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China Baoli Technologies Holdings Limited
中國寶力科技控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 164)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019 AND RESUMPTION GUIDANCE

FINANCIAL RESULTS

The board (the "**Board**") of directors ("**Directors**") of China Baoli Technologies Holdings Limited (the "**Company**") herby announces the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2019, together with the comparative audited figures for the year ended 31 March 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the year ended 31 March 2019

	Notes	**2019**	2018
		HK$'000	*HK$'000*
Revenue	4	**44,580**	53,482
Cost of revenue		**(103,149)**	(42,278)
Gross (loss) profit		**(58,569)**	11,204
Other income, gains and losses, net	6	**30,024**	34,595
Impairment losses on financial assets, net of reversal	8	**(612,901)**	6,411
Impairment loss on interests in associates		**(331,352)**	—
Impairment loss on goodwill	13	**(87,196)**	(56,901)
Administrative expenses		**(203,888)**	(220,564)
Selling and distribution expenses		**(19,576)**	(37,597)
Finance costs	7	**(25,468)**	(15,679)
Share of profit (loss) of associates		**474**	(13,332)
Share of loss of a joint venture		**—**	(9,652)
Loss before tax		**(1,308,452)**	(301,515)
Income tax credit	9	**2,502**	1,821
Loss for the year	10	**(1,305,950)**	(299,694)
Loss for the year attributable to:			
- Owners of the Company		**(1,298,305)**	(294,509)
- Non-controlling interests		**(7,645)**	(5,185)
		(1,305,950)	(299,694)
Loss per share			(Restated)
- Basic and diluted	12	**(36.29) cents**	(8.54) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	2019	2018
	HK$'000	*HK$'000*
Loss for the year	**(1,305,950)**	(299,694)
Other comprehensive (expense) income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(25)**	(1,219)
Release of exchange reserve of a joint venture upon step-acquisition	**—**	(89)
Share of other comprehensive expense of a joint venture	**—**	(172)
Share of other comprehensive (expense) income of associates	**(3,168)**	1,305
Other comprehensive expense for the year, net of income tax	**(3,193)**	(175)
Total comprehensive expense for the year	**(1,309,143)**	(299,869)
Total comprehensive expense attributable to:		
Owners of the Company	**(1,301,645)**	(294,687)
Non-controlling interests	**(7,498)**	(5,182)
	(1,309,143)	(299,869)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Non-current assets			
Property, plant and equipment		**9,986**	11,936
Land use rights		**8,328**	9,392
Intangible asset		**19**	27
Goodwill	13	**185,285**	271,675
Interests in associates		**—**	334,003
Deferred tax assets		**2,524**	—
		206,142	627,033
Current assets			
Inventories		**11,638**	89,650
Trade and other receivables	14	**36,005**	58,334
Amounts due from associates	15	**—**	579,614
Financial assets at fair value through profit or loss		**778**	2,155
Bank balances and cash		**7,317**	33,271
		55,738	763,024
Current liabilities			
Trade and other payables	16	**387,047**	278,133
Contract liabilites		**469**	—
Bank and other borrowings		**209,895**	198,637
		597,411	476,770
Net current (liabilities) assets		**(541,673)**	286,254
Total assets less current liabilities		**(335,531)**	913,287
Non-current liabilities			
Bank and other borrowings		**28,895**	29,083
Deferred tax liabilities		**30**	30
		28,925	29,113
Net (liabilities) assets		**(364,456)**	884,174
Capital and reserves			
Share capital		**363,823**	352,251
Reserves		**(716,627)**	535,975
Equity attributable to owners of the Company		**(352,804)**	888,226
Non-controlling interests		**(11,652)**	(4,052)
Total (deficit) equity		**(364,456)**	884,174

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

China Baoli Technologies Holdings Limited (the "**Company**") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business in Hong Kong is located at Suites 3103-04, 31/F., Oxford House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are mobile technologies business, tourism and hospitality business, gamma ray irradiation services and securities trading and investment.

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

2. BASIS OF PREPARATION

Going concern basis

As stated in the consolidated financial statements, the Group reported loss attributable to the owners of the Company of approximately HK$1,298,305,000 and had significant net cash used in operating activities for the year ended 31 March 2019. As at 31 March 2019, the Group's current liabilities exceeded its current assets by approximately HK$541,673,000 and the Group had net liabilities of approximately HK$364,456,000, in which total borrowings amounted to approximately HK$238,790,000, while its cash and cash equivalents amounted to approximately HK$7,317,000 only.

The Group's net liabilities as at 31 March 2019 are mainly attributable to (i) impairment of investments in associates; and (ii) impairment of amounts due from associates during the year ended 31 March 2019.

On 15 March 2019, the Grand Court of the Cayman Islands granted a winding up order (the "**Order**") against Yota, an associate of the Company. The winding-up petition was filed by Hi-P Electronics Pte. Ltd., a manufacturing partner of Yota in respect of the older version of Yotaphone with respect to a principal sum of USD1,000,000 said to be due by Yota to the petitioner. After the acquisition of Yota, the Company has allocated resources including funding to Yota for the development of the mobile technologies business. As at the date of the Order, the Company owned 40% equity interest of Yota and was also a creditor of Yota (the gross amount due from Yota and its subsidiaries to the Group as at 31 March 2019 was approximately HK$633,551,000). During the year ended 31 March 2019, the Company has been in touch with the appointed liquidator of Yota to explore the possibility of conducting an audit for Yota. However the process is slow and there are uncertainties relating to such. As at 31 March 2019, the total net liabilities of Yota and its subsidiaries were approximately HK$760,282,000, which exceeds the amount of shareholder loans of approximately HK$633,551,000 provided by the Company. Taking into account of the above facts and for the sake of prudence, the Company is of the view that a full impairment on investments in associates and amounts due from associates of the Company should be made to reflect the current conditions of Yota.

In the past three years, the Group allocated resources to Yota including funding to support the research and development of the electronic paper display ("**EPD**") screens and the integration and applications of the dual-screen functions. Both the engineering team from Yota and the subsidiaries of the Company in PRC have worked together to develop the third generation of the dual-screen mobile device Yota 3.

After the launch of Yota 3, the Company has also accumulated technologies, expertise, network and hardware and software resources in the construction of multi-media sharing and advertising platform and the dissemination and transmission of information via such platforms. Previously, the Company mainly focuses on the development of hardware in the mobile technologies business which requires a huge amount of working capital. The Company is shifting its strategy to be more software oriented such as the construction of multi-media sharing and advertising platform and trying to become an asset-light company with less potential fluctuation in cash flow.

Given the current situation, the management has taken the following actions to improve the financial position of the Group. The management has been in discussions with the major creditors to extend the loans and potentially part of them will be repaid by equity. The Group will make further announcements once agreement has been reached.

On 24 June 2019, a placing noteholder has taken legal action at the court and claimed for the repayment of principal and outstanding note interests of the placing notes from the Company. The Company is going to negotiate with the noteholder and ask for the extension of the repayment date of the entire or partial amount of the placing notes which are demanded by the noteholders to repay the principal and note interests immediately.

As at 31 March 2019, the total loan from Directors to the Company was approximately HK$45,078,000. Taking into account the current situation of the Group, most of these Directors have confirmed in writing that they will not require the Company to repay the loan until such time when repayment will not affect the ability of the Group to repay other creditors in the normal course of business. In addition, the substantial shareholder has executed a letter of support and will continue to provide financial support to the Company to meet its financial obligations including payment of interests on bank borrowings, professional fees and other operating expenses, and will not demand for repayment of the loan to the Group.

In addition, the management of the Company has been actively looking for potential investors. Through fund-raising exercises, the Group would be able to meet its financial obligations and obtain additional financing resources in pursuing other business and fulfilling the operational needs.

The Directors have prepared a cash flow forecast covering a period up to 31 March 2020 on the basis that the Group's aforementioned plans and measures will be successful, and are satisfied that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the twelve months from 31 March 2019. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

However, there are significant uncertainties as to the outcomes of the above events or conditions that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Should the use of the going concern basis in preparation of the consolidated financial statements be inappropriate, adjustments would have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position at as 31 March 2019. In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)- Interpretation ("**Int**") 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to Hong Kong Accounting Standard ("**HKAS**") 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

3.1 HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Sales of mobile phones and related products
- Provision of online travel product booking service
- Gamma ray irradiation service

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in the consolidated financial statements.

Summary of effects arising from initial application of HKFRS 15

The adoption of HKFRS 15 did not have any impact on accumulated losses at 1 April 2018.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018	**Remeasurement**	**Carrying amounts under HKFRS 15 at 1 April 2018***
	HK$'000	*HK$'000*	*HK$'000*
Current Liabilities			
Trade and other payables	278,133	(4,267)	273,866
Contract liabilities	—	4,267	4,267

* The amounts in this column are before the adjustments from the application of HKFRS 9.

As at 1 April 2018, advances from customers of approximately HK$4,267,000 in respect of sales of mobile phones and related products previously included in trade and other payables were reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 March 2019 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	**Adjustments**	**Amounts without application of HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
Current Liabilities			
Trade and other payables	387,047	469	387,516
Contract liabilities	469	(469)	—

Impact on the consolidated statement of cash flows

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
Increase in trade and other payables	72,703	(939)	71,764
Decrease in contract liabilities	(939)	939	—

3.2 HKFRS 9 *Financial Instruments*

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of HKFRS 9 are disclosed in the consolidated financial statements.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Financial assets at amortised cost (previously classified as loans and receivables)	**Deferred tax assets**	**Accumulated loss**	**Non-controlling interests**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Closing balance at 31 March 2018 — HKAS 39	655,236	—	(2,393,451)	(4,052)
Effect arising from initial application of HKFRS 9:				
Remeasurement				
Impairment under ECL model	(26,872)	22	(26,748)	(102)
Opening balance at 1 April 2018	628,364	22	(2,420,199)	(4,154)

Impairment under ECL model

The Group applies HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the historical observed default rates adjusted by forward looking estimates.

Loss allowances for financial assets at amortised cost other than trade receivable mainly comprise of other receivables and deposit paid, amounts due from associates and bank balances, are measured on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition. Certain other receivables which are measured on lifetime ECL basis as those credit risk had increased significantly since initial recognition. For bank balances, the Group transacts with reputable banks with high credit rating assigned by international credit-rating agencies and consider the risk of default is low and 12m ECL is insignificant.

As at 1 April 2018, additional credit loss allowance of approximately HK$26,872,000 and increase in deferred tax assets of approximately HK$22,000 have been recognised against accumulated losses and non-controlling interests. The additional loss allowance is charged against the respective asset.

All loss allowances, including trade receivables, other receivables and deposit paid and amounts due from associates, as at 31 March 2018 reconciled to the opening loss allowances as at 1 April 2018 are as follows:

	Trade receivables	Other receivables and deposit paid	Amounts due from associates
	HK$'000	*HK$'000*	*HK$'000*
At 31 March 2018 - HKAS 39	34,714	28,231	—
Amounts remeasured through opening accumulated losses	78	3,320	23,474
At 1 April 2018	34,792	31,551	23,474

3.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 March 2018	HKFRS 15	HKFRS 9	1 April 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)			*(Restated)*
Non-Current Assets				
Deferred tax assets	—	—	22	22
Current Assets				
Trade and other receivables	58,334	—	(3,398)	54,936
Amounts due from associates	579,614	—	(23,474)	556,140
Current Liabilities				
Trade and other payables	278,133	(4,267)	—	273,866
Contract liabilities	—	4,267	—	4,267
Capital and Reserves				
Reserves	535,975	—	(26,748)	509,227
Non-controlling interests	(4,052)	—	(102)	(4,154)

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interest In Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]

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

[2] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

[3] Effective for annual periods beginning on or after 1 January 2020.

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

[5] Effective for annual periods beginning on or after a date to be determined.

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

4. REVENUE

A. For the year ended 31 March 2019

Disaggregation of revenue from contracts with customers

	Sales of mobile phones and related products	Provision of online travel product booking service	Gamma ray irradiation service	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Geographical markets				
Hong Kong	—	5,227	—	5,227
PRC	34,610	—	4,743	39,353
Total	34,610	5,227	4,743	44,580
Timing of revenue recognition				
A point in time	34,610	5,227	4,743	44,580
Sales channel / type of customer				
Retail	—	5,227	—	5,227
Wholesale	34,610	—	—	34,610
Corporate	—	—	4,743	4,743
Total	34,610	5,227	4,743	44,580

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Segment Revenue
	HK$'000
Sales of mobile phones and related products	34,610
Provision of online travel product booking service (Note)	5,227
Gamma ray irradiation service	4,743
Revenue from contracts with customers and total revenue	44,580

B. For the year ended 31 March 2018

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

	2018
	HK$'000
Sales of mobile phones and related products	40,925
Provision of online travel product booking service (Note)	7,364
Gamma ray irradiation service income	5,090
Cruise ship leasing and management fee income	36
Passenger ticket revenue	64
Onboard and other revenues	3
	53,482

Note: Total customer sales proceeds

	2019	2018
	HK$'000	*HK$'000*
Gross sales proceeds related to passenger tickets revenue*	**217,160**	164,334

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

5. OPERATING SEGMENTS

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

Specifically, the Group's reportable and operating segments under HKFRS 8 *Operating Segments* are as follows:

(a) Mobile technologies business - research and development, production, distribution and sale of dual-screen mobile handsets in the PRC.

(b) Tourism and hospitality business - provision of online travel product booking platform and provision of management services for a cruise ship.

(c) Gamma ray irradiation services - provision of irradiation services by utilising gamma ray technologies.

(d) Other operations - securities trading and investment - trading of securities.

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

For the year ended 31 March 2019

	Mobile technologies business	Tourism and hospitality business	Gamma ray irradiation services	Other operations - securities trading and investment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**34,610**	**5,227**	**4,743**	**—**	**44,580**
Segment results	**(1,180,876)**	**(86,039)**	**(2,515)**	**(4,420)**	**(1,273,850)**
Unallocated corporate income					**24**
Unallocated corporate expenses					**(26,922)**
Finance costs					**(7,704)**
Loss before tax					**(1,308,452)**

For the year ended 31 March 2018

	Mobile technologies business	Tourism and hospitality business	Gamma ray irradiation services	Other opreations - securities trading and investment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	40,925	7,467	5,090	—	53,482
Segment results	(146,999)	(77,575)	(2,497)	(3,867)	(230,938)
Unallocated corporate income					7,080
Unallocated corporate expenses					(75,863)
Finance costs					(1,794)
Loss before tax					(301,515)

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

6. OTHER INCOME, GAINS AND LOSSES, NET

	2019	2018
	HK$'000	*HK$'000*
Interest income from financial institutions	**24**	555
Loss on disposal of available-for-sale financial asset	**—**	(1,300)
Gain (loss) on disposal of property, plant and equipment	**149**	(45)
Written-off of property, plant and equipment	**(63)**	—
Interest income from associates	**32,964**	29,937
Net unrealised losses on financial assets at fair value through profit or loss	**(1,377)**	(1,077)
Exchange (loss) gain, net	**(1,863)**	6,525
Government grants	**190**	—
	30,024	34,595

7. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interests on:		
Bank borrowings	**560**	567
Margin account payable	**3,036**	2,783
Placing notes at effective interest rates	**1,812**	1,794
Early redemption of placing notes	**261**	—
Overdue royalty fee payable	**7,939**	2,570
Other borrowings	**11,860**	7,965
	25,468	15,679

8. IMPAIRMENT LOSSES ON FINANCIAL ASSESTS, NET OF REVERSAL

	2019	2018
	HK$'000	*HK$'000*
Reversal of impairment losses on:		
Trade receivables	**64**	642
Other receivables	**30**	6,000
Impairment losses on:		
Trade receivables	**(792)**	—
Other receivables	**(2,126)**	(231)
Amounts due from associates	**(610,077)**	—
	(612,901)	6,411

9. INCOME TAX CREDIT

	2019	2018
	HK$'000	*HK$'000*
Deferred taxation	**(2,502)**	(1,821)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for taxation in Hong Kong has been made for both years ended 31 March 2019 and 2018 as the Group did not generate any assessable profits arising in Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years ended 31 March 2019 and 2018.

10. LOSS FOR THE YEAR

	2019	2018
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Staff costs		
— directors' emoluments (excluding share-based payments)	**7,777**	7,731
— salaries and bonus	**16,850**	25,851
— retirement benefits scheme contributions	**1,328**	1,388
— share-based payments	**52,368**	20,421
	78,323	55,391
Auditors' remuneration		
— audit services	**1,824**	1,510
— non-audit services	**—**	80
Depreciation of property, plant and equipment	**3,029**	3,758
Amortisation of intangible asset	**8**	8
Amortisation of land use rights	**463**	463
Operating lease payments	**7,810**	12,589
Cost of inventories recognised as an expense	**69,600**	30,311
Written-down of inventories recognised as cost of sales	**21,426**	—
Royalty fee	**57,448**	54,865

11. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2019, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

12. LOSS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(1,298,305)**	(294,509)

	2019	2018
	'000	*'000*
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**3,577,097**	3,446,888

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted for the share consolidation on 3 August 2018.

The computation of diluted loss per share for the year ended 31 March 2018 and 2019 does not assume the conversion of the Company's outstanding share options because the exercise price of those options was higher than the average market price for shares.

13. GOODWILL

	2019	2018
	HK$'000	*HK$'000*
COST		
At 1 April	**352,168**	343,658
Arising on step acquisition of a subsidiary	**—**	9,233
Exchange adjustments	**806**	(723)
At 31 March	**352,974**	352,168
ACCUMULATED IMPAIRMENT LOSSES		
At 1 April	**80,493**	23,592
Impairment loss recognised for the year	**87,196**	56,901
At 31 March	**167,689**	80,493
NET CARRYING AMOUNT	**185,285**	271,675

For the purpose of impairment testing, goodwill has been allocated to three cash generating units, comprising the gamma ray irradiation services segment, tourism and hospitality business segment and mobile technologies business segment. The carrying amounts of goodwill (net of accumulated impairment losses) allocated to these units are as follows:

	2019	2018
	HK$'000	*HK$'000*
Gamma ray irradiation services segment	**—**	—
Tourism and hospitality business segment	**185,285**	263,165
Mobile technologies business segment	**—**	8,510
	185,285	271,675

During the year ended 31 March 2019, impairment loss of approximately HK$77,880,000 (2018: approximately HK$56,901,000) and approximately HK$9,316,000 (2018: HK$Nil) have been recognised on the tourism and hospitality business segment and mobile technologies business segment respectively.

14. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**9,742**	42,457
Less: Allowance for credit losses	**(806)**	(34,714)
Trade receivables, net	**8,936**	7,743
Other receivables	**16,838**	62,205
Prepayments and deposit paid	**12,605**	16,617
	29,443	78,822
Less: Allowance for credit losses	**(2,374)**	(28,231)
Other receivables, prepayments and deposit paid, net	**27,069**	50,591
	36,005	58,334

Notes: The Group allows an average credit period of 30 days to 90 days (2018: 30 days to 180 days) to its trade customers. The following is an aged analysis of trade receivables net of allowance for credit losses, presented based on the invoice date:

	2019	2018
	HK$'000	*HK$'000*
0 to 30 days	**1,433**	6,568
31 to 90 days	**2,273**	244
91 to 180 days	**2,798**	—
181 to 365 days	**2,432**	931
	8,936	7,743

15. AMOUNTS DUE FROM ASSOCIATES

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

	2019	2018
	HK$'000	*HK$'000*
Interest free borrowing	**—**	119,312
7% borrowing	**—**	120,423
8% borrowing	**—**	339,879
	—	579,614

The amounts due from assoicates have been fully impaired (2018: Nil) during the year ended 31 March 2019.

16. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**85,257**	80,656
Other payables and accruals	**76,726**	71,283
Receipt in advance	**—**	4,267
Deposit received	**15,640**	15,640
Amounts due to directors	**45,078**	18,175
Amount due to an associate	**135,040**	69,363
Amount due to a non-controlling shareholder	**29,306**	18,749
	387,047	278,133

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

	2019	2018
	HK$'000	*HK$'000*
0 to 30 days	**11,547**	41,902
31 to 90 days	**490**	10,629
91 to 180 days	**4,634**	20,120
181 to 365 days	**18,322**	3,372
Over 365 days	**50,264**	4,633
	85,257	80,656

The average credit period granted by the trade creditors ranged from 30 to 45 days (2018: 30 to 45 days).

17. COMPARATIVE FIGURES

During the year ended 31 March 2019, for enhancing the relevance of the presentation of the consolidated financial statements, reclassifications have been made to certain comparative figures presented in the consolidated financial statements in respect of the prior year to achieve comparability with the current year's presentation. As a result, the following line items regarding comparative figures have been amended and adjusted, together with the related notes to conform to the current year's presentations:

		Previous reported *HK$'000*	As restated *HK$'000*
Consolidated Statement of Profit or Loss			
Other income, gains and losses, net	(Note)	41,006	34,595
Impairment losses on financial assets, net of reversal	(Note)	—	6,411

Note: "Reversal of impairment loss recognised in respect of trade receivables", "Reversal of impairment loss recognised in respect of other receivables" and "Impairment loss recognised in respect of other receivables" were reclassified from "Other income, gains and losses, net" to "Impairment losses on financial assets, net of reversal".

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 March 2019 which has included a disclaimer of opinion:

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

(a) Scope limitation on share of results and impairment loss on interests in associates

As stated in the consolidated financial statements, the Group has equity accounted for its interest in Yota and its subsidiares (the "**Yota Group**"), associates of the Group. As at 31 March 2019, the carrying amount of the interest in associates is zero and the Group's share of profit of associates and the impairment loss on interests in associates for the year ended 31 March 2019 were approximately HK$474,000 and HK$331,352,000 respectively. On 15 March 2019, a winding up order was granted by the Grand Court of the Cayman Islands against Yota, accordingly, the interests in associates were fully impaired as at 31 March 2019. However, we were unable to obtain sufficient financial information of Yota Group from the directors of the Company (the "**Directors**") and the liquidator of associates that we considered necessary, and there were no other satisfactory audit procedure that we could adopt to ascertain the financial position of Yota Group as at 31 March 2019 and its result of operations for the year then ended.

Any adjustment found to be necessary to the financial position of associates as at 31 March 2019 and its result of operations for the year then ended will have a consequential impact on the Group's share of results of associates and thus the impairment loss on interests in associates for the year ended 31 March 2019 and the related note disclosures to the consolidated financial statements.

(b) Multiple fundamental uncertainties relating to going concern

As stated in the consolidated financial statements, the Group reported loss attributable to the owners of the Company of approximately HK$1,298,305,000 and had significant net cash used in operating activities for the year ended 31 March 2019. As at 31 March 2019, the Group's current liabilities exceeded its current assets by approximately HK$541,673,000 and the Group had net liabilities of approximately HK$364,456,000, in which total borrowings amounted to approximately HK$238,790,000, while its cash and cash equivalents amounted to approximately HK$7,317,000 only.

In addition, as detailed in the consolidated financial statements, the Group defaulted on the repayment of the interest on placing notes on their respective due dates during the year ended 31 March 2019. One creditor had taken legal actions against the Group to recover the debts as disclosed in the consolidated financial statements.

These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

As explained in the consolidated financial statements, the consolidated financial statements have been prepared by the Directors on a going concern basis, the validity of which is dependent on the Group's ability to obtain sufficient future funding. Due to the uncertainty of the Group's ability to maintain adequate future cash flows, we were unable to ascertain whether the assumptions made by the Directors in preparing the consolidated financial statements on a going concern basis are proper and appropriate.

Should the going concern assumption be inappropriate, adjustments would be necessary to reclassify all non-current assets and liabilities as current assets and liabilities respectively, write-down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The consolidated financial statements have not incorporated any of these adjustments. However, the uncertainty surrounding the Group's future cash flows raises significant doubt about the Group's ability to continue as a going concern. We consider that appropriate disclosures have been made in the consolidated financial statements concerning this situation, but we are unable to obtain adequate evidence concerning the Group's ability to meet any financial obligations as and when they fall due and we consider that the material uncertainties relating to going concern basis and their cumulative effect on the consolidated financial statements is so extreme that we have disclaimed our opinion.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

In 2018, frequent global trade disputes and mounting trade protectionism posed more uncertainties and risks to the economic development across the globe, in particular the Chinese and the US economies.

During the year, the smartphone industry in China was under great pressure amid the impact of negative factors including the US-China trade war coupled with the slowing down of economy in China, and the saturation of the smartphone market with the retailers having excessive inventory all played a part in the poor performance of the smartphone market. We have seen smaller smartphone players being forced to exit the market due to the cut-throat competition in China.

Against the current backdrop of economic uncertainties under the shadow of on-going US-China trade tension, the overall business environment will become more challenging in the forthcoming year. The Group strives to explore opportunities and further develop its multi-media and technology-focused business.

Mobile and Multi-media Technologies Business

The Group's strategy has been to leverage on the EPD and dual-screen technologies to build a scalable mobile and multi-media technologies and advertising platform via different media channels. First started with the mobile handsets with the launch of Yota 3, such unique dual screen devices allows advertisers and content providers to make use of the EPD backscreens.

In order to build a scalable infrastructure for multi-media technologies and advertising platform, the Group has also explored new formats and carriers for advertising and media displays, such as transport advertising and other advertising panels in the city centers. As portals to cities, trains are the city's nerve center and the daily channels for millions of people. It has transformed from a simple traffic tool to a living space on its own and can reach an ever-larger captive, network audience which is highly valued by advertisers.

The macro-economic development in China continued to be moderate and China's smart hardware market remained challenging in 2018, as total smartphone shipments in the Chinese market down by 15.5% year-on-year, and is likely to continue to decline this year, according to the China Academy of Information and Communications Technology.

With the challenging market conditions and intensified competition in China, we have constantly reevaluated our strategy.

Over the past year, in order to relieve our supply chain funding and inventory management pressures and reduce the selling and marketing expenses, we have been streamlining our B2C retail business while allocating more resources on the licensing model via cooperation with provincial and local government and large state-owned enterprises. Over the past year, the Group has been focusing our resources and efforts on strategic cooperation with suitable partners and exploring new business models to cooperate with some large-scale enterprises and state-owned enterprises in China to develop customized versions of mobile devices for their customers.

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

Following the cooperation within Xinhua 99 Project, the Group further expanded its foothold in the multi-media platform through acquiring the entire issued share capital of Hong Kong Made (Media) Limited and Ample Success Limited, which are principally engaged in the business of the development and operations of outdoor advertisement and media on Guangzhou-Shenzhen China Railway High-speed Harmony Series trains "GSCR" (廣深線和諧號). These two companies help their clients produce high-quality and tailor-made advertisements which can be accessed by millions of travellers in one of the most developed train networks in the world, thereby providing a strategic and effective channel for Hong Kong and international brands to increase their brand awareness and promote their business in the region. The daily frequency of GSCR trains travelling between Shenzhen and Guangzhou is 210. The existing per day per direction carting capacity of GSCR is 140,280. During 2018 Golden Week holiday of China, the Railway Company recorded accumulated 9,400,000 carting capacity. The Railway Company estimates the daily carting capacity will increase to 60,000. Having regard to growing loading in recent years, it is expected the advertisement on the trains can be accessed by millions of travelers in a year. The Group believes that the acquisition of these two companies provides the Group with an opportunity to expand its existing business and can create synergies with the existing dual-screen mobile businesses to extend the multi-media sharing and advertising platform to other media. For details of the acquisition, please refer to the announcement of the Company dated 29 March 2019.

To further expand the mobile and multi-media technologies business of the Group, China Baoli Investment Ltd, a wholly-owned subsidiary of the Company, has formed a joint venture with AZ Convergence Media Limited ("**AZ Convergence Media**"). The joint venture is held as to 51% by the Company and 49% by AZ Convergence Media, and will be principally engaged in the operation of multi-media broadcasting and advertising screens and platforms in China. The Company believes that through the collaboration with AZ Convergence Media and by leveraging the resources of AZ Convergence Media in the media industry, especially the new media industry, the above-mentioned synergies can be created and the Group's multi-media and advertising customer network in China can be expanded, thereby fostering the Company's growth and development in the mobile and multi-media technologies business.

During the year under review, the revenue from this segment was approximately HK$34,610,000 (2018: approximately HK$40,925,000). Segment loss was approximately HK$1,180,876,000 (2018: approximately HK$146,999,000). The Group considers that as cooperation within Xinhua 99 project just started in October last year, and it would take time to expand the influence of the community and leverage these networking and new media resources to create a scalable multi-media and mobile technology business going forward. The Group will continue to develop its businesses related to media sharing and advertising platforms via different channels in China, thereby creating additional revenue to the Group and improving the Group's profitability to deliver long-term benefits to the Group and the shareholders of the Company.

Impairment of investments in associates and amounts due from associates

During the year under review, the Group recognised an impairment of investments in associates of approximately HK$331,352,000 and amounts due from associates of approximately HK$610,077,000.

On 15 March 2019, the Grand Court of the Cayman Islands granted a winding up order (the "**Order**") against Yota, an associate of the Company. The winding-up petition was filed by Hi-P Electronics Pte. Ltd., a manufacturing partner of Yota in respect of the older version of Yotaphone with respect to a principal sum of USD1,000,000 said to be due by Yota to the petitioner. After the acquisition of Yota, the Company has allocated resources including funding to Yota for the development of the mobile technologies business. As at the date of the Order, the Company owned 40% equity interest of Yota and was also a creditor of Yota (the gross amount due from Yota and its subsidiaries to the Group as at 31 March 2019 was approximately HK$633,551,000). During the year ended 31 March 2019, the Company has been in touch with the appointed liquidator of Yota to explore the possibility of conducting an audit for Yota. However the process is slow and there are uncertainties relating to such. As at 31 March 2019, the total net liabilities of Yota and its subsidiaries were approximately HK$760,282,000, which exceeds the amount of shareholder loans of approximately HK$633,551,000 provided by the Company. Taking into account of the above facts and for the sake of prudence, the Company is of the view that a full impairment on investments in associates and amounts due from associates of the Company should be made to reflect the current conditions of Yota.

Tourism and Hospitality Business

The Group strives to strengthen the tourism and hospitality business by monitoring its business performance and taking appropriate measures to tackle the challenge faced by the Group. The Group expanded its business line by acquiring an online travel agent, We Fly Travel Limited ("**We Fly**"), on 1 March 2017 to broaden the income source of the tourism and hospitality business. During the year under review, We Fly reported its net revenue of approximately HK$5,227,000 which is mainly owing to the business strategy that We Fly has adopted by setting competitive prices of its products to attract more customers and increase its brand awareness. The success of this business strategy has been reflected in the gross sale which has reached approximately HK$217,160,000. To further improve the operational results of We Fly, the management will negotiate with business partners for more competitive terms and increase its product mix such as provision of hotels business, package tours and ancillary travel related products and services.

The Group is monitoring the market environment to rationalize the resources and product mix within the tourism and hospitality business and will look for further cooperation and acquisition opportunities in this sector.

Gamma Ray Irradiation Services

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

During the year under review, the Group's gamma ray irradiation business provided radiation sterilization processing services to different clients in the food and healthcare industries. Revenue generated from the gamma ray irradiation services for the year under review was approximately HK$4,743,000 (2018: approximately HK$5,090,000). Segment loss was approximately HK$2,515,000 (2018: approximately HK$2,497,000).

Other Operation

The Group's securities trading and investment business continued to maintain a conservative investment strategy during the year under review. The Group's securities trading and investment business reported a loss of approximately HK$4,420,000 (2018: approximately HK$3,867,000) which was attributable to a net unrealized losses of approximately HK$1,377,000 (2018: net unrealized losses approximately HK$1,077,000) due to change in fair value of listed securities held for trading. As at 31 March 2019, the carrying amount of the listed securities was approximately HK$778,000 (2018: approximately HK$2,155,000).

Prospects

With the aforementioned shift in the strategy adopted in our business, the mobile and multi-media technology business will become an increasingly important profit driver going forward.

The smartphone market in China is in a period of recalibration. The Group will continue to expand the businesses through cooperating with provincial and local governments and large-scale enterprises and state-owned enterprises. We believe our strategic focus to further penetrate the B2B smartphone market by optimizing our distribution channels in 2018 has provided a solid foundation for the future growth in China in next year.

Additionally we will further leverage on our EPD technologies to enhance our licensing model to cover other areas outside smartphones. The Group will continue to look for new technologies business opportunities so as to generate sustainable profitability and growth in the long run.

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

Looking ahead, the Group will continue to explore potential strategic investment and cooperation opportunities with the aim of creating synergies for the Group in relation to aspects such as technological development, product portfolio, channel expansion and/or cost control. The Group will spare no effort to push forward sustainable development and elevate overall competitiveness and corporate efficiency to create greater value for its shareholders. Appropriate disclosures will be made by the Company as required under the Listing Rules.

Financial Review

During the year under review, the Group recorded a revenue of approximately HK$44,580,000 (2018: HK$53,482,000), representing a decrease of approximately 16.64% compared with last year. Loss for the year under review amounted to approximately HK$1,305,689,000 (2018:HK$299,694,000). Net loss attributable to owners of the Company for the year under review amounted to approximately HK$1,298,044,000 (2018: HK$294,509,000).

Mobile technologies business

Against the current backdrop of economic uncertainties in the global environment under the US-China trade tension during 2019, the revenue of mobile business was HK$34,610,000 (2018: HK$40,925,000), which was reduced by 15.43%. The wholesale of mobile business experienced a difficult year. In Mainland China, the economy was slow down in the shadow of US-China trade war. The business performance of the Group was facing downward pressure mainly due to the weak China customer sentiment, which lead a decrease of customers' orders. Among the industry, the hardware of mobile business was the worst hit due to the trade war, which highly affected the Research and development and mobile operation of the Group. On 15 March 2019, the associate of the Group, Yota and its subsidiaries (the "Yota Group") was winding up, which lead the carry amount of investment in associate became zero. Then, the impairment of loss on interest in associates for 2019 HK$331,352,000 brought consequential impact to the segment result of mobile business. The loss of mobile business segment in 2019 was HK$1,180,876,000 (2018: HK$141,561,000), in which the loss was increased by 734.18%.

Given the escalating trade dispute between China and the United States and China's slowdown in economic growth, the hardware of mobile business in China market is expected to be volatile and remains challenging in the foreseeable future. The Group will continue to adopt a cautious approach and focus on more in asset-light and technology-focused business.

Tourism and hospitality business

We Fly reported around HK$5,227,000 revenue in 2019 (HK$2018: HK$ 7,364,000). A drop of 29.02% of revenue was recorded in 2019 comparing with performance in 2018. Except the US-China trade tension, the competition of tourism and hospitality industry in Hong Kong is very keen. The numbers of agents or platform providing online travel and booking service are increasing. At the same time, the price elasticity of demand in retiling travel products market is high. The Group strived to increase market share by promoting online travel products and booking service with competitive price. The Group saw that the ticket and product booking cost from airline, hotel and travel companies were increasing, which also led an increase in operation cost.

Despite of these adverse factors, The Group controlled the cost and managed to increase the gross margin. The segment loss in 2019 was HK$8,159,000 (2018: HK$ 72,444,000), in which the loss was decreased by 88.73%. Until now, the Group still intend to capture every opportunity for bidding for more opportunities under the keen competition. The Group will closely review the market situation from time to time and seek a sustainable business model and good position in Hong Kong and China.

Gamma ray irradiation services

During the year under review, the performance of gamma ray irradiation services is relatively stable. The revenue has slightly decreased to approximately HK$4,743,000 (2018: approximately HK$5,090,000) for the year ended 31 March 2019.

Other operations – securities trading and investment

There is no revenue (2018: HK$0) has been recognised for the year ended 31 March 2019. The loss was increased by 14.30% to approximately HK$4,420,000 for this year from approximately HK$3,867,000 during the year ended 31 March 2018. The increase is mainly due to an increase in net unrealized losses of approximately HK$1,377,000 for this year as compared to approximately HK$1,077,000 for the preceding year.

Placing notes

On 20 August 2013, the Company entered into a placing agreement (the "**2013 Placing Agreement**") with a placing agent (the "**Placing Agent**"), pursuant to which the Company agreed to place, through the Placing Agent, on a best efforts basis, the notes up to an aggregate amount of HK$300,000,000 to be issued by the Company in the denomination of HK$2,000,000 each (the "**Placing Notes**") to independent third parties. Pursuant to the 2013 Placing Agreement, the Placing Notes carry interest at 5% per annum and are to be redeemed on the seventh anniversary from the respective issue dates of the Placing Notes. In August 2014, the Company entered into an agreement to renew the placing period for the placing of the Placing Notes up to 31 August 2015. As at 31 March 2019, the Placing Notes in the aggregate principal amount of HK$30,000,000 (2018: HK$30,000,000) were outstanding.

Liquidity and Financial Resources

As at 31 March 2019, the Group had bank balance and cash of approximately HK$7,317,000 (2018: HK$33,271,000), of which 14.23% was in Hong Kong dollars, 85.39% was in Renminbi and 0.38% was in Japanese Yen. As at 31 March 2019, the Group had total bank and other borrowings of approximately HK$238,790,000 (2018: HK$227,720,000), of which 40.44% was in Hong Kong dollars and 59.56% was in Renminbi and of which borrowings within one year was HK$209,895,000 (2018: HK$198,637,000), accounting for approximately 87.90% (2018: 87.23%) of the total borrowings. The increase in borrowings was mainly due to the loan was obtained by an indirect wholly-owned subsidiary during the year under review. As at 31 March 2019, the Group's borrowings with fixed interest rates to total borrowings was approximately 78.67%. The gearing ratio, being the ratio of the sum of total borrowings to total deficit, was 66% as at 31 March 2019 (2018: 26%). The increase in gearing ratio was mainly due to the loan obtained by an indirect wholly owned subsidiary during the year under review. The liquidity ratio, being the ratio of current assets over current liabilities, was 9.33% as at 31 March 2019 (2018: 160.04%). The decrease of liquidity ratio was mainly due to the decrease of amounts due from associates during the year under review.

Pledge of Assets

As at 31 March 2019, the Group's land use rights and certain property, plant and equipment with carrying amount of approximately HK$12,584,000 (2018: HK$14,291,000) were pledged to a bank to secure the bank borrowing granted to the Group. As at 31 March 2019, the Group's listed securities with carrying amount of approximately HK$759,000 (2018: HK$2,115,000) were pledged to secure margin account payable granted to the Group.

Contingent Liabilities

As at 31 March 2019, the Group had no significant contingent liabilities (2018: Nil).

LITIGATIONS

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

In May 2016, three placees under the Placing were found to have breached their lock-up undertakings to the Company under the Placing by pledging their shares to two lenders as security for loans. An interlocutory injunction order (the "**Injunction Order**") was obtained by the Company from the High Court of Hong Kong (the "**Court**") on 27 May 2016, which was subsequently continued by a court order given on 3 June 2016, restraining the three placees from breaching the lock-up undertakings by, among other things, directly or indirectly selling, mortgaging, charging, pledging, hypothecating, lending, granting or selling any option, warrant, contract or right to purchase, transferring, disposing of, creating any right over, or agreeing or offering to do any of the aforesaid in relation to the 1,667 million shares allotted and issued to them under the Placing until trial or further order. Further details of the court orders are set out in the announcements of the Company dated 29 May 2016 and 7 June 2016. The two lenders then took out applications in the Court in June 2016 and July 2016 respectively seeking declarations that they are beneficially entitled to the shares being the subject matter of the Injunction Order and later for variation of the Injunction Order to the effect that those shares shall no longer be the subject matter of the Injunction Order. The three placees disputed the contention that the lenders are the beneficial owners of the shares and legal proceedings regarding the ownership of those shares were brought in foreign jurisdictions. On 12 June 2017, the Court ordered that one of the lenders' application be adjourned pending the decision of the legal proceedings in foreign jurisdiction and the other lender's application be dismissed with costs to the Company. The lockup period has already expired in April 2018 and the Injunction Order has been automatically discharged upon expiry of the lock-up period. As at the date of this announcement, the litigation is still in progress against the three placees for their breach of the lock-up undertakings.

(2) On 20 August 2013, the Company entered into a Placing Agreement with a Placing Agent. Pursuant to the 2013 Placing Agreement, the placing notes carry interest at 5% per annum and are to be redeemed on the seventh anniversary from the respective issue dates of the placing notes.

The Company defaulted on the repayment of the interest on placing notes on their respective due dates during the year ended 31 March 2019. One creditor had taken legal actions against the Company to recover the debts. The total debts amount includes the principal of HK$10,000,000 and outstanding interests of approximately HK$1,264,000.

SUBSEQUENT EVENTS

References are made to the announcements of the Company dated 29 March 2019 and 10 May 2019 (the "**Announcements**") in relation to the acquisition of the entire issued share capital of Hong Kong Made and Ample Success involving an issue of Consideration Shares under general mandate. Capitalised terms used herein shall have the same meanings as those defined in the Announcements. Completion took place on 6 June 2019. Upon Completion, the Target Companies became wholly-owned subsidiaries of the Company and their financial results will be consolidated into the financial results of the Company. As part of the payment of the Consideration, the Company allotted and issued to the Vendors the First Tranche Consideration Shares, being 83,333,325 Shares, representing approximately 2.24% of the issued share capital of the Company as enlarged by the allotment and issue of such Shares.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: Nil).

CORPORATE GOVERNANCE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, throughout the year under review, in compliance with the code provisions (the "**Code Provision(s)**") under the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**"), except the following deviations:

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

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. During the year under review, Mr. Chan Chi Yuen, Mr. Chan Kee Huen, Michael and Mr. Han Chunjian, all being independent non-executive Directors, were absent from certain general meetings of the Company, in each case due to other important engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 March 2019, the Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard as set out in the Model Code.

Pursuant to paragraph A.3 of Appendix 10 to the Listing Rules, the Directors were prohibited from dealing in any securities of the Company on any day on which its financial results are published and during the period of 60 days immediately preceding the publication date of the annual results (the "**Black-out Period**"). The date of Board meeting for the publication of the annual results for the year ended 31 March 2019 was initially scheduled on 28 June 2019, and was re-scheduled and held on 12 July 2019.

The Board was informed by Mr. Yeung Chun Wai, Anthony ("**Mr. Yeung**"), executive Director, on 5 July 2019 that he has entered into certain margin financing arrangement(s) and certain shares (each a "**Share**") of the Company held by Mr. Yeung, his spouse and their controlled corporations were deposited in a margin securities trading account (the "**Margin Account**") maintained with a securities firm (the "**Broker**") as collaterals to secure his margin financing (the "**Margin Securities**"). Mr. Yeung informed the Board that pursuant to the terms and conditions applicable to the Margin Account, the Broker disposed of 71,983,720, 12,625,000 and 13,500,000 Margin Securities, representing approximately 2.64% in total of the entire issued share capital of the Company, on the market on 25 June 2019, 26 June 2019 and 27 June 2019 respectively (the "**Disposals**") to settle the outstanding balances owing to the Broker. The Disposals fell within the Black-out Period.

The Directors (except Mr. Yeung), after considering the above-mentioned information provided by Mr. Yeung, were satisfied that the Disposals during the Black-out Period were made under exceptional circumstances under paragraph C.14 of Appendix 10 to the Listing Rules.

Save as disclosed above, having made specific enquiry, all Directors (except Mr. Yeung) have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the year under review and up to the date of this announcement.

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

During the year ended 31 March 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the consolidated financial statements of the Company for the year ended 31 March 2019 with the Group's management and the Company's external auditor.

SCOPE OF WORK OF ASIAN ALLIANCE (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2019 as set out in this preliminary announcement have been agreed by the Group's auditors, Asian Alliance (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Asian Alliance (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Asian Alliance (HK) CPA Limited on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND 2018-19 ANNUAL REPORT

This final results announcement is published on the websites of the Stock Exchange and the Company. The Company's 2018-19 annual report containing all the information required under the Listing Rules will be dispatched to the shareholders of the Company and will be published on the websites of the Stock Exchange and the Company by the end of July 2019.

RESUMPTION GUIDANCE

On 11 July 2019, the Company received a letter from the Stock Exchange, in which, among other things, the Stock Exchange sets out the following resumption guidance:

(a) to publish all outstanding financial results required by the Listing Rules and address any audit qualifications if any; and

(b) to demonstrate its compliance with Rules 13.24 of the Listing Rules; and

(c) to inform the market of all material information for the Company's shareholders and investors to appraise the Company's position.

As set out in the letter from the Stock Exchange, the Company must remedy the issues causing its trading suspension and fully comply with the Listing Rules to the Stock Exchange's satisfaction before trading in the Shares is allowed to resume.

Following the publication of this annual results announcement, the resumption condition set out in paragraph (a) above has been fulfilled. The Company will endeavor to demonstrate to the Stock Exchange that all the remaining resumption conditions have been fulfilled as soon as practicable.

DELISTING FRAMEWORK UNDER THE LISTING RULES

Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period will expire on 4 January 2021. If the Company fails to remedy the issues causing its trading suspension, fully comply with the Listing Rules to the Stock Exchange's satisfaction and resume trading in its Shares by 4 January 2021, the Listing Department will recommend the Listing Committee to proceed with the cancellation of the Company's listing. Under Rule 6.10 of the Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period, where appropriate.

The Company is now taking necessary steps to resolve the issues causing its trading suspension as soon as practicable. The Company will continue to keep the shareholders of the Company and the public informed of the progress as and when appropriate.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 2 July 2019 due to the delay in publication of the results announcement for the year ended 31 March 2019. Trading in the Shares will remain suspended until further notice.

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

Hong Kong, 12 July 2019

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

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