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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)

**DISCLOSEABLE TRANSACTION
IN RELATION TO THE ACQUISITION OF
10% OF THE ISSUED SHARE CAPITAL OF YOTA
INVOLVING AN ISSUE OF CONSIDERATION SHARES
UNDER GENERAL MANDATE**

On 9 February 2018, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Shares, representing 10% of the issued share capital of Yota as at the date of this announcement, at the Consideration of US\$15,500,000.

The Consideration will be satisfied by the Purchaser (a) as to US\$500,000 by payment in cash; and (b) as to US\$15,000,000 by allotting and issuing Consideration Shares to the Vendor, unless the Purchaser has given a notice no later than 3 business days before the 180th day after the Completion Date to elect to satisfy the Remaining Payment in cash instead of the Second Tranche Consideration Shares.

As one or more of the relevant percentage ratios in respect of the Acquisition are 5% or more and all of such ratios are below 25%, the Acquisition constitutes a discloseable transaction under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

The Consideration Shares will be allotted and issued under the General Mandate. The allotment and issue of the Consideration Shares under the General Mandate is not subject to the approval of the Shareholders.

THE ACQUISITION

On 9 February 2018, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor in relation to the Acquisition. The principal terms of the Agreement are set out below.

Parties

Purchaser: China Baoli Technologies Services Limited, a wholly-owned subsidiary of the Company

Vendor: MTH Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are independent of the Company and connected persons (as defined in Chapter 14A of the Listing Rules) of the Company.

Subject matter

The Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Shares, representing 10% of the issued share capital of Yota as at the date of this announcement.

Consideration

The consideration for the Sale Shares is US\$15,500,000. The Consideration will be satisfied by the Purchaser:

- (a) as to US\$140,000 by payment in cash within 3 business days of the date of the Agreement (the “**Initial Cash Consideration**”), which shall be applied towards the Consideration upon Completion;
- (b) as to US\$360,000 by payment in cash upon Completion; and
- (c) as to US\$15,000,000 by issuing to the Vendor the Consideration Shares, unless the Purchaser has given a notice no later than 3 business days before the 180th day after the Completion Date to elect to satisfy the Remaining Payment in cash instead of the Second Tranche Consideration Shares.

The number of Consideration Shares is equal to the quotient of the HK\$ equivalent of US\$15,000,000 (at the exchange rate of US\$1 = HK\$7.78) divided by an amount (the “**Completion Share Price**”) equal to the weighted average of the per share closing prices of the Shares as shown by the daily quotation sheet of the Stock Exchange for each of the 5 business days immediately preceding the Completion Date provided that the Completion Share Price shall not be lower than 90% of the higher of:

- (a) the per share closing price of the Shares as shown by the daily quotation sheet of the Stock Exchange on the date of the Agreement, being HK\$0.1440 per Share; and
- (b) the average per share closing prices of the Shares as shown by the daily quotation sheet of the Stock Exchange for each of the 5 trading days (as defined under the Listing Rules) immediately preceding the date of the Agreement, being HK\$0.1530 per Share.

The minimum Issue Price is therefore HK\$0.1377 per Share which represents:

- (a) a discount of approximately 4.38% to the closing price of HK\$0.1440 per Share as quoted on the Stock Exchange on the date of the Agreement;
- (b) a discount of approximately 7.95% to the average of the closing prices of HK\$0.1496 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the date of the Agreement; and

- (c) a discount of approximately 10.29% to the average of the closing prices of HK\$0.1535 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the date of the Agreement.

The Issue Price and the Consideration were determined after arm's length negotiations between the Vendor and the Purchaser with reference to (i) the cost of acquisition of 30% of the issued share capital of Yota pursuant to the 30% SPA, being US\$46,225,000, (ii) the business prospects of Yota, including the launch of YOTA 3 in October 2017 and (iii) the means of settlement of the Consideration including the allotment and issue of the Consideration Shares in tranches at the market price of the Shares. The Directors consider that the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

In the event that the Completion Share Price is lower than the minimum Issue Price of HK\$0.1377 per Share, the Vendor may on the Completion Date but before Completion elect to terminate the Agreement by notice in writing to the Purchaser, in which event the Agreement shall terminate and cease to have effect on the date of such notice except for certain surviving provisions and except for any rights, remedies, obligations or liabilities of the parties that have accrued up to the date of termination and the Vendor shall forthwith refund the Initial Cash Consideration (without any deduction or withholding) with all the interests accrued on the Initial Cash Consideration to the Purchaser and in any event within 3 business days from the date of written notice given by the Purchaser.

Consideration Shares

Based on the minimum Issue Price of HK\$0.1377 per Share, a maximum of 847,494,553 Consideration Shares is issuable by the Company to the Vendor. Such maximum number of Consideration Shares represents approximately (i) 2.46% of the issued share capital of the Company as at the date of this announcement; and (ii) 2.40% of the issued share capital of the Company as enlarged by the issue of such maximum number of Consideration Shares.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the maximum of 847,494,553 Consideration Shares. The Consideration Shares will rank *pari passu* in all respects with the Shares in issue at the date of allotment and issue including in respect of all dividends and distributions declared, made or paid on or after such date of allotment and issue.

Conditions

Completion shall be subject to and conditional on:

- (a) the Company and the Purchaser having complied with the applicable requirements under the Listing Rules with respect to the transactions contemplated under the Agreement and the performance of their respective obligations thereunder; and
- (b) the Listing Committee of the Stock Exchange having granted approval for the listing of and permission to deal in the Consideration Shares.

If any of the Conditions is not satisfied on or prior to the Long Stop Date, the Agreement shall terminate and cease to have effect on the Long Stop Date except for certain surviving provisions and any rights, remedies, obligations or liabilities of the parties that have accrued up to the date of termination.

In the event that the Conditions are satisfied on or prior to the Long Stop Date, but the Acquisition is not completed as a result of a breach by the Purchaser of its obligations at Completion, without prejudice to the right of the Vendor to proceed to Completion, the Vendor may retain the Initial Cash Consideration with all the interests accrued on the Initial Cash Consideration.

In the event that the Conditions are satisfied on or prior to the Long Stop Date, but the Acquisition is not completed as a result of a breach by the Vendor of any of its obligations at Completion, without prejudice to the right of the Purchaser to proceed to Completion, the Vendor shall forthwith refund the Initial Cash Consideration (without any deduction or withholding) with all the interests accrued on the Initial Cash Consideration to the Purchaser and in any event within 3 business days from the date of written notice given by the Purchaser.

Completion

Subject to satisfaction of the Conditions on or before the Long Stop Date, Completion shall take place on the tenth business day following satisfaction of all the Conditions or such other date as the Vendor and the Purchaser may agree in writing.

On the Completion Date, subject to the terms of the Agreement, the Purchaser shall procure:

- (a) the payment of US\$360,000 to the Vendor; and
- (b) the settlement of US\$10,500,000, being 70% of US\$15,000,000, by way of allotment and issue of the First Tranche Consideration Shares.

If the Purchaser or the Vendor (as the case may be) fails to proceed to Completion notwithstanding that the Conditions are satisfied because it does not comply with its obligations at Completion, the defaulting party shall pay within 14 days of the date on which such failure arose liquidated damages to the non-defaulting party in the sum of US\$150,000. If the defaulting party is the Vendor, the Vendor shall also forthwith refund the Initial Cash Consideration (without any deduction or withholding) with all the interests accrued on the Initial Cash Consideration to the Purchaser and in any event within 3 business days from the date of written notice given by the Purchaser. The payment of liquidated damages shall not obviate the obligation of the defaulting party to proceed to Completion.

Lock up on the First Tranche Consideration Shares

The Vendor covenanted and undertook to the Purchaser that it shall not, during the Lock-in Period, directly or indirectly, sell, transfer or otherwise dispose of, or create any encumbrance over, the First Tranche Consideration Shares (or any interest in them), or enter into any agreement to do so, save that the Vendor shall be entitled to sell, transfer or otherwise dispose of the First Tranche Consideration Shares in the following cumulative tranches during the Lock-in Period:

- (a) a first tranche of 11 and $\frac{2}{3}$ rds% of the Consideration Shares immediately after Completion;
- (b) a second tranche of 11 and $\frac{2}{3}$ rds% of the Consideration Shares immediately after 30 days following Completion plus any un-disposed Consideration Shares in the first tranche;
- (c) a third tranche of 11 and $\frac{2}{3}$ rds% of the Consideration Shares immediately after 60 days following Completion plus any un-disposed Consideration Shares in prior tranches;

- (d) a fourth tranche of 11 and $\frac{2}{3}$ rds% of the Consideration Shares immediately after 90 days following Completion plus any un-disposed Consideration Shares in prior tranches;
- (e) a fifth tranche of 11 and $\frac{2}{3}$ rds% of the Consideration Shares immediately after 120 days following Completion plus any un-disposed Consideration Shares in prior tranches; and
- (f) a final tranche of 11 and $\frac{2}{3}$ rds% of the Consideration Shares immediately after 150 days following Completion plus any un-disposed Consideration Shares in prior tranches.

Remaining Payment

No later than 3 business days before the 180th day after the Completion Date, the Purchaser shall provide a notice to the Vendor in writing electing whether the Remaining Payment will be settled by way of the issue of the Second Tranche Consideration Shares or in cash. If the Purchaser does not provide such notice on or before the aforementioned deadline, the Purchaser shall be deemed to have elected that the Purchaser will settle the Remaining Payment by way of issue of the Second Tranche Consideration Shares.

On the date falling 180 days after the Completion Date or if such day is not a business day, the business day immediately after such day, the Purchaser shall procure:

- (a) (in the event the Purchaser elects that it will settle the Remaining Payment in cash) an electronic transfer to the Vendor for the amount of the Remaining Payment; or
- (b) (in the event the Purchaser elects or is deemed to have elected that it will settle the Remaining Payment by way of issue of the Second Tranche Consideration Shares) the settlement of an amount equal to the Remaining Payment, by way of the issue of the Second Tranche Consideration Shares.

General Mandate

The Consideration Shares will be allotted and issued under the General Mandate, which authorised the Directors to allot and issue up to 6,901,008,890 Shares. As mentioned in the announcement of the Company dated 26 January 2018, 126,840,000 awarded Shares will be awarded to 29 independent selected employees by way of allotment and issue of new Shares pursuant to the General Mandate. Other than such awarded Shares, as at the date of this announcement, no Shares are contemplated to be allotted and issued under the General Mandate. The allotment and issue of the Consideration Shares under the General Mandate is not subject to the approval of the Shareholders.

INFORMATION OF THE PARTIES

The Purchaser is a wholly-owned subsidiary of the Company and is an investment holding company.

The Vendor is a company incorporated in the Cayman Islands. As at the date of this announcement, the Vendor holds 10% of the issued share capital of Yota. The Vendor is principally engaged in investment holding.

INFORMATION ON YOTA

Yota commenced its operations in 2011 and is principally engaged in the design, research and development, production and marketing and sales of high-tech consumer LTE electronics such as phablets and routers. Its main products are smartphones under the brand “YOTAPHONE” and other connectivity devices such as modems.

Based on the audited financial statements of Yota, the financial information of Yota for the two years ended 31 December 2016 is as follows:

	For the year ended	
	31 December	
	2016	2015
	<i>(approximately)</i>	<i>(approximately)</i>
Net loss before tax	US\$27,629,000	US\$39,303,000
Net loss after tax	US\$27,631,000	US\$39,665,000

The audited net liabilities of Yota as at 31 December 2016 was approximately US\$97,446,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in mobile technologies business, leisure-related business including tourism and hospitality, gamma ray irradiation service, and securities trading and investment.

The Group acquired 30% of the issued share capital of Yota pursuant to the 30% SPA in 2016 and was granted an exclusive intellectual property licence to market and sell “YOTAPHONE” in the Greater China Region for 7 years commencing in April 2016. YOTA 3 was successfully launched by the Group in October 2017. The dual-screen feature of YOTA 3 is a unique feature for mobile phones and the Company’s management are optimistic and enthusiastic about the business prospects and future growth potential of Yota. The Group will continue to expand and strategically focus on its mobile technologies business in near future with a view to strengthening its foothold in the mobile technologies industry. Through the Acquisition, the equity stake of the Group in Yota will increase from 30% to 40% upon Completion and the Company can have greater influence over the development of Yota. The Acquisition is therefore in line with the long-term business strategy and development direction of the Group.

The Directors consider that the consideration for 10% of the issued share capital of Yota in the amount of US\$15,500,000 pursuant to the Agreement is attractive given that the Group acquired 30% of the issued share capital of Yota pursuant to the 30% SPA in 2016 at the consideration of US\$46,225,000. The Directors also believe that the Acquisition will provide an opportunity to enhance the Group’s financial performance and the return to the Shareholders in the long run.

Based on the foregoing, the Directors consider that the terms of the Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the relevant percentage ratios in respect of the Acquisition are 5% or more and all of such ratios are below 25%, the Acquisition constitutes a discloseable transaction under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

The Consideration Shares will be allotted and issued under the General Mandate. The allotment and issue of the Consideration Shares under the General Mandate is not subject to the approval of the Shareholders.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“30% SPA”	the sale and purchase agreement dated 8 October 2015 entered into between Telconet Capital Limited Partnership and the Company in relation to the sale and purchase of 30% of the issued share capital of Yota (as supplemented and amended from time to time)
“Acquisition”	the acquisition of the Sale Shares by the Purchaser pursuant to the terms of the Agreement
“Agreement”	the agreement dated 9 February 2018 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Company”	China Baoli Technologies Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition
“Completion Date”	date of Completion

“Conditions”	the conditions precedent to Completion set out in the paragraph headed “Conditions” in this announcement
“Consideration”	the consideration payable by the Purchaser to the Vendor for the Sale Shares
“Consideration Shares”	the Shares to be allotted and issued to the Vendor pursuant to the terms of the Agreement
“Directors”	directors of the Company
“First Tranche Consideration Shares”	70% of the Consideration Shares to be issued to the Vendor at Completion
“General Mandate”	the general mandate granted by the Shareholders to the Directors at the annual general meeting of the Company held on 26 September 2017 to allot and issue up to 6,901,008,890 Shares (representing 20% of the number of issued Shares on that date)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Price”	the per Share price at which the Consideration Shares will be allotted and issued
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lock-in Period”	the period commencing on the Completion Date and terminating immediately after 180 days following Completion

“Long Stop Date”	17 March 2018 or such later date the Vendor and the Purchaser may agree
“Purchaser”	China Baoli Technologies Services Limited, a company incorporated in the British Virgin Islands, a wholly-owned subsidiary of the Company
“Remaining Payment”	US\$4,500,000, being 30% of US\$15,000,000
“Sale Shares”	100 shares of Yota, representing 10% of the issued share capital of Yota as at the date of this announcement
“Second Tranche Consideration Shares”	30% of the Consideration Shares to be issued to the Vendor on the date falling 180 days after the Completion Date, or if such day is not a business day, the business day immediately after such day (in the event the Purchaser elects or is deemed to have elected that it will settle the Remaining Payment by way of issue of such Consideration Shares)
“Shareholders”	holders of the Shares
“Shares”	ordinary shares with nominal value of HK\$0.01 each in the share capital of the Company (or of such other nominal amount as will result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollar, the lawful currency of the United States of America

“Vendor” MTH Limited, a company incorporated in the Cayman Islands

“Yota” Yota, a company incorporated in the Cayman Islands

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

Hong Kong, 9 February 2018

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