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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)

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

The board of directors (the “Board”) of China Soft Power Technology Holdings Limited (the “Company”) announces the unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2017 (the “Period”) together with comparative figures for the corresponding previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended	
		30 September	
		2017	2016
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
REVENUE			
Electronic and accessory products		505	11,138
Financial investments and services		164,954	(1,591)
Brokerage and related services		5,843	–
		<hr/>	<hr/>
	<i>3</i>	171,302	9,547
		<hr/>	<hr/>
Cost of electronic and accessory products sold		(500)	(11,019)
Brokerage and commission expenses		(1,748)	(512)
		<hr/>	<hr/>
		(2,248)	(11,531)
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

		For the six months ended	
		30 September	
		2017	2016
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Gross profit/(loss)		169,054	(1,984)
Other income and gains	3	2,486	4,217
Gains on bargain purchase	18	10,961	–
Loss on disposal of an associate	18	(382)	–
Administrative expenses		(19,089)	(11,601)
Other operating expenses		(4,430)	(5,058)
Gain/(loss) on disposal of an available-for-sale equity investment		18,192	(56,086)
Gain on disposal of subsidiaries		–	15,566
Fair value gains/(losses), net:			
Equity investments at fair value through profit or loss		254,669	(6,985)
Finance costs	5	(29,107)	(3)
Share of profits of associates		7,271	–
		<hr/>	<hr/>
Profit/(loss) before tax	4	409,625	(61,934)
Income tax expense		–	–
		<hr/>	<hr/>
PROFIT/(LOSS) FOR THE PERIOD		409,625	(61,934)
		<hr/>	<hr/>
Attributable to:			
Owners of the parent		409,625	(61,934)
		<hr/>	<hr/>
		409,625	(61,934)
		<hr/>	<hr/>
DIVIDEND	6	–	–
		<hr/>	<hr/>
PROFIT/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE PARENT	7		
Basic		HK3.96 cents	HK(0.69) cents
		<hr/>	<hr/>
Diluted		HK3.96 cents	HK(0.69) cents
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT/(LOSS) FOR THE PERIOD	<u>409,625</u>	<u>(61,934)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale equity investments:		
Equity investments:		
Change in fair value	768,785	191,974
Release upon disposal of available-for-sale equity investments	(266)	–
Exchange differences:		
Exchange differences on translation of foreign operations	–	(1,199)
Release of exchange fluctuation reserve upon disposal of a subsidiary	–	881
Release of exchange fluctuation reserve upon deregistration of a subsidiary	–	890
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>768,519</u>	<u>192,546</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>1,178,144</u></u>	<u><u>130,612</u></u>
Attributable to:		
Owners of the parent	<u>1,178,144</u>	<u>130,612</u>
	<u><u>1,178,144</u></u>	<u><u>130,612</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2017 (Unaudited) <i>HK\$'000</i>	At 31 March 2017 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		5,407	3,631
Investment property		738,967	–
Stock exchange trading right		500	–
Available-for-sale equity investments	8	1,905,700	1,121,372
Deposits		7,979	27,947
		2,658,553	1,152,950
CURRENT ASSETS			
Loan to a director		–	31,900
Loan receivables	9	486,048	180,656
Trade receivables	10	230,501	–
Prepayments, deposits and other receivables		54,161	5,400
Equity investments at fair value through profit or loss	11	691,043	49,500
Cash and bank balances		207,253	4,045
		1,669,006	271,501
CURRENT LIABILITIES			
Trade payables	12	167,355	502
Other payables and accruals	13	25,354	21,796
Other borrowings	14	743,819	–
Bank borrowings	15	221,749	–
Bank overdraft		13,179	–
Tax payable		622	–
		1,172,078	22,298
NET CURRENT ASSETS		496,928	249,203

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

		At 30 September 2017 (Unaudited) <i>HK\$'000</i>	At 31 March 2017 (Audited) <i>HK\$'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,155,481	1,402,153
NON-CURRENT LIABILITIES			
Notes payables		86,574	86,574
Other borrowings	14	<u>117,000</u>	<u>–</u>
Total non-current liabilities		<u>203,574</u>	<u>86,574</u>
Net assets		<u><u>2,951,907</u></u>	<u><u>1,315,579</u></u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	127,167	89,651
Reserves		<u>2,824,740</u>	<u>1,225,928</u>
Total equity		<u><u>2,951,907</u></u>	<u><u>1,315,579</u></u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

These interim condensed consolidated financial statements have not been audited by the Company's auditors but have been reviewed by the Company's Audit Committee (the "Audit Committee").

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies and basis of preparation used in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those used in the preparation of the Company's audited consolidated financial statements for the year ended 31 March 2017 except for the adoption of the new standards and interpretations as noted below.

1.1 Changes In Accounting Policies and Disclosures

The Group has adopted the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's unaudited interim condensed consolidated financial information.

Amendments to HKAS 7	<i>Statement of Cash Flows: Disclosure Initiative</i>
Amendments to HKAS 12	<i>Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses</i>
Annual Improvements Cycle – 2014-2016	<i>Amendments to HKFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in HKFRS 12</i>

The adoption of the new and revised HKFRSs has had no material financial effect on the interim financial information.

2. Segment information

For the management purpose, the Group is currently organized into four operating segments – electronic and accessory products, financial investments and services, brokerage and related services and corporate and others. An analysis of the Group's revenue and results by business segment for the Period and the corresponding previous period is as follows:

	Electronic and accessory products		Financial investments and services		Brokerage and related services		Corporate and others		Consolidated	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Segment revenue:										
Sale to external customers	505	11,138	-	-	-	-	-	-	505	11,138
Gains/(losses) from financial investments and services	-	-	164,954	(1,591)	-	-	-	-	164,954	(1,591)
Commission, brokerage and margin financing income	-	-	-	-	5,843	-	-	-	5,843	-
Total	505	11,138	164,954	(1,591)	5,843	-	-	-	171,302	9,547
Segment results	(1)	4,316	431,728	(65,204)	2,781	-	4,233	(16,594)	438,741	(77,482)
<i>Reconciliation:</i>										
Bank interest income									-	9
Gain/(loss) on disposal of subsidiaries									-	15,566
Unallocated expenses									(9)	(24)
Finance costs									(29,107)	(3)
Profit/(loss) before tax									409,625	(61,934)
Income tax expense									-	-
Profit/(loss) for the period									409,625	(61,934)
	Electronic and accessory products		Financial investments and services		Brokerage and related services		Corporate and others		Consolidated	
	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Assets and liabilities										
Segment assets	505	-	3,120,432	1,387,002	249,515	-	899,156	32,553	4,269,608	1,419,555
<i>Reconciliation:</i>										
Unallocated assets									57,951	4,896
Total assets									4,327,559	1,424,451
Segment liabilities	1,245	756	404,859	2,478	216,793	-	649,245	18,085	1,272,142	21,319
<i>Reconciliation:</i>										
Unallocated liabilities									103,510	87,553
Total liabilities									1,375,652	108,872

3. Revenue and other income and gains

	For the six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Sale of goods	505	11,138
Losses on disposal of equity investments at fair value through profit or loss	(12,215)	(2,298)
Dividend income from investment in listed equity securities	157,688	–
Interest income from money lending business	19,481	707
Interest income from securities margin financing	1,610	–
Commission income from brokerage and related services	2,141	–
Commission income from placing	2,092	–
	<u>171,302</u>	<u>9,547</u>
Other income and gains		
Rental income	2,250	–
Gain on deregistration of a subsidiary	–	4,208
Bank interest income	–	9
Others	236	–
	<u>2,486</u>	<u>4,217</u>

4. Profit/(loss) before tax

The Group's profit or loss before tax is arrived at after charging:

	For the six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	500	11,019
Depreciation	967	25

5. Finance costs

	For the six months ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank overdrafts	151	3
Interest on notes payable	2,197	–
Interest on bank borrowings	2,097	–
Interest on other borrowings	24,662	–
	<hr/>	<hr/>
	29,107	3
	<hr/> <hr/>	<hr/> <hr/>

6. Dividend

The Board has resolved not to pay any interim dividend for the Period (2016: Nil).

7. Profit/(loss) per share attributable to ordinary equity holders of the parent

The calculation of basic earnings per share amount is based on the profit attributable to owners of the parent for the Period of HK\$409,625,000 (2016: loss of HK\$61,934,000) and the weighted average number of ordinary shares of 10,352,497,245 (2016: 8,951,691,839) in issue during the Period.

No adjustment has been made to basic earnings/(loss) per share amounts for the periods ended 30 September 2017 and 2016 as no dilutive events existed because the exercise of warrants and share options outstanding during those periods had an anti-dilutive effect on the basic earnings or loss per share amounts presented.

The Group had no potentially dilutive ordinary shares in issue during the period ended 30 September 2017.

8. Available-for-sale equity investments

	At 30 September 2017 (Unaudited) <i>HK\$'000</i>	At 31 March 2017 (Audited) <i>HK\$'000</i>
Listed equity investments, at fair value:	<u>1,905,700</u>	<u>1,121,372</u>

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

During the six months ended 30 September 2017, the gross gain in respect of the Group's available-for-sale equity investments recognised in other comprehensive income amounted to HK\$768,785,000 (2016: HK\$191,974,000).

9. Loan receivables

	At 30 September 2017 (Unaudited) <i>HK\$'000</i>	At 31 March 2017 (Audited) <i>HK\$'000</i>
Loan receivables	<u>486,048</u>	<u>180,656</u>

Loan receivables represented loans of HK\$486,048,000 granted by the Group to a number of independent third parties. The loans bore interest at rates ranging from 5% to 12% per annum 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 loan receivables approximates their fair value.

10. Trade receivables

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. The carrying amounts of trade receivables approximate their fair values.

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Trade receivables arising from the business of trading and distribution of electronic and accessory products	1,680	1,175
Impairment	(1,175)	(1,175)
	<u>505</u>	<u>–</u>
Trade receivables arising from the business of securities brokerage, futures and options dealing services		
– Clearing houses	13,816	–
– Cash clients	11,843	–
– Margin clients	204,337	–
	<u>229,996</u>	<u>–</u>
Total	<u>230,501</u>	<u>–</u>

Trade receivables arising from the business of trading and distribution of electronic and accessory products are non-interest-bearing.

The normal settlement terms of trade receivables from clients and clearing houses, except for trade receivables due from margin clients, arising from the ordinary course of business of securities brokerage services are two trading days after the trade date.

Trade receivables due from margin clients are repayable on demand and carry interest ranging from Hong Kong Prime Rate plus 4% to Hong Kong Prime Rate plus 7% per annum during the six months ended 30 September 2017. Management of the company considers that no impairment is necessary.

11. Equity investments at fair value through profit or loss

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Listed equity investments in Hong Kong, at fair value	<u>691,043</u>	<u>49,500</u>

12. Trade payables

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Trade payables arising from the business of trading and distribution of electronic and accessory products	<u>1,002</u>	<u>502</u>
Trade payables arising from the business of securities brokerage, futures and options dealing services		
– Clearing houses	45,378	–
– Cash clients	30,898	–
– Margin clients	<u>90,077</u>	<u>–</u>
	<u>166,353</u>	<u>–</u>
Total	<u><u>167,355</u></u>	<u><u>502</u></u>

Trade payables arising from the business of trading and distribution of electronic and accessory products are non-interest-bearing and have a credit period of an average of two months. The carrying amounts of trade payables approximate their fair value.

Trade payables balances arising from the business of securities brokerage services are normally settled in two trading days after the trade date except for the money held on behalf of clients at the segregated bank accounts which are repayable on demand and at interest rate of 0.01% per annum. The carrying amounts of trade payables approximate their fair value.

13. Other payables and accruals

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

14. Other borrowings

- (i) On 12 April 2017, Main Purpose Investments Limited, a wholly-owned subsidiary of the Group entered into a margin loan account client agreement with independent securities broker. Pursuant to the margin loan agreement, the securities broker provided a margin loan facility to the Group up to HK\$100,000,000 at an interest rate of HSBC prime rate plus 5% per annum and were secured by pledged of equity investments, which are repayable within twelve months from the first drawdown date.
- (ii) On 4 May 2017, the Company entered into a loan agreement with independent third party with a principal amount of HK\$200,000,000 from 4 May 2017 to 18 December 2017 (as supplemented from time to time) at a monthly interest rate of 1.3% with no collaterals. Subsequently, HK\$50,000,000 of the outstanding principal had been repaid on 17 November 2017.
- (iii) On 21 June 2017, Desert Gold Limited, a wholly-owned subsidiary of the Group entered into a margin loan account client agreement with independent securities broker. Pursuant to the margin loan agreement, the securities broker provided a margin loan facility to the Group up to HK\$100,000,000 at a fixed interest rate of 7.25% per annum and were secured by pledged of equity investments, which are repayable within twelve months.

- (iv) On 5 July 2017, the Company entered into a loan agreement with independent third party with a principal amount of US\$30,000,000 (equivalent to approximately HK\$234,000,000) from 5 July 2017 to 5 July 2018 at a fixed interest rate of 11% per annum and were secured by pledged of equity investments.
- (v) On 17 August 2017, Goodview Assets Limited, a wholly-owned subsidiary of the Group entered into a loan agreement with independent third party with a principal amount of HK\$180,000,000 at an interest rate of 12% per annum and were secured by pledged of investment property, which are repayable within twelve months. Subsequently, this loan was fully repayed on 13 October 2017.
- (vi) On 7 September 2017, the Company entered into a loan facility agreement (supplemented by a supplemental loan agreement on 19 September 2017) with a then independent third party with an aggregate principal amount of HK\$150,000,000 at a fixed interest rate of 8% per annum, which are repayable on the third anniversary of the drawdown date. As at 30 September 2017, HK\$117,000,000 has been drawn down for the facility.

15. Bank borrowings

	As at 30 September 2017 (Unaudited) <i>HK\$'000</i>	As at 31 March 2017 (Audited) <i>HK\$'000</i>
Secured bank borrowings	<u>221,749</u>	<u>–</u>
The carrying amounts of the above borrowings are repayable:		
Within one year	55,823	–
More than one year, but not more than two years	8,057	–
More than two year, but not more than five years	25,671	–
More than five years	<u>132,198</u>	<u>–</u>
	<u>221,749</u>	<u>–</u>
	As at 30 September 2017 (Unaudited) <i>HK\$'000</i>	As at 31 March 2017 (Audited) <i>HK\$'000</i>
Carrying amount of the bank borrowings that are not repayable within one year but contain a repayment on demand clause	165,926	–
Within one year	<u>55,823</u>	<u>–</u>
	<u>221,749</u>	<u>–</u>

The bank borrowings of approximately HK\$173,749,000 bear interest at range of HK Prime rate less 1.75% and HIBOR (1 month) plus 2% per annum and were secured by pledged of investment property.

The bank borrowings of approximately HK\$48,000,000 bear interest at range of HIBOR (1 week or 2 weeks) plus 2.25% per annum and were secured by pledged of equity investments.

16. Share capital

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Authorised:		
– 80,000,000,000 ordinary shares of HK\$0.01 each	<u>800,000</u>	<u>800,000</u>
Issued and fully paid:		
– 12,716,650,461 (31 March 2017: 8,965,128,980) ordinary shares of HK\$0.01 each	<u>127,167</u>	<u>89,651</u>

Movements of the Company's issued share capital and share premium amount were as follows:

	Number of share in issue	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 April 2017	8,965,128,980	89,651	4,070,821	4,160,472
Placing of new shares, net of expenses	1,300,040,000	13,001	185,483	198,484
Issue of new shares	<u>2,451,481,481</u>	<u>24,515</u>	<u>235,185</u>	<u>259,700</u>
As 30 September 2017	<u>12,716,650,461</u>	<u>127,167</u>	<u>4,491,489</u>	<u>4,618,656</u>

17. Acquisition of assets through acquisition of subsidiaries

Asset acquired and liabilities recognized at the date of acquisition are as follows:

	2017 HK\$'000
Property, plant and equipment	274
Investment property	738,967
Prepayments, deposits and other receivables	264
Cash and bank balances	1
Other payables and accruals	(5,518)
Bank borrowings	(176,988)
Other borrowings	<u>(180,000)</u>
	<u>377,000</u>
Satisfied by:	
Cash	275,000
Issue of new shares	<u>102,000</u>
	<u>377,000</u>

An analysis of the net outflow arising on acquisition of assets through acquisition of subsidiaries:

	2017 HK\$'000
Consideration paid by cash	(275,000)
Less: cash and bank balance acquired	<u>1</u>
	<u>(274,999)</u>

18. Business combination

Instant Achieve Limited (“IAL”) is a company incorporated in the British Virgin Islands with limited liability. IAL has no business activity other than being an investment holding company of Central Wealth Securities Investment Limited, (“CWSI”) and Central Wealth Futures Limited (“CWF”) with 100% equity interests.

CWSI, a company incorporated in Hong Kong with limited liability, which is licensed to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (the “SFO”) and CWF, a company incorporated in Hong Kong with limited liability, which is licensed to carry out type 2 (dealing in futures contracts) and type 5 (advising on futures contracts) regulated activities under the SFO.

On 7 April 2017, the Group acquired a 34% equity interest in IAL for a cash consideration of HK\$7,000,000 and which was accounted for as an associate of the Group prior to its acquisition of a further 66% equity interest therein on 8 September 2017 (the “Acquisition Date”). The purchase consideration of a 66% equity interest in IAL was in the form of share issue of 148,148,148 ordinary shares of the Group approximately at HK\$0.108 per share, a discount of approximately 14.96% to the closing price of HK\$0.127 per share as quoted on the Stock Exchange on the date (i.e. 1 September 2017) of the IAL Sales & Purchase Agreement. The acquisition was made as part of the Group’s strategy to expand on the business opportunities created by the Shanghai-HK Stock Connect, the Shenzhen-HK Stock Connect and the HK-China Bond Connect. As a result, the Group’s equity interest in IAL increased to 100% and IAL became a wholly-owned subsidiary of the Group after the acquisition.

Loss on disposal of an associate amounting to HK\$382,000, being the difference between the fair value of the Group’s 34% equity interests in IAL immediately at the Acquisition Date of HK\$13,889,000 and then carrying value immediately before the Acquisition Date of HK\$14,271,000 was recognised in the Group’s consolidated statement of profit or loss in accordance with HKFRS 3 Business Combinations.

The fair value of the identifiable assets and liabilities of IAL as at the date of acquisition were as follows:

	Provisional fair value on acquisition HK\$'000
Furniture, fixture and office equipment	1,616
Deposit	2,023
Stock exchange trading right	500
Account receivables	235,668
Deposit and prepayments	777
Other receivable	6,237
Cash and bank balances	279,661
Account payables	(293,446)
Other payables	(811)
Amount due to Globally Finance Limited	(90,000)
Amount due to Top Billion Finance Limited	(17,000)
Revolving term loan	(48,000)
Bank overdraft	(35,753)
Tax payable	(622)
	<hr/>
Total identifiable net assets at fair value	40,850
Amount due to Globally Finance Limited assigned	90,000
Gain on bargain purchase recognised in consolidated statement of profit or loss	(10,961)
	<hr/>
	119,889
	<hr/> <hr/>
Satisfied by:	
Amount due from IAL assigned	90,000
Issuance of consideration shares (148,148,148 shares * HK\$0.108)	16,000
Acquisition date fair value of 34% of equity interest in IAL	13,889
	<hr/>
	119,889
	<hr/> <hr/>
Analysis of net cash inflow in respect of business combination:	
Consideration paid by cash	(7,000)
Less: cash and bank balance acquired	279,661
	<hr/>
	272,661
	<hr/> <hr/>

The gain on bargain purchase is attributable to the Group's bargaining power and ability in negotiating the agreed terms of the transaction with the vendor.

As of the date of the unaudited interim financial information, the purchase price allocation process of the IAL Acquisition are under progress. The purchase price allocation to the acquired assets and assumed liabilities of these acquisitions in the unaudited interim financial information have been determined on a provisional basis subject to finalisation of the valuation of identifiable assets and liabilities and may be adjusted in the Group's consolidated financial statements for the nine months ending 31 December 2017 when the purchase price allocation is expected to be finalised. The provisional values were determined based on the best estimate of the directors of the Company.

19. Fair value hierarchy of financial instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	At 30 September 2017 HK\$'000	At 31 March 2017 HK\$'000	At 30 September 2017 HK\$'000	At 31 March 2017 HK\$'000
Financial assets				
Available-for-sale equity investments	1,905,700	1,121,372	1,905,700	1,121,372
Equity investments at fair value through profit or loss	691,043	49,500	691,043	49,500
	<u>2,596,743</u>	<u>1,170,872</u>	<u>2,596,743</u>	<u>1,170,872</u>
Financial liabilities				
Other borrowings	860,819	–	861,836	–
	<u>860,819</u>	<u>–</u>	<u>861,836</u>	<u>–</u>

Management has assessed that the fair values of cash and bank balances, loan to a director, loan receivables, trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, taxable payable, current portion of other borrowings, bank borrowings and bank overdraft and financial liabilities included in other payables and accruals, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair values of listed available-for-sale equity investments and equity investments at fair value through profit or loss are based on quoted market prices.

The fair values of the non-current portion of other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for other borrowings as at 30 September 2017 was assessed to be insignificant.

Fair value hierarchy

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

Assets measured at fair value

As at 30 September 2017

	Quoted prices in active markets (Level 1) <i>HK\$'000</i>	Fair value measurement using Significant observable input (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Available-for-sale equity investments	1,905,700	–	–	1,905,700
Equity investments at fair value through profit or loss	691,043	–	–	691,043
	<u>2,596,743</u>	<u>–</u>	<u>–</u>	<u>2,596,743</u>

As at 31 March 2017

	Quoted prices in active markets (Level 1) <i>HK\$'000</i>	Fair value measurement using Significant observable input (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Available-for-sale equity investments	1,121,372	–	–	1,121,372
Equity investments at fair value through profit or loss	49,500	–	–	49,500
	<u>1,170,872</u>	<u>–</u>	<u>–</u>	<u>1,170,872</u>

During the six months ended 30 September 2017, there were no transfers of fair value measurements between Level 1 and Level 2 (31 March 2017: Nil).

The Group did not have any financial liabilities measured at fair value as at 30 September 2017 and 31 March 2017.

20. Related party transactions

In addition to the transactions and balances detailed elsewhere in these unaudited interim condensed consolidated financial statements, the Group had the following material transactions with related parties during the Period.

Compensation of key management personnel of the Group:

	For the six months ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	949,667	439
Equity-settled share option expense	–	–
Pension scheme contribution	33,733	6
	<u>983,400</u>	<u>445</u>

21. Approval of the unaudited interim condensed consolidated financial statements

These unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board on 22 November 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group recorded a revenue of approximately HK\$171.3 million for the Period, compared to a revenue of approximately HK\$9.5 million for corresponding period of last year. It was mainly attributable to the dividend income from financial investment and services segment of approximately HK\$165.0 million for the Period. The net profit for the Period was approximately HK\$409.6 million, compared to the net loss of approximately HK\$61.9 million for the corresponding period of last year. Earnings per share attributable to ordinary equity holders of the parent for the Period was HK3.96 cents (2016: basic loss per share of HK0.69 cents). The Group's net profit for the Period was primarily attributable to the aggregate profit contribution of approximately HK\$412.4 million including dividend income of approximately HK\$157.7 million and the fair value gain on equity investments at fair value through profit or loss of approximately HK\$254.7 million.

Securities brokerage business

The Group's securities brokerage business in Hong Kong is carried on through IAL, a wholly-owned subsidiary of the Group, which in turn owned 100% equity interest in CWSI and CWF. CWSI and CWF are incorporated in Hong Kong with limited liability and are 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 SFO. The Group completed the acquisition of 100% equity interest in IAL by step acquisitions in September 2017.

During the Period, the revenue from securities brokerage and related services was HK\$5.8 million and the share of profits of associates by the Group was approximately HK\$7.3 million.

Property Investment business

The Group principally focuses on the luxury property investments in Hong Kong market and currently holds two luxury properties in Hong Kong, namely No.1 Lincoln Road, Kowloon Tong, Hong Kong ("No.1 Lincoln Road Property") and No.2 Lincoln Road, Kowloon Tong, Hong Kong. ("No.2 Lincoln Road Property"). The Group has completed the acquisition of No.2 Lincoln Road Property in May 2017. Detailed information were set out in the Company's announcement and circular dated 28 November 2016 and 31 March 2017 respectively. In view of the low interest environment and buoyant property market in Hong Kong, the Group further acquired No.1 Lincoln Road Property in September 2017. Detailed information were set out in the Company's announcement dated 7 September 2017. During the Period, the rental income of No.2 Lincoln Road Property was HK\$2.3 million. The Group will continue to monitor its property portfolio with an aim to generate the stable rental income and the capital appreciation.

Financial Investments and Services

The financial investments and services business of the Group comprises securities investment and trading, debt and equity investments and money lending business. During the Period, the Hang Seng Index was strong with fluctuations between 23,724 points to 28,248 points. Due to the satisfactory performance of global equity market, in particular the U.S stock market, the launch of the Shenzhen-Hong Kong Stock Connect, continuous influx of China investment funds was attracted to the Hong Kong stock market. During the Period, the Group's financial investments and services segment recorded a realized gain on disposal of an available-for-sale equity investment of approximately HK\$18.2 million, fair value gains on equity investments at fair value through profit or loss of approximately HK\$254.7 million, dividend income from investment in listed equity securities of approximately HK\$157.7 million. In addition, the Group has expanded its money lending business and recorded interest income of approximately HK\$19.5 million for the Period.

Electronic and Accessory Products

The electronic and accessory products business continued to slow down due to the sluggish sales demand. During the Period, the sales revenue from electronic and accessory products segment was approximately HK\$0.5 million recorded compared to that of approximately HK\$11.1 million for the corresponding period of last year. The operating loss was approximately HK\$0.001 million (2016: profit of HK\$4.3 million).

Prospects

Looking ahead, the Group is cautiously optimistic about the global economic recovery, in particular, the U.S. and the Mainland China for the year to come. The implementation of the belt and road initiative and the development of Guangdong-Hong Kong-Macau Greater Bay Area, it is expected that Hong Kong may benefit from the increasing demand for the financial investments and business services. Recognizing this trend, the Group will continue to place its efforts in consolidating its existing business and searching for suitable investment opportunities in innovative financial investments and related services for its diversification and expansion. With a view of capitalising on the business opportunities created by Shanghai-HK Stock connect, Shenzhen-HK Stock Connect and the launch of the HK-China Bond Connect in July this year, the Group completed the acquisition of 100% equity interest in IAL in September 2017. This acquisition is a vital step in which the Group intends to diversify into the financial and securities brokerage business.

Following the recent acquisitions of No.1 Lincoln Road Property and No.2 Lincoln Road Property, the Group will continue to monitor its property portfolio in Hong Kong with an aim to generate the rental income and the capital appreciation.

However, the uncertain US monetary policies, the expectation of US interest hike and the threat of geopolitical tension of North Korea, continue to cloud the global economic recovery. In light of these macroeconomic challenges, the Group will continue to be on the alert to pursue its prudent investment strategy in developing its existing and new businesses.

Financial Review

Revenue

The Group recorded revenue of approximately HK\$171.3 million for the Period, compared to a revenue of approximately HK\$9.5 million for the corresponding period of last year. The Group's revenue mainly comprised dividend income from investment in listed securities of approximately HK\$157.7 million (2016: Nil), interest income from the money lending business of approximately HK\$19.5 million (2016: HK\$0.7 million), interest income from the securities margin financing of approximately HK\$1.6 million (2016: Nil), commission income from securities brokerage services and placing of approximately HK\$4.2 million (2016: Nil) and the sales of electronic and accessory products of approximately HK\$0.5 million (2016: HK\$11.1 million), and a realized loss on the disposal of equity investment of approximately HK\$12.2 million (2016: HK\$2.3 million). The profit for the Period was approximately HK\$409.6 million.

Other Comprehensive Income and Net Asset Value

The Group recorded other comprehensive income of approximately HK\$1,178.1 million for the Period (2016: HK\$130.6 million). It was mainly attributable to a fair value gain of HK\$768.8 million on an available-for-sale equity investment for the Period (2016: HK\$192.0 million). As at 30 September 2017, the Group's net asset value was approximately HK\$2,951.9 million (31 March 2017: approximately HK\$1,315.6 million).

Liquidity and Financial Resources

During the Period, the Group generally financed its operation with internally generated cash flow and fund raising activities. The Group's cash and bank balances as at 30 September 2017 amounted to approximately HK\$207.3 million (31 March 2017: approximately HK\$4.0 million).

As at 30 September 2017, the Group had bank overdrafts, interest-bearing bank borrowings and interest-bearing other borrowings of approximately HK\$1,095.7 million (31 March 2017: Nil).

As at 30 September 2017, the Group's current ratio was 1.42 times (31 March 2017: 12.2 times) based on current assets of approximately HK\$1,669.0 million (31 March 2017: approximately HK\$271.5 million) and current liabilities of approximately HK\$1,172.1 million (31 March 2017: approximately HK\$22.3 million).

As at 30 September 2017, the Group did not have any significant capital commitments (31 March 2017: Nil). The Group also had no other contingent liabilities.

Capital Structure

As at 30 September 2017, the Group's gearing ratio, being total borrowings to net asset value, was 40.1% (31 March 2017: 6.58%). It is mainly attributable to the increase of total borrowings of approximately HK\$1,095.7 million for the Period. The total borrowings includes bank borrowings, bank overdraft, other borrowings and notes payable.

In May 2017, the company placed a total of 1,300,040,000 shares at HK\$0.155 per placing share representing 14.50% of its total issued capital at that time. The net proceeds from the placing of approximately HK\$198.5 million was used as 50% for financial investments and trading, 30% for money lending business and 20% for working capital. Detailed information were set out in the Company's announcements dated 6 April 2017 and 8 May 2017 respectively.

On 27 July 2017, the Company and Future World Financial Holdings Limited (stock code: 572) ("FWF") entered into the share swap agreement under which the Company shall subscribe for 470,000,000 FWF shares at HK\$0.11 per share for a total consideration of HK\$51.7 million and FWF shall subscribe for 470,000,000 Company's shares at HK\$0.11 per share for a total consideration of HK\$51.7 million. On completion, the total consideration of the Company and FWF will be fully set off against each other. Detailed information were set out in the Company's announcements dated 27 July 2017, 31 July 2017 and 7 August 2017 respectively.

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

Significant Investments

As at 30 September 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\$2,596.7 million (31 March 2017: HK\$1,170.9 million). The Group held 3,558,475,829 shares of CMBC Capital Holdings Limited (stock code: 1141) (“CMBC Capital”), representing approximately 7.77% of the total issued share capital of CMBC Capital and is currently the second largest shareholder of CMBC Capital. The details of the portfolio of equity investments as at 30 September 2017 are set out as follows:

2017

Stock Code	Name of Securities	% of shareholding in the listed securities held by the Group as at 30 September 2017	Fair value gains/ (losses) for the period ended 30 September 2017 <i>HK\$'000</i>	Fair value of the investment in listed securities as at 30 September 2017 <i>HK\$'000</i>
Available-for-sale equity investments				
572	Future World Financial Holdings Limited	8.48%	14,975	130,756
1004	China Smarter Energy Group Holdings Ltd	0.90%	(9,254)	49,637
1141	CMBC Capital Holdings Limited	5.68%	1,208,492	1,715,957
1370	Hengshi Mining Investments Limited	0.31%	(950)	9,350
	Total		<u>1,213,263</u>	<u>1,905,700</u>
Equity investments at fair value through profit or loss				
388	HKEX	0.02%	1,138	58,407
1141	CMBC Capital Holdings Limited	2.09%	253,531	632,636
	Total		<u>254,669</u>	<u>691,043</u>

2016

Stock Code	Name of Securities	% of shareholding in the listed securities held by the Group as at 30 September 2016	Fair value gains/ (losses) for the period ended 30 September 2016 <i>HK\$'000</i>	Fair value of the investment in listed securities as at 30 September 2016 <i>HK\$'000</i>
Available-for-sale equity investments				
572	Future World Financial Holdings Limited	4.84%	168,863	266,771
1004	China Smarter Energy Group Holdings Ltd	2.21%	–	121,156
1141	CMBC Capital Holdings Limited (formerly known as Skyway Securities Group Limited)	13.62%	23,558	441,172
1370	Hengshi Mining Investments Limited	0.31%	(447)	13,800
	Total		<u>191,974</u>	<u>842,899</u>
Equity investments at fair value through profit or loss				
412	China Innovative Finance Group Limited	0.49%	(11,385)	78,744
1004	China Smarter Energy Group Holdings Ltd	0.18%	–	9,800
1141	CMBC Capital Holdings Limited (formerly known as Skyway Securities Group Limited)	0.95%	1,650	30,900
1153	CMBC Capital Holdings Limited (formerly known as Skyway Securities Group Limited) W1702	2.92%	2,750	46,749
	Total		<u>(6,985)</u>	<u>166,193</u>

Details of Charges on Assets

As at 30 September 2017, the Group had charges on assets in the form of certain Hong Kong listed securities collectively held by two wholly-owned subsidiaries charged to independent third party to secure a US\$30,000,000 (equivalent to approximately HK\$234,000,000) term loan facility (31 March 2017: Nil).

As at 30 September 2017, the Group had pledged certain listed equity investments of approximately HK\$986,868,000 (31 March 2017: Nil) to secure the margin loan account.

As at 30 September 2017, the Group had pledged its investment property with a carrying amount of approximately HK\$409,000,000 to secure the bank borrowing (31 March 2017: Nil).

As at 30 September 2017, the Group had pledged its investment property with a carrying amount of HK\$330,000,000 to secure the other borrowing (31 March 2017: Nil).

Material Acquisitions

(a) Acquisition of 34% Equity Interest in IAL

On 3 April 2017, the Company entered into an agreement with FWF for the transfer of shares equivalent to 34% equity interest of IAL for a total consideration of HK\$7 million. IAL directly held the entire issued share capital of CWSI, 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 CWF, 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) Acquisition of No.2 Lincoln Road Property

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, the sale shares and sale loan of a target company for a consideration of HK\$227 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 No.2 Lincoln Road Property. 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, 8 March 2017 and 9 May 2017 and the circular of the Company dated 31 March 2017.

(c) *Share Swap Between the Company and FWF*

On 27 July 2017, the Company and FWF entered into the share swap agreement pursuant to which, subject to fulfillment of certain conditions precedent, both parties have agreed amongst other things that: (i) the Company shall subscribe for (or procure its designated subsidiary to subscribe for), and FWF shall allot and issue to the Company (or its designated subsidiary), 470,000,000 FWF subscription shares, credited as fully paid at a price of HK\$0.11 per FWF subscription share, for a total consideration of HK\$51.7 million; and (ii) FWF shall subscribe for (or procure its designated subsidiary to subscribe for), and the Company shall allot and issue to FWF (or its designated subsidiary), 470,000,000 subscription shares in the Company, credited as fully paid at a price of HK\$0.11 per subscription share in the Company, for a total consideration of HK\$51.7 million. Upon completion, the price of the subscription of shares in the Company payable by FWF to the Company shall be set off against the price of the FWF subscription payable by the Company to FWF whereupon the payment obligation for the price of the subscription of shares in the Company by FWF and the payment obligation for the price of FWF subscription by the Company shall be deemed to be fully released and discharged. The completion of the FWF subscription and the CSPT subscription took place on 7 August 2017.

(d) *Acquisition of 66% Equity Interest in IAL and Loan Due and Owing by IAL*

On 1 September 2017, the Company entered into an agreement with Mr. Siu Gee Tai for the transfer of shares equivalent to 66% equity interest of IAL for a total consideration of HK\$16 million, which will be settled by way of allotment and issue of consideration shares by the Company to Mr. Siu Gee Tai (or such designated party as Mr. Siu Gee Tai may direct) at approximately HK\$0.108 per consideration share of the Company upon completion. IAL directly holds the entire issued share capital of CWSI and the entire issued share capital of CWF. The acquisition was completed on 8 September 2017.

On 1 September 2017, the Company conditionally agreed to acquire from Globally Finance Limited (“GFL”) a loan due and owing to GFL by IAL pursuant to a loan agreement, which is in the sum of HK\$90 million, interest-free and repayable on 30 September 2020 for a consideration of HK\$90 million, which will be settled by way of allotment and issue of consideration shares by the Company to GFL (or such designated party as GFL may direct) at approximately HK\$0.108 per consideration share of the Company upon completion. The acquisition of the loan was completed on 8 September 2017.

(e) Acquisition of No.1 Lincoln Road Property

On 7 September 2017, the Group, through a wholly-owned subsidiary of the Company, conditionally agreed to acquire the sale share of a target company for a consideration of HK\$150 million. The sole asset of the target company is its beneficial interest in No.1 Lincoln Road Property. The acquisition was completed on 13 September 2017. Details of the acquisition were set out in the announcements of the Company dated 7 and 13 September 2017 respectively.

Employment, Training and Development

As at 30 September 2017, the Group had a total of 71 employees. The Group is committed to staff training and development and structured training programs for all employees.

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

CORPORATE GOVERNANCE

The Board is committed to maintaining good corporate governance, consistently enhancing transparency and effective accountability in order to maximize shareholders' benefit. Detailed disclosure of the Company's corporate governance practices was stated in its last published Annual Report for the year ended 31 March 2017.

The Company has complied with the code provisions set out in Corporate Governance Code (the "CG Code") in Appendix 14 of the Listing Rules throughout the Period except there is no separation of the roles of Chairman and Chief Executive during the period from 1 April 2017 to 30 September 2017 as specified in the code provision A.2.1 of CG Code.

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 Group's Chairman and Chief Executive. However, after the resignation of Mr. Kwong Kai Sing, Benny as the Group's Chief Executive with effective on 20 April 2015, the Group has been recruiting the appropriate substitution for the post of Chief Executive.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

AUDIT COMMITTEE

The Audit Committee meets at least twice a year to monitor and review the integrity and effectiveness of the Company's financial reporting. The Audit Committee has reviewed the Company's unaudited interim condensed consolidated financial statements for the Period and discussed auditing, financial and internal control, and financial reporting matters of the Company. The Audit Committee comprises three members, namely, Mr. Kwok Chi Kwong (Chairman of the Audit Committee), Mr. Chen Youchun and Mr. Mai Qijian, all of whom are independent non-executive directors of the Company.

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

Hong Kong, 22 November 2017

As at the date of this announcement, the Board comprises four executive directors, namely, Mr. Chen Xiaodong, Mr. Yu Qingrui, Ms. Lam Hay Yin and Ms. Lee Chau Man Ada; and three independent non-executive directors, namely, Mr. Kwok Chi Kwong, Mr. Chen Youchun and Mr. Mai Qijian.