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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

ANNUAL RESULTS

The board (the "**Board**") of directors ("**Director(s)**") of China Baoli Technologies Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") hereby announces the consolidated annual results of the Group for the year ended 31 March 2023, together with the comparative audited figures for the year ended 31 March 2022, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2023

	Notes	2023 *HK$'000*	2022 *HK$'000*
Revenue	4	**53,598**	74,552
Cost of revenue		**(46,660)**	(59,190)
Gross profit		**6,938**	15,362
Other income, gains and losses, net	5	**9,781**	(3,872)
Selling and distribution expenses		**(4,823)**	(6,476)
Administrative expenses		**(39,911)**	(37,282)
Impairment losses under expected credit loss model, net of reversal		**(128)**	(2,494)
Impairment loss on goodwill		**(47,878)**	–
Gain on extinguishment of financial liabilities		**56,991**	–
Gain on deconsolidation of a subsidiary		**–**	36,874
Gain on disposal of subsidiaries		**–**	119,183
Share of loss of associates		**(19)**	(206)
Finance costs	6	**(10,956)**	(22,835)
(Loss) profit before tax		**(30,005)**	98,254
Income tax expense	7	**(53)**	(1,503)
(Loss) profit for the year	8	**(30,058)**	96,751
(Loss) profit for the year attributable to:			
– Owners of the Company		**(24,273)**	96,614
– Non-controlling interests		**(5,785)**	137
		(30,058)	96,751
			(Restated)
(Loss) earnings per share			
– Basic and diluted	10	**HK$(0.37)**	HK$2.08

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2023

	2023	2022
	HK$'000	*HK$'000*
(Loss) profit for the year	**(30,058)**	96,751
Other comprehensive income (loss):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**4,206**	(6,171)
Share of exchange reserve of associates	**–**	(3)
Release of exchange reserve upon deconsolidation of a subsidiary	**–**	7,101
Release of exchange reserve upon disposal of subsidiaries	**–**	(7,778)
Other comprehensive income (loss) for the year, net of income tax	**4,206**	(6,851)
Total comprehensive (loss) income for the year	**(25,852)**	89,900
Total comprehensive (loss) income attributable to:		
Owners of the Company	**(20,336)**	89,881
Non-controlling interests	**(5,516)**	19
	(25,852)	89,900

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2023

	Notes	**2023** **_HK$'000_**	2022 *HK$'000*
Non-current assets			
Property, plant and equipment		**549**	117
Right-of-use asset		**5,040**	5,794
Goodwill		**6,904**	47,878
Intangible assets		**3,467**	12,017
Interests in associates		**248**	267
		16,208	66,073
Current assets			
Trade and other receivables	11	**40,048**	47,625
Bank balances and cash		**7,363**	28,493
		47,411	76,118
Current liabilities			
Trade and other payables	12	**161,343**	236,656
Lease liabilities		**1,925**	1,619
Contract liabilities		**3,095**	39,343
Tax payable		**3,090**	3,090
Other borrowings		**221,474**	221,137
		390,927	501,845
Net current liabilities		**(343,516)**	(425,727)
Total assets less current liabilities		**(327,308)**	(359,654)
Non-current liabilities			
Lease liabilities		**3,366**	4,253
Liability component of convertible bonds		**10,427**	–
		13,793	4,253
Net liabilities		**(341,101)**	(363,907)
Capital and reserves			
Share capital	13	**7,260**	5,883
Reserves		**(336,909)**	(361,344)
Equity attributable to owners of the Company		**(329,649)**	(355,461)
Non-controlling interests		**(11,452)**	(8,446)
Total deficit		**(341,101)**	(363,907)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on 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 3706–3708, 37/F, Dah Sing Financial Centre, 248–256 Queen's Road East, Wanchai, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are multi-media technologies and convergence media business, gamma ray dry grinding and dry beneficiation business and other operations – investment, securities trading and tourism and hospitality business.

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

The measurement basis used in the preparation of these consolidated financial statements is historical cost.

2. ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2022 and relevant to the Group for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements to HKFRSs	2018-2020 Cycle

Amendments to HKAS 16: Proceeds before Intended Use

The amendments clarify the accounting requirements for proceeds received by an entity from selling items produced while testing an item of property, plant or equipment before it is used for its intended purpose. An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of HKAS 2.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 37: Cost of Fulfilling a Contract

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKFRS 3: Reference to the Conceptual Framework

The amendments update a reference in HKFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to HKFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying HKFRS 3 should instead refer to HKAS 37. The exception has been added to avoid an unintended consequence of updating the reference.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Annual Improvements Project – 2018-2020 Cycle

HKFRS 9: Fees in the "10 per cent" Test for Derecognition of Financial Liabilities

This amendment clarifies that – for the purpose of performing the "10 per cent test" for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

HKFRS 16: Lease Incentives

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, Example 13 is not clear as to why such payments are not a lease incentive.

HKAS 41: Taxation in Fair Value Measurements

This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in HKAS 41 with those in HKFRS 13.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

2.2 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:

Amendments to HKAS 1	Disclosure of Accounting Policies [1]
Amendments to HKAS 8	Definition of Accounting Estimates [1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction [1]
HKFRS 17	Insurance Contracts [1]
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information [1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current [2]
Amendments to HKAS 1	Non-current Liabilities with Covenants [2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback [2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [3]

[1] Effective for annual periods beginning on or after 1 January 2023

[2] Effective for annual periods beginning on or after 1 January 2024

[3] The effective date to be determined

The directors of the Company do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the results and financial position of the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements for the year ended 31 March 2023 have been prepared in accordance with HKFRSs, which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the Companies Ordinance ("**CO**"). The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the consolidated financial statements for the year ended 31 March 2022 except for the adoption of the new/revised HKFRSs that are relevant to the Group as detailed in Note 2.1 above.

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

3.2 Going concern

The Group incurred a loss attributable to the owners of the Company of approximately HK$24,273,000 for the year ended 31 March 2023 and as of the date, the Group's current liabilities exceeded its current assets by approximately HK$343,516,000 and the Group had net liabilities of approximately HK$341,101,000 as at 31 March 2023. As at the same date, the Group's total borrowings amounted to approximately HK$231,901,000, while its cash and cash equivalents amounted to approximately HK$7,363,000 only. 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. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis as the Directors have given careful consideration to the impact of the current and anticipated future liquidity of the Group and are satisfied that:

(1) Actively seeking opportunities for fund-raising

The Group is actively seeking various fund-raising opportunities, including but not limited to, placing and rights issue, depending on the prevailing market conditions and the development of the Group's core businesses. In order to achieve the best interest of the Group and the Shareholders as a whole, the Group will seek the professional's advice from the financial advisors and consultants in conducting these fund-raising activities.

(2) Discussion on loan capitalisation

One of the major contributing factors to improve the Group's liquidity in the coming twelve months is the implementation of loan capitalisation with some creditors. Following the completion of the issuance of convertible bonds to Yulong Computer Telecommunication Scientific (Shenzhen) Co., Ltd. ("**Yulong SZ**") in current financial year, the Company has reduced its net liabilities for the year ended 31 March 2023. Also, the management of the Company expects these convertible bonds to Yulong SZ will be converted to the ordinary shares of the Company upon maturity in accordance with the terms. The management of the Company will continue to discuss with other creditors on loan capitalisation or extending the terms of loans and is confident that more creditors will agree to the loan capitalisation plans in the coming financial year. Completion of the loan capitalisation will be subject to, amongst others, the grant of listing approval of the issue of new shares by the Stock Exchange and approval by the Shareholders.

(3) ***Actively seeking opportunities for debt or equity financing***

The Group will continue to approach various financial institutions to explore further possibility of debt or equity financing to lengthen its repayment period and lower its finance costs and to improve its capital structure.

(4) ***Developing successful business strategies for its multi-media technologies and convergence media business segment***

The Group timely reviews its resources to strategically utilize them in its core business segments. In response to the post-pandemic and volatile economy, the Group has put more focus on and allocated more resources to its convergence media and e-commerce business rather than its traditional multi-media business. The diversification of its media business will enhance the revenue of the Group in the coming financial year.

(5) ***Application of gamma ray dry grinding and dry beneficiation technologies (the "DGDB Technologies") into iron and steel industries and also diversifying into other profitable industries***

The Group has continued to discuss and negotiate with various iron ore or steel mill players on potential cooperation opportunities for the development of this business segment. The Group is also actively exploring to apply its DGDB Technologies in other industries. It is expected that higher investment in the iron ore dry grinding and dry beneficiation business could improve the Group's profitability in coming years.

Through fund-raising exercises and continuing the abovementioned business strategies, the Directors believe that the Group would be able to meet its financial obligations and fulfill its operational needs while obtaining additional financing resources in pursuing other businesses.

The Directors have prepared a cash flow forecast covering a period up to 30 September 2024 on the basis that the Group's aforementioned plans and measures will be successfully implemented, 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 2023. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, since the execution of the above plans and measures is in progress, uncertainties exist as to whether the Group will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would also depend on its ability to generate adequate cash flows for its operation.

The consolidated financial statements do not include any adjustments that would result from the failure of the Group to obtain sufficient future funding. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to reduce the carrying amounts of the assets of the Group to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

4. REVENUE

Disaggregation of revenue from contracts with customers

For the year ended 31 March 2023

	Multi-media technologies and convergence media business *HK$'000*	**Gamma ray dry grinding and dry beneficiation business** *HK$'000*	**Total** *HK$'000*
Types of goods or service			
Multi-media and advertising service	**53,598**	**–**	**53,598**
Total	**53,598**	**–**	**53,598**
Timing of revenue recognition			
A point in time	**–**	**–**	**–**
Over time	**53,598**	**–**	**53,598**
Total	**53,598**	**–**	**53,598**
Type of customer			
Corporate	**53,598**	**–**	**53,598**

For the year ended 31 March 2022

	Multi-media technologies and convergence media business *HK$'000*	Gamma ray dry grinding and dry beneficiation business *HK$'000*	Total *HK$'000*
Types of goods or service			
Multi-media and advertising service	72,353	–	72,353
Irradiation sterilisation processing services	–	2,199	2,199
Total	72,353	2,199	74,552
Timing of revenue recognition			
A point in time	–	2,199	2,199
Over time	72,353	–	72,353
Total	72,353	2,199	74,552
Type of customer			
Corporate	72,353	2,199	74,552

5. OTHER INCOME, GAINS AND LOSSES, NET

	2023	2022
	HK$'000	*HK$'000*
Interest income from financial institutions	–	5
Imputed interest income on rental deposit	–	43
Other interest income	–	490
Gain from change in fair value of convertible loan derivative component	–	142
Loss on early redemption of convertible loan	–	(1,310)
Net unrealised losses on financial assets at fair value through profit or loss	–	(40)
Gain on early termination of a lease	–	298
Government grants *(Note)*	**571**	93
Written-off of property, plant and equipment	–	(89)
Exchange gain (loss), net	**8,365**	(3,753)
Others	**845**	249
	9,781	(3,872)

Note:

During the year ended 31 March 2023, the Group recognised government grants in sum of RMB486,000 (equivalent to HK$571,000) (2022: RMB77,000 (equivalent to HK$93,000)) in respect of Industrial Support Fund and Professional Skill Improvement by The Information Office of People's Government of certain districts. There are no conditions attached to the receipt of the government grants and they are non-recurring in nature.

6. FINANCE COSTS

	2023	2022
	HK$'000	*HK$'000*
Interests on:		
Margin account payable	–	2,571
Placing notes at effective interest rates	**1,500**	1,550
Convertible loan payable at effective interest rates	–	955
Convertible bond payable at effective interest rates	**624**	–
Other borrowings	**8,616**	15,731
Lease liabilities	**216**	267
License fees payables	–	1,761
	10,956	22,835

7. INCOME TAX EXPENSE

	2023 *HK$'000*	2022 *HK$'000*
Current tax – The People's Republic of China (the "**PRC**")	**(53)**	(155)
Deferred taxation	**–**	(1,348)
	(53)	(1,503)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit. No provision for taxation in Hong Kong has been made for both years ended 31 March 2023 and 2022 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 are 25% for both years ended 31 March 2023 and 2022.

8. (LOSS) PROFIT FOR THE YEAR

	2023 *HK$'000*	2022 *HK$'000*
(Loss) profit for the year has been arrived at after charging:		
Staff costs		
– directors' emoluments (excluding share-based payments)	**4,401**	5,693
– salaries and other benefits in kind	**4,770**	6,852
– retirement benefits scheme contributions	**117**	832
– share-based payments	**–**	2,742
	9,288	16,119
Auditors' remuneration		
– audit services	**1,400**	980
– non-audit services	**–**	180
Depreciation of property, plant and equipment	**123**	682
Depreciation of right-of-use assets	**1,814**	2,712
Development cost on iron ore dry grinding and dry beneficiation business included in administrative expenses	**11,510**	1,363
Amortisation of intangible asset included in cost of revenue	**11,279**	34,958
Share-based payments for consultants	**–**	1,421

Staff costs amounted to approximately HK$nil (2022: approximately HK$732,000) and HK$9,288,000 (2022: HK$15,387,000) have been included in cost of revenue and administrative expenses respectively.

9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

10. (LOSS) EARNINGS PER SHARE

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

	2023	2022
	HK$'000	*HK$'000*
(Loss) profit for the year attributable to owners of the Company for the purpose of basic and diluted (loss) earnings per share	**(24,273)**	96,614

	2023	2022
	'000	*'000*
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	**65,164**	46,507

The computation of diluted (loss) earnings per share for the years ended 31 March 2023 and 2022 does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares.

Diluted loss per share is the same as basic loss per share as the effect of potential ordinary share, convertible bonds has anti-dilutive effects during the year ended 31 March 2023. There was no outstanding convertible bonds during the year ended 31 March 2022.

The calculation of the basic (loss) earnings per share for the years ended 31 March 2023 and 2022 is based on the (loss) profit for the year attributable to owners of the Company and the weighted average number of shares in issue which have been adjusted/restated to reflect the effect of share consolidation took effect on 20 June 2023, at which every ten issued and unissued shares of the Company are consolidated into one consolidated share.

11. TRADE AND OTHER RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**10,013**	5,330
Less: Allowance for credit losses	**(1,334)**	(1,334)
Trade receivables	**8,679**	3,996
Bills receivables	**1,499**	5,158
Trade and bills receivables, net *(Note a)*	**10,178**	9,154
Other receivables and deposits	**24,505**	20,707
Prepayments	**7,132**	19,403
	31,637	40,110
Less: Allowance for credit losses	**(1,767)**	(1,639)
Other receivables, prepayments and deposit paid, net	**29,870**	38,471
Trade and other receivables, net	**40,048**	47,625

Notes:

(a) The following is an ageing analysis of trade and bills receivables net of allowance for credit losses, presented based on the invoice date, which approximates the respective revenue recognition dates:

	2023	2022
	HK$'000	*HK$'000*
0 to 30 days	**7,986**	3,057
31 to 90 days	**1,499**	395
91 to 180 days	**581**	5,702
181 to 365 days	**–**	–
Over 365 days	**112**	–
	10,178	9,154

The credit term granted to the Group's trade debtors generally ranged from 0 to 30 days (2022: 0 to 30 days).

12. TRADE AND OTHER PAYABLES

	2023	2022
	HK$'000	*HK$'000*
Trade payables *(Note a)*	**10,117**	2,152
Other payables and accruals	**56,294**	137,769
Deposit received	**15,640**	15,640
Amounts due to shareholders and directors	**79,292**	81,095
	161,343	236,656

Notes:

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

	2023	2022
	HK$'000	*HK$'000*
Up to 30 days	**7,718**	197
31 to 90 days	**54**	528
91 to 180 days	**4**	579
181 to 365 days	**73**	848
Over 365 days	**2,268**	–
	10,117	2,152

The average credit period granted by the trade creditors is 30 to 45 days (2022: 30 to 45 days).

13. SHARE CAPITAL

	Par value per share *HK$*	Number of shares *'000*	Amount *HK$'000*
Ordinary shares:			
Authorised:			
At 1 April 2021	0.10	6,500,000	650,000
Share consolidation	N/A	(5,850,000)	–
Share subdivision	N/A	64,350,000	–
At 31 March 2022 and **31 March 2023**	**0.01**	**65,000,000**	**650,000**
Issued and fully paid:			
At 1 April 2021	0.10	3,721,561	372,156
Share consolidation	N/A	(3,349,405)	–
Capital reduction	N/A	–	(368,434)
Issuance of shares under rights issue	0.01	186,078	1,861
Issuance of shares in respect of placing	0.01	30,000	300
At 31 March 2022	0.01	588,234	5,883
Issuance of consideration shares *(Note a)*	0.01	16,667	167
Issuance of shares in respect of share subscription *(Note b)*	0.01	120,980	1,210
At 31 March 2023	**0.01**	**725,881**	**7,260**

Notes:

(a) On 29 July 2022, the Company allotted and issued 16,666,667 ordinary shares with the aggregated nominal value of HK$167,000 to the vendors as a settlement of the consideration in respect of the acquisition of Hong Kong Made (Media) Limited and Ample Success Limited in June 2019 pursuant to the agreement and supplementary agreement dated 29 March 2019 and 14 August 2020 respectively.

(b) On 1 November 2022, the Company entered into 5 subscription agreements with 5 subscribers, pursuant to which the Company contemplates to allot and issue 120,980,170 ordinary shares at a price of HK$0.0576 per share (the "Share Subscription"). On 11 November 2022, the Company completed the Share Subscription and the net proceeds from the Share Subscription amounted to approximately HK$6,969,000 were used for (i) settlement of the outstanding liabilities of the Group in the amount of approximately HK$3,000,000; and (ii) general working capital of the Group in amount of approximately HK$3,969,000. Details of the Share Subscription were disclosed in the Company's announcements dated 1 November 2022 and 11 November 2022.

14. EVENTS AFTER THE REPORTING PERIOD

On 29 March 2023, the Company entered into a subscription agreement with a subscriber in relation to a subscription of convertible bonds under specific mandate. On 30 June 2023, all the conditions precedent as set out in the subscription agreement had been fulfilled and the completion of the subscription of the convertible bonds took place on 30 June 2023. For details of the convertible bonds, please refer to the Company's announcements dated 29 March 2023 and 30 June 2023.

On 20 June 2023, the (i) share consolidation on the basis that every 10 issued and unissued shares of par value of HK$0.01 each in the share capital of the Company is consolidated into one consolidated share of par value of HK$0.10 each; (ii) capital reduction of the par value of each issued consolidated share from HK$0.10 to HK$0.01; and (iii) subdivision of every unissued consolidated share of HK$0.10 each in the authorised share capital of the Company into 10 new shares of HK$0.01 each became effective. For details of the share consolidation, capital reduction and share subdivision, please refer to the Company's announcements dated 28 April 2023 and 16 June 2023 and the Company's circular dated 23 May 2023.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report from Mazars CPA Limited, the external auditor of the Group, on the Group's consolidated financial statements for the year ended 31 March 2023 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 matter 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 Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Material Uncertainty Related to Going Concern

As stated in Note 3.2 to the consolidated financial statements, the Group incurred a loss attributable to the owners of the Company of approximately HK$24,273,000 for the year ended 31 March 2023 and as of the date, the Group's current liabilities exceeded its current assets by approximately HK$343,516,000 and the Group had net liabilities of approximately HK$341,101,000. As at the same date, the Group's total borrowings amounted to approximately HK$231,901,000, while its cash and cash equivalents amounted to approximately HK$7,363,000 only. The circumstances and conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to operate as going concern.

As explained in Note 3.2 to the consolidated financial statements, the consolidated financial statements have been prepared by the Directors on a going concern basis, the validity of the going concern basis dependent on the assumption that the Group would be successful in collecting the receivables and obtaining 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. 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.

We were unable to obtain sufficient audit evidence regarding the use of going concern assumption in the preparation of the consolidated financial statements. Should the going concern assumption is inappropriate, adjustment may have to be made to reclassify all non-current assets and liabilities as current assets and liabilities respectively, to write-down the value of assets to their recoverable amounts and to provide for further liabilities which may arise.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The global economic downturn, catalyzed by the fifth wave of COVID-19 pandemic, and heightened geopolitical tensions have weighed heavily on the recovery of regional economy and has inevitably affected the Group's performance. In face of the challenging circumstances, the Group has remained resilient and has continued its efforts to integrate and transform its convergence media business. In addition, the Group has also engaged in active collaborations with major international and mainland iron ore and steel mill players to implement the iron ore dry grinding and dry beneficiation technologies (the "**DGDB Technologies**") in order to achieve its long-term strategic initiatives.

The Group has strengthened its multi-media technologies and convergence media business by allocating more resources to the convergence media and e-commerce business. The Group has gradually expanded into e-commerce, music key opinion leader(s) ("**KOL(s)**"), live streaming channels and also music talents and IP incubation while deploying resources to build up in house professional team of convergence media and e-commerce KOLs. Despite the volatile economic environment, the Group has also focused to capture its technology advancements in the DGDB Technologies. The Group has established close business collaborations with various technology partners and iron ore or steel mill players so as to accelerate the technology and business development of the DGDB Technologies.

For the year under review, the Company has also completed a series of fund raising and restructuring initiatives to enhance its capital structure, namely, i) issue of convertible bonds under general mandate, with an aggregate net proceeds of approximately HK$12,000,000; ii) issue of new shares under general mandate, with an aggregate net proceeds of approximately HK$7,000,000; and iii) debt settlement with Yulong Computer Telecommunication Scientific (Shenzhen) Co., Ltd., with an aggregate amount of RMB80 million (the "**Claimed Amount**") by issuance of convertible bonds and disposal of partial equity interest of a subsidiary. These fund raising and debt restructuring activities have improved the Group's financial position and provided more buffer to cope with the economic uncertainties and challenges in the future. The Group will continue its restructuring initiatives to improve its debt repayment profile. We will also carefully review and explore financing of potential strategic capital investments to maintain a sustainable growth and create value for shareholders in the long term.

For the year ended 31 March 2023, the Group's revenue from operation was approximately HK$53,598,000, as compared to HK$74,552,000 in the same period last year. The gross profit of the Company decreased to HK$6,938,000, compared to HK$15,362,000 for the same period of last year. There was a decrease in gross profit due to reduced revenues from train media advertising business while the license fee for the train media platform was a fixed cost. The Company recorded a loss attributable to owners of the Company of approximately HK$24,273,000 for the year, as compared to a gain of approximately HK$96,614,000 for the corresponding period of last year. It was mainly due to (i) the one-off gain of HK$156,057,000 on disposal and deconsolidation of subsidiaries which was included in the previous year; (ii) the impairment of goodwill of train media cash generating unit ("**Train Media CGU**") in the amount of approximately HK$48,000,000, which resulted from the management's decision to terminate the agreement for the Group to provide train media advertising agency services at the end of December 2022; and (iii) the gain on extinguishment of financial liabilities of approximately HK$57,000,000 arising from the settlement of a part of the Claimed Amount by issuance of convertible bonds.

Multi-media Technologies and Convergence Media Business

The multi-media technologies and convergence media business recorded a revenue of approximately HK$53,598,000 for the year ended 31 March 2023 representing a year-on-year decrease of 25.9% (2022: approximately HK$72,353,000). To ride out of challenging business environment, the Group has collaborated with media resource owners and advertisers to create new opportunities both in Mainland China and HK. Furthermore, we have taken some initiatives to reallocate the Group's resources to transform our media business from conventional outdoor media to online advertising, marketing and brand management, KOL management and selective direct e-commerce.

The Group has also built up our professional team of convergence media e-commerce business to provide full fetched client service from brand building marketing to online sales conversion. This is conducted through a combination of social media and e-commerce platform for online marketing by actively managing client's social media accounts, KOL marketing promotion and live streaming e-commerce channel. Our team works to optimize brand potentials and stimulate sales for our clients. The customers' products will be introduced at the well-known e-commerce platform, such as Feihe Xingma Club（飛鶴星媽優選）, which can effectively increase sales and brand awareness for the products. Live streaming e-commerce has become the market trend and one of our business focuses as well. Our current business partners range from brands of skin care, hair care and personal care products to other consumer products. Pilot live streaming programs have been launched to collect customer response and data to prepare for formal launching with accurate viewer flow focus.

In late 2022, the capital injection into KeMeng (Changzhou) Culture & Media Limited ("**KeMeng**") by the Company was completed. The Group now possesses the expertise in the live streaming content production and operation on multi-channel networks and has strong connection with the influencers in the PRC which will create synergies with the existing convergence media business of the Group. Through the subsidiary of KeMeng, the Group has also built up our own professional team of music KOL(s) or music talents. The Group works with local developers to bring cultural contents through various music events to their commercial complex to maximize traffic and length of stay.

The Group has established business collaborations with other multi-media advertising platform operators in relation to the right on listing multi-media contents on building walls in Mainland China. The Group also designs multi-media contents and displays the contents using LED on the whole exterior of commercial buildings. During the year under review, the Group has expanded its display media platform business in Hong Kong, including outdoor billboard and LED TV. To enrich our services, the Group has offered different kinds of convergence media service to our clients including print and digital advertising.

The Group has put a lot of efforts and resources in building the convergence media business to today's scale to further capture the opportunities arising from the change of global trend in media industry from traditional advertising to online advertising. The Group believes that the restructuring and reallocation of resources can improve the performance of the multi-media technologies and convergence media business and continue to be one of the key revenue drivers of the Group.

Gamma Ray Dry Grinding and Dry Beneficiation Business

The Group's iron ore dry grinding and dry beneficiation business is in the investment phase. The total costs which consists of primarily research and development costs for this business was approximately HK$11,510,000 for the year ended 31 March 2023.

"Actively and steadily promote carbon dioxide peaking and carbon neutrality" is one of the major highlights proposed in the report of the 20th Party Congress. To achieve sustainable economic and social development, the PRC Government advocates improving the efficiency of energy resources utilization, enhancing the stability, security and sustainability of energy resources supply, promoting the formation of a green production and lifestyle, cracking the outstanding problems of resources and environmental constraints from the source.

With the coming full implementation of Carbon Border Adjustment Mechanism in the EU in 2026, Chinese steel industry is actively upgrading its production and sourcing requirements to prepare for its compliance in the future. The entire industry is expected to gradually phase out the direct utilization of high grade import iron ore to iron concentrate powders and pellets.

At present, about 1 billion tons of iron ore are imported to China every year, most of which are hematites. Some of which are of slightly lower content grade and contain higher impurities. It will be challenging to meet the future energy-saving and emission-reduction industry requirements. Many of the mining companies are actively seeking for solutions/ways to process the domestic low-grade magnetite iron ore products to reduce the nation's reliance on import iron ores. All these result in the increasing demand for continuous technologies development.

Our DGDB Technologies can realize low energy consumption and anhydrous mineral processing to achieve environmental protection and energy saving. It is in line with the national strategic policy guidelines and development direction of energy conservation, emission reduction, and carbon neutrality.

The Group is working closely with international iron ore majors to expand the applications of our DGDB Technologies to hematite iron ore. To cooperate with our business partners in the mining industry, the Company has engaged one of the most prominent research institutes in the PRC to conduct extensive pilot testing. The research includes the analysis of the main physical and chemical indicators of the specific hematite and limonite iron ore; the optimal technology set up for roasting, grinding and beneficiation process; and the continuous integration and enhancement on the high-efficiency magnetic selection technology with respect to industrial production in scale. At present, the experiment has reached final stage and our pilot testing results show that our integrated technology can effectively deploy DGDB Technologies to hematite iron ores to produce iron concentrate powders and pellets. This would further expand the application of our DGDB Technologies to most of the major global iron ore supplies. The Group is carefully evaluating different cooperation opportunities with various iron ore and steel mill industry players to further commence industrial productions.

The Group is also exploring to widen its beneficiation technology on tailings recycling. Our current studies have demonstrated that through our DGDB Technologies, the tailings can be further recycled to produce raw materials in the commercial concretes and cements manufacturing industry. With the implementation of this application, further economic values can be achieved while resolving the environmental and safety hazards of conventional tailing dams. The Group is engaging in active discussions with various commercial concrete producers to optimize their respective raw material sourcing capabilities while deploying our DGDB Technologies.

The Group expects our DGDB Technologies can generate diversified and stable cashflow to the Group in the coming year.

Other Operations – Investment, Securities Trading and Tourism and Hospitality Business

The Group has been closely monitoring the developments of the pandemic and will position itself to pursue and capture suitable business opportunities in its operations and investments in the region as and when they arise.

Business Model And Business Strategy

Diversification is our core business strategy. The Group is committed to achieving long-term sustainable growth of its businesses in preserving and enhancing the value of the Company's shareholders. The Group is focused on looking for attractive investment opportunities to strengthen and widen its business scope. The Group has maintained a prudent and disciplined financial management to ensure its sustainability.

PROSPECTS

The global economic outlook for 2023 remains uncertain and challenging. Soaring inflation and interest rate hikes, the China-US trade tensions and the Russia-Ukraine conflict pose serious threats to the recovery of both the local and world economies.

Nevertheless, pandemic impacts are receding and China's relaxation of its COVID prevention policies by the end of 2022 along with a series of economic stimulus actions could boost market confidence and lead to improvements in the external environment that benefit business conditions. Followed by the post pandemic recovery, it is expected that the demand and budget on marketing and promotion for companies in various industries will increase. The Group will grasp the opportunities and further develop our multi-media and convergence media business.

The Chinese steel industry is proactively enhancing its production processes and sourcing standards in anticipation of complying with the Carbon Border Adjustment Mechanism that will be fully implemented in the EU by 2026, environmentally-friendly grinding and beneficiation technologies are indispensable in the mining industry. Our DGDB Technologies experiment has reached final stage, it is expected that iron ore dry grinding and dry beneficiation business can bring stable profit and cash flow for the Group very soon.

Looking ahead, the Group will continue to explore potential strategic investments and cooperation opportunities with an aim of creating synergies for the Group in various aspects including technological development, diversifying product portfolio, channel expansion and/or cost control. The Company is confident that the operations and results of the Group will improve in the near future and the Group will continue to generate value to the shareholders of the Company.

FINANCIAL REVIEW

During the year under review, the Group recorded a revenue of approximately HK$53,598,000 (2022: approximately HK$74,552,000), representing a decrease of approximately 28.1% compared with last year. The revenue of multi-media technologies and convergence media business was approximately HK$53,598,000 (2022: approximately HK$72,353,000), which has decreased by 25.9%. The decrease in revenue was primarily due to the COVID-19 pandemic and the economic downturn, the demand for outdoor media was greatly reduced in 2022. The loss attributable to owners of the Company for the year amounted to approximately HK$24,273,000 (Profit attributable to owners of the Company in 2022: approximately HK$96,614,000). As at 31 March 2023, the contract liabilities decreased significantly which was due to the completion of contracts relating to Train Media CGU. The total assets and net liabilities of the Group were approximately HK$63,619,000 and HK$341,101,000 (2022: approximately HK$142,191,000 and approximately HK$363,907,000) respectively.

Liquidity and Financial Resources

As at 31 March 2023, the Group had bank balances and cash of approximately HK$7,363,000 (2022: approximately HK$28,493,000), and the Group had total borrowings of approximately HK$231,901,000 (2022: approximately HK$221,137,000), of which borrowings of 30.5% was in HK$ and 69.5% was in Renminbi and of which borrowings within one year was HK$221,474,000 (2022: HK$221,137,000), accounting for approximately 95.5% (2022: 100%) of the total borrowings. The gearing ratio, being the ratio of the sum of total borrowings to total deficit, was 68.0% as at 31 March 2023 (2022: 60.8%). The liquidity ratio, being the ratio of current assets over current liabilities, was 12.1% as at 31 March 2023 (2022: 15.2%). The improved liquidity ratio was due to effective debt restructuring initiatives, including placing and negotiating debt settlements on favourable terms. The debt restructuring initiatives also resulted in a significant reduction in finance costs to HK$10,956,000 (2022: HK$22,835,000).

The Group’s cash and cash equivalents were mainly denominated in RMB and the Group’s borrowings were mainly denominated in RMB. As at 31 March 2023, the Group’s other borrowings with fixed interest rates accounted for approximately 26.0% of total borrowings.

Capital Commitments

As at 31 March 2023, the Group had capital commitments contracted but not provided for in the consolidated financial statements of approximately HK$91,631,000 (2022: approximately HK$79,037,000).

Pledge of Assets

As at 31 March 2022 and 31 March 2023, the Group did not pledge any assets to secure the borrowings granted to the Group.

Contingent Liabilities

As at 31 March 2023, except those as disclosed in the section of "**Litigation**", the Group had no other significant contingent liabilities (2022: Nil).

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 14 to this announcement of annual results, no other important events took place for the Company after 31 March 2023.

LITIGATIONS

(i) On 20 August 2013, the Company entered into the placing agreement with the placing agent. Pursuant to the placing agreement, the placing notes, which were issued to the placing agent as a noteholder of the placing notes, carry interest at 5.0% per annum and are to be redeemed on the seventh anniversary from the respective issue dates of the placing notes. One creditor purportedly a beneficial owner of the placing notes commenced court action against the Company for recovery of her alleged outstanding debt due by the Company to her under the placing notes. Nevertheless, the placing agent as a noteholder of the placing notes has not commenced any court action against the Company. Such creditor's alleged debt amount includes the principal of HK$10 million and outstanding interest of approximately HK$1.26 million. On 16 March 2020, the placing agent was added by such creditor as the 2nd defendant in the Amended Writ of Summons and Amended Statement of Claim. On 4 December 2020, the Company filed and served a Writ of Summons and Statement of Claim against the placing agent. A mediation conference was held on 13 September 2021 and the mediation ended without agreement. On 31 January 2022, the Court of First Instance of the High Court of Hong Kong (the "**Court**") granted an order that the aforesaid two court actions be heard and tried together at the same time or one after the other as to be directed by the trial judge. On 20 June 2022, the Company filed and served its Re-Amended Defence and Counterclaim under one court action and its Re-Amended Statement of Claim and Writ of Summons under the other court action. On 8 February 2023, the Court issued an order that the case management summons conference hearing in the aforesaid two actions is scheduled to be heard before a master of the Court on 11 July 2023.

(ii) In September 2022, the Group has initiated civil proceedings in the Guangzhou Nansha People's Court (the "**PRC Court**") against the licensor Guangzhou Shengyu Golden Line Advertising Company Limited ("**Shengyu**") in respect of the breach of the extended advertising license rights agreement with the contract period from 1 July 2022 to 30 June 2025 (the "**2021 Agreement**"), for the (i) rescinding of the 2021 Agreement; (ii) refund of performance bond paid of RMB5,300,000; (iii) refund of over-charged license fees prepayment of RMB8,910,000; and (iv) other damages such as losses, interest and legal fees, etc (the "**PRC Court Action**"). The civil proceedings in the PRC Court Action was initially accepted for mere pre-litigation mediation purpose and they were subsequently docketed for litigation purpose by the PRC Court on 4 January 2023. In December 2022, the Group initiated legal proceedings in Hong Kong against Shengyu and Hong Kong Made Company Limited for the (i) rescinding of the extended advertising license rights agreement with the contract period from 1 July 2019 to 30 June 2022 (the "**2019 Agreement**") and the 2021 Agreement; (ii) returns of performance bond paid of RMB5,300,000; (iii) refund of over-charged license fees prepayment of RMB15,532,600; and (iv) other damages such as losses, interest and legal fees, etc (the "**Hong Kong Court Action**"). On 20 February 2023, Shengyu lodged a counterclaim against the Group in the PRC Court (the "**Counterclaim**"). On 13 June 2023, Shengyu unilaterally withdrew the Counterclaim against the Group in PRC Court. On the same date, the PRC Court determined to cancel the PRC Court Action on the basis that there is parallel litigation with certain overlapping issues between the PRC Court Action and the Hong Kong Court Action, while preserving the Group's right to appeal. Up to the date of this annual results announcement, the Hong Kong Court has not issued any judgement in relation to the Hong Kong Court Action.

Save as disclosed above, there is no other material litigations expected to result in a significant adverse effect on the financial position of the Group, either collectively or individually. Management believes that adequate provisions have been made in respect of such litigations.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2023 (2022: Nil).

CORPORATE GOVERNANCE

Good corporate governance has always been recognised as vital to the Group's success and sustainable development. The Company has committed itself to a high standard of corporate governance and has devoted considerable efforts in identifying and formulating corporate governance practices appropriate to the Company's needs.

The Company has put in place corporate governance practices to meet the code provisions (the "**Code Provision(s)**") as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") (the "**CG Code**"), that are considered to be relevant to the Group, and has complied with all of the Code Provisions for the time being in force throughout the year under review, except the following deviation. The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

Under Code Provision F.2.2 of the CG Code, the chairman of the board should attend the annual general meeting. During the year under review, Mr. Zhang Yi, the chairman of the Board, was absent at the annual general meeting of the Company held on 30 September 2022 due to other important engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 March 2023, the Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "**Model Code**").

Having made specific enquiry, all Directors have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the year under review and up to the date of this announcement.

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

During the year ended 31 March 2023, 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 2023 with the Group's management and the Company's external auditor.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position as at 31 March 2023, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year then ended as set out in the preliminary result announcement have been agreed by the Group's auditor, Mazars CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 March 2023. The work performed by Mazars 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 Mazars CPA Limited on the preliminary result announcement.

PUBLICATION OF FINAL RESULTS AND 2022-23 ANNUAL REPORT

This final results announcement is published on the websites of the Stock Exchange and the Company. The Company's 2022/23 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 2023.

By order of the Board
China Baoli Technologies Holdings Limited
Chu Wei Ning
Executive Director and Chief Executive Officer

Hong Kong, 30 June 2023

As at the date of this announcement, the executive Directors are Mr. Zhang Yi (Chairman), Ms. Chu Wei Ning (Chief Executive Officer) and Ms. Lam Sze Man; and the independent non-executive Directors are Mr. Chan Fong Kong, Francis, Mr. Chan Kee Huen, Michael and Mr. Feng Men.

* *For identification purpose only.*