5 (advising on futures contracts) regulated activities under the SFO. The acquisition was completed on 7 April 2017.

(b) Placing of New Shares and Convertible Bonds

On 6 April 2017, the Company entered into a placing agreement with a placing agent, pursuant to which the placing agent has conditionally agreed to procure a total of not less than six places to subscribe for a maximum of 1,793,025,796 shares at the placing price of HK\$0.155 per share. On the same date, the Company entered into a placing agreement with a placing agent, pursuant to which the placing agent has conditionally agreed to procure a total of not less than six places to subscribe for the convertible bonds of an aggregate principal amount of HK\$342,463,000. Based on the initial conversion price of HK\$0.191 per share, a maximum number of 1,793,000,000 conversion shares will be allotted and issued upon the exercise of conversion rights in full.

On 8 May 2017, the Company announced that completion of the placing took place and an aggregate of 1,300,040,000 placing shares were allotted and issued to not less than six placees at the placing price of HK\$0.155 per placing share in accordance with the terms of the placing agreement. The aggregate net proceeds to the Company from the placing (after deducting placing commission and related expenses of approximately HK\$3.2 million) were approximately HK\$198.3 million.

(c) Acquisition of the Property Located at No. 2 Lincoln Road

On 28 November 2016, the Group, through a wholly-owned subsidiary of the Company, conditionally agreed to acquire from a wholly-owned subsidiary of CMBC Capital Holdings Limited (formerly named Skyway Securities Group Limited) (Stock Code: 1141), the sale shares and sale loan of a target company for a consideration of HK\$227.0 million. The sole asset of the target company is its beneficial interest in the entire issued share capital of a subsidiary which in turn holds a property located at No. 2, Lincoln Road, Kowloon, Hong Kong. The acquisition was completed on 9 May 2017. Details of the acquisition were set out in the announcements of the Company dated 28 November 2016, 28 February 2017 and 8 March 2017, the circular of the Company dated 31 March 2017 and the announcement of the Company dated 9 May 2017.

Employment, Training and Development

As at 31 March 2017, the Group had a total of 12 employees. The Group is committed to staff training and development and structured training programmes for all employees.

Remuneration packages are maintained at a competitive level and reviewed on a periodic basis. Bonuses and share options are awarded to certain employees according to individual performance and industry practice.

CORPORATE GOVERNANCE

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code (the “CG Code”) in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited throughout the year ended 31 March 2017 except for the following deviations:

Code Provision A.2.1

To achieve clear division of responsibilities between the management of Board and the day-to-day management of business and hence to ensure balance of power and authority, there are separation of duties for the Chairman and Chief Executive of the Company. However, after the resignation of Mr. Kwong Kai Sing, Benny as the Chief Executive of the Company with effective on 20 April 2015, the Group has been recruiting the appropriate substitution for the post of Chief Executive.

Code Provision E.1.2

Due to unavoidable business engagement, Mr. Wei Zhenyu, the former Chairman of the Company, was unable to attend the annual general meeting of the Company held on 19 August 2016. The former Chairman had arranged for other directors and management, who are well-versed in the Company's business and affairs, to attend the meeting and communicate with shareholders of the Company.

Detailed disclosure of the Company's corporate governance practices is included in the annual report of the Company for the year ended 31 March 2017.

AUDIT COMMITTEE

The Audit Committee of the Company meets at least twice a year to monitor and review the integrity and effectiveness of the Company's financial reporting. The Audit Committee has met with the external auditors of the Company, Ernst & Young, to review the accounting principles and practices adopted by the Group and the annual results of the Group for the year ended 31 March 2017. The Audit Committee has also discussed auditing, financial reporting matters and risk management and internal control systems of the Company. The Audit Committee comprises the three independent non-executive directors of the Company, namely, Mr. Kwok Chi Kwong (Chairman of the Audit Committee), Mr. Chen Youchun and Mr. Mai Qijian.

SCOPE OF WORK OF ERNST & YOUNG ON THE PRELIMINARY ANNOUNCEMENT

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 2017 as set out in the preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young 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 HKICPA and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

DIRECTORS OF THE COMPANY

As at the date hereof, the Board comprises three executive directors namely, Mr. Chen Xiaodong (Chairman), Mr. Yu Qingrui and Ms. Lam Hay Yin and three independent non-executive directors namely, Mr. Kwok Chi Kwong, Mr. Chen Youchun and Mr. Mai Qijian.

On behalf of the Board
China Soft Power Technology Holdings Limited
Chen Xiaodong
Chairman of the Board

Hong Kong, 23 June 2017