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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL RESULTS OF THE COMPANY FOR THE YEAR ENDED 31 MARCH 2020

References are made to the final results announcement and annual report of China Baoli Technologies Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") for the year ended 31 March 2020 published by the Company on 31 August 2020 and 8 September 2020 respectively (collectively, the "**2020 Annual Results**"). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the 2020 Annual Results.

The board (the "**Board**") of directors (the "**Directors**") of the Company would like to provide certain additional information in relation to the 2020 Annual Results.

BASIS FOR DISCLAIMER OF OPINION

The auditor of the Company (the "**Auditor**") issued a disclaimer of opinion on the 2020 Annual Results in relation to, among other things:

(a) Limitation of scope on prior year's scope limitation affecting comparative figures and related disclosures (the "**Comparative Figures Disclaimer**");

(b) Limitation of scope on loss on deconsolidation of We Fly Travel Limited ("**We Fly**") (the "**We Fly Disclaimer**"); and

(c) Limitation of scope on share of results and derecognition of interests in associates (the "**Yota Disclaimer**").

The We Fly Disclaimer

Background of the We Fly Disclaimer

We Fly was a local travel agent mainly provided online ticketing to its customers. The Company had an indirect 75% equity interest in We Fly.

Due to the social incidents in Hong Kong, the number of visitors to Hong Kong had drastically dropped since the second half of 2019. In addition, the outbreak of the COVID-19 epidemic in January 2020 has further devastated the Hong Kong tourism industry, resulting in a huge blow to the business performance of We Fly.

Due to the drastic drop of the income of We Fly, We Fly was unable to repay its creditors in early 2020. The Company had been providing funding to We Fly from time to time. However, in view of the continuous outbreak of COVID-19 around the world, the Directors expected that the recovery of the tourism industry would not be promising in the near future. In order to protect the interest of the Company as a creditor and after seeking legal advice, a winding-up petition against We Fly was filed by the Company on 20 March 2020.

Resignation of director and the deconsolidation of We Fly

We Fly previously had four directors, two of whom were the representatives of a shareholder which held 25% equity interest in We Fly, and two of whom, Mr. Yeung Chun Wai, Anthony ("**Mr. Yeung**") and Ms. Chu Wei Ning ("**Ms. Chu**"), were the representatives of the Company in We Fly. Mr. Yeung was a former Director who resigned as a Director on 9 September 2019. Although he ceased to be a Director, his directorship of We Fly was continued until the liquidation of We Fly. He resigned as a director of We Fly on 2 April 2020. Ms. Chu is an executive Director and the chief executive officer of the Company. She resigned as a director of We Fly on 3 February 2020. Ms. Chu was responsible for monitoring and overseeing business strategies in We Fly. The Directors are of the view that the Group no longer had the power to govern the financial and operating policies of We Fly, and the control over We Fly was lost on 3 February 2020. Accordingly, We Fly was deconsolidated from the Group on 3 February 2020.

Books and Records of We Fly for Audit

The Company had been communicating with We Fly but the management and staff of We Fly did not cooperate with the Company's repeated requests for accounting documents as salary payments were outstanding.

From 9 to 11 March 2020, the Auditor and the accounting team of the Company visited We Fly's office. During the onsite visit, certain books and records of We Fly were photocopied. At that time, the accounting staff of We Fly were not cooperative as We Fly was unable to pay salaries of its staff.

As a result, the Auditor had not been able to obtain client confirmation to verify the outstanding debtors, creditors and bank balances as at the deconsolidation date and ascertain whether all books and records of We Fly had been properly drawn up and were complete for audit purpose. There were no other satisfactory audit procedures that they could adopt to obtain sufficient appropriate evidence in this regard. Therefore, the Auditor issued a disclaimer in respect of the results and the loss on deconsolidation of We Fly.

Carryover effect of the We Fly Disclaimer

We Fly was deconsolidated during the financial year ended 31 March 2020. As discussed with the Auditor, the Directors are of the view that the limitation of scope is a one-off, non-recurring incident, which will only affect the comparative figures in relation to We Fly but not the opening balance on the consolidated financial statements of the Company for the year ending 31 March 2021. In this regard, the We Fly Disclaimer will not appear in the consolidated financial statements of the Company for the financial year ending 31 March 2022. The Auditor concurred with the view of the Directors.

Internal Control

The Company has adequate internal control policy to ensure the books and records of We Fly are properly kept. The accounting internal control procedures of the Group ensure segregation of duties for bookkeeping, deposits, reporting and auditing. Meetings take place from time to time between the management of We Fly and the Directors to discuss business updates. Management accounts and books and records shall be provided to the Company quarterly and semi-annually for preparation of the consolidated financial statements of the Company. Each year, the Company arranges Auditor's site visits to We Fly's office. The audit progress of We Fly in the past years since its acquisition in 2017 had been smooth. However, the adverse change of the situation of We Fly for the financial year ended 31 March 2020 caused the We Fly Disclaimer.

The Directors have discussed the internal control procedures of the Group with the audit committee of the Company (the "**Audit Committee**"), and the Audit Committee is of the view that the existing internal control procedures of the Group are sufficient. As set out above, the deconsolidation of We Fly was due to the financial difficulty faced by We Fly but not due to any internal control deficiency.

The Directors are of the view that the inability to have access to the updated, complete and accurate books and records of We Fly or the We Fly Disclaimer was due to the lack of manpower and resources of We Fly amidst the unprecedented difficult financial situation of We Fly, but not due to the act or omission of the subject director. Furthermore, We Fly is now in liquidation and therefore, in hands of the liquidators. Accordingly, the Company has not taken and does not plan to take any action against the subject director.

The Audit Committee also agreed with the view of the Directors above and is of the view that the We Fly Disclaimer was not due to the act or omission of any other director, management and/or staff. Accordingly, the Company has not taken and does not plan to take any action against any other director, management and/or staff.

Winding-up Petition Against We Fly and Updated situation of We Fly

References are made to the announcements of the Company dated 20 March 2020 and 29 June 2020 (the "**We Fly Winding-Up Announcements**"). As set out in the We Fly Winding-Up Announcements, a winding-up petition was presented by the Company on 20 March 2020 on the ground that We Fly was insolvent and unable to pay its debt. On 24 June 2020, We Fly was ordered to be wound up by the High Court of Hong Kong Special Administrative Region of the People's Republic of China (the "**High Court**") under the provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). On 29 June 2020, the Company received a sealed copy of the winding-up order against We Fly from the High Court.

The Company received notices dated 17 July 2020 and 14 August 2020 from the official receiver's office in relation to the first meeting of the creditors of We Fly. The Company has lodged the proof of debt forms with the liquidator being appointed under section 262B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Company has signed the proxy to the official receiver to act on behalf of the Company.

The Comparative Figures Disclaimer and the Yota Disclaimer

Background of the Comparative Figures Disclaimer and the Yota Disclaimer

References are made to the announcements of the Company dated 18 March 2019 and 21 May 2019 in relation to, among other things, the Grand Court of the Cayman Islands (the "**Cayman Court**") granted a winding-up order (the "**Order**") against Yota on 15 March 2019, and Yota was undergoing the process of liquidation by the official liquidator of Yota (the "**Liquidator**").

Taking into account of the Order and the financial position of the Yota Group as at 31 March 2019, the Directors decided to fully impair the interests in associates and amounts due from associates to the Group during the year ended 31 March 2019.

The management of the Company also contacted the Liquidator in June 2019 regarding the engagement of the Auditor to conduct audit for the year ended 31 March 2019 in respect of Yota. However, no response was received from the Liquidator. As a result, the Auditor was unable to ascertain the financial position of Yota Group as at 31 March 2019 and its result of operations for the year then ended, and expressed disclaimer opinion on the scope limitation on share of results and impairment loss on interests in associates in the annual report of the Company for the year ended 31 March 2019.

Books and Records of Yota for Audit

All books and records of the Yota Group were kept and maintained by the Liquidator for the official liquidation since 2019. Due to the lack of response from the Liquidator, the Auditor had not been provided with sufficient appropriate audit evidence, including information and explanations, to ascertain the financial position of the Yota Group as at the derecognition date (i.e. 30 April 2019).

Carryover effect of the Comparative Figures Disclaimer and the Yota Disclaimer

The Directors have discussed with the Auditor and are of the view that the limitation of scope is a one-off, non-recurring incident which will only affect the comparative figures in relation to Yota but not the opening balance on the consolidated financial statements of the Company for the year ending 31 March 2021. In this regard, the Comparative Figures Disclaimer and the Yota Disclaimer will not appear in the consolidated financial statements of the Company for the financial year ending 31 March 2022. The Auditor concurred with the view of the Directors.

Updated situation of Yota

The Cayman Court granted a winding-up order against Yota on 15 March 2019. As set out in the 2020 Annual Results, upon the submission of all the information to the Liquidator on 30 April 2019, the Directors are of the view that the Group has ceased to have any significance influence on Yota, and Yota has ceased to be accounted for as an associate of the Group.

As at the date hereof, not much progress has been made on the official liquidation of Yota due to lack of funding.

INFORMATION ON INTANGIBLE ASSETS OF THE COMPANY

The intangible assets of the Company for the year ended 31 March 2020 are mainly in relation to the acquisition of Hong Kong Made (Media) Limited and Ample Success Limited (the "**Targets**"). References are made to the announcements of the Company dated 29 March 2019, 10 May 2019 and 6 June 2019 in relation to, among other things, the acquisition of the entire issued share capital of the Targets. This acquisition was completed on 6 June 2019. The Company had engaged an independent valuer to perform a purchase price allocation in relation to the Targets as at 6 June 2019. Intangible assets including, *inter alia*, the exclusive license agreements with Guangzhou Shenyu Golden Line Advertising Company Limited (廣州聲煜金線廣告有限公司) (the "**Intangible Assets**"), amounted to HK$29,477,000. Following the early renewal of the exclusive license agreements with Guangzhou Shenyu Golden Line Advertising Company Limited, amortisation and certain adjustments on the Intangible Assets for the year ended 31 March 2020, the total amount of the Intangible Assets was approximately HK$52,292,000 as at 31 March 2020 as stated in the 2020 Annual Results.

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 and will remain suspended until further notice pending the fulfilment of the resumption conditions.

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

Hong Kong, 14 October 2020

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 Man.