
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Baoli Technologies Holdings Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE AND NOTICE OF SPECIAL GENERAL MEETING

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A notice convening the special general meeting of the Company (the “SGM”) to be held on Friday, 24 June 2022 at 5:00 p.m. at 22/F, Euro Trade Centre, 13–14 Connaught Road Central, Central, Hong Kong is set out on pages SGM-1 to SGM-3 of this circular and a form of proxy for the SGM is dispatched together with this circular.

Whether or not you are able to attend the SGM, you are requested to complete, sign and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment meeting should you so wish.

A letter from the Board is set out on pages 5 to 25 of this circular.

PRECAUTIONARY MEASURES FOR THE SGM

To safeguard the health and safety of the Shareholders and to prevent the spreading of the novel coronavirus (“COVID-19”) pandemic, the following precautionary measures will be implemented by the Company at the SGM:

- (1) use hand sanitizer gel before entry and compulsory temperature checks;
- (2) mandatory wearing of surgical face masks;
- (3) maintain appropriate social distancing and the number of attendees at the meeting will be limited according to the latest regulations announced by the government;
- (4) no provision of corporate gift distributed and refreshments or drinks will be served; and
- (5) any person who does not comply with the precautionary measures to be taken at the SGM may be denied entry into the meeting venue.

For the health and safety of the Shareholders, the Company encourages the Shareholders to appoint the chairman of the SGM as their proxy to vote on the relevant resolution as an alternative to attending the SGM in person. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement(s) on such measures as appropriate.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“Announcements”	the announcements of the Company dated 29 June 2021 and 17 January 2022
“Arbitral Award”	the arbitral award made by the Shenzhen Court of International Arbitration in relation to the claim filed by Yulong Shenzhen against the Company and the other two subsidiaries of the Company to a framework agreement dated 28 September 2017 in the Shenzhen Court of International Arbitration for breaching such agreement
“Board”	the board of Directors
“Bondholder(s)”	the Subscriber and/or other holder of the Convertible Bonds or any part thereof
“Business Day(s)”	any day (other than a Saturday or a day on which a typhoon signal no. 8 or above or black rainstorm signal is hoisted in Hong Kong between 9:00 a.m. to 5:00 p.m.) on which banks are generally open for normal banking business in Hong Kong
“CB Instrument”	the instrument constituting the Convertible Bonds
“Claimed Amount”	the claimed amount under the Arbitral Award of RMB80 million
“Company”	China Baoli Technologies Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Conversion Date”	the date on which the Company receives a duly completed and executed conversion notice, which shall be any Business Day within the Conversion Period
“Conversion Price”	HK\$0.35 per Conversion Share, subject to adjustment pursuant to the CB Instrument, but in any event such conversion price cannot be lower than the par value of each Share

DEFINITIONS

“Conversion Rights”	the rights pursuant to the CB Instrument attaching to the Convertible Bonds to convert the principal amount or a part thereof into Conversion Shares, and must be exercised within the Conversion Period
“Conversion Share(s)”	114,285,714 new Shares to be allotted and issued upon the exercise of the Conversion Rights attaching to the Convertible Bonds
“Convertible Bond(s)”	the convertible bonds in the principal amount of HK\$40,000,000 at zero coupon rate with 1-year maturity to be issued in accordance with the CB Instrument
“Director(s)”	the director(s) of the Company
“Disposal”	the transfer of the 20% of the paid-up equity interests of ShenZhen ZiJun Media Company Limited* (深圳鈺駿傳媒有限公司) from Shanghai YunYao Culture & Media Limited* (上海雲遙文化傳媒有限公司) to Yulong Shenzhen under the Share Agreement
“Disposal Completion”	the completion of the Disposal pursuant to the Share Agreement
“Exchange Rate”	the exchange rate of RMB1:HK\$1.22 (as defined in the Subscription Agreement)
“First Issue Date”	the initial date of issue of the Convertible Bonds under and pursuant to the CB Instrument
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	the Shareholders and/or their respective associates who are not required under the Listing Rules to abstain from voting for the relevant resolution approving the Subscription Agreement and the transactions contemplated thereunder at the SGM
“Latest Practicable Date”	31 May 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Settlement Agreement”	the settlement agreement dated 29 December 2021 entered into between the Company and Yulong Shenzhen in relation to, among others, the settlement for the Arbitral Award
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder and the Specific Mandate
“Share(s)”	the ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company
“Share Agreement”	the share agreement dated 21 April 2022 entered into among Shanghai YunYao Culture & Media Limited* (上海雲遙文化傳媒有限公司), Yulong Shenzhen and ShenZhen ZiJun Media Company Limited* (深圳鈺駿傳媒有限公司) in relation to the transfer of the 20% of the paid-up equity interests of ShenZhen ZiJun Media Company Limited
“Shareholder(s)”	holder(s) of the Shares from time to time
“Specific Mandate”	the specific mandate to be granted by the Independent Shareholders to the Board at the SGM for the allotment and issue of the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Subscriber”	Yulong Infotech Inc., a company incorporated and continued in the British Virgin Islands with limited liability, the shareholder of Yulong Shenzhen and a wholly-owned subsidiary of Coolpad Group Limited, being the nominee assigned by Yulong Shenzhen to subscribe and hold the Convertible Bonds
“Subscription”	the proposed subscription of the Convertible Bonds on the terms and subject to the conditions precedent as set out in the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 21 April 2022 entered into between the Company, the Subscriber and Yulong Shenzhen in relation to the Subscription
“Subscription Completion”	the completion of the Subscription pursuant to the Subscription Agreement
“Subscription Completion Date”	the date of the Subscription Completion, which shall be any Business Day within a period of 10 Business Days after the fulfilment and/or satisfaction (or waiver, if applicable) of the conditions precedent as set out in the Subscription Agreement
“Takeovers Code”	the Code on Takeovers and Mergers and Share Buy-backs published by the Securities and Futures Commission of Hong Kong
“Yulong Shenzhen”	Yulong Computer Telecommunication Scientific (Shenzhen) Co., Ltd* (宇龍計算機通信科技(深圳)有限公司), a company established in the PRC with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

* For identification purpose only

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Zhang Yi (*Chairman*)
Ms. Chu Wei Ning (*Chief Executive Officer*)
Ms. Lam Sze Man

Independent non-executive Directors:

Mr. Chan Fong Kong, Francis
Mr. Chan Kee Huen, Michael
Mr. Feng Man

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

*Principal place of business
in Hong Kong:*

Suites 3706–08,
37/F, Dah Sing Financial Centre
248–256 Queen's Road East
Wanchai
Hong Kong

7 June 2022

To the Shareholders

Dear Sir/Madam,

**ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

References are made to the Announcements in relation to the Arbitral Award and the Settlement Agreement involving the collaboration with Yulong Shenzhen.

The purpose of this circular is to provide you with information in respect of, among other things, (i) further details of the Subscription; and (ii) a notice convening the SGM.

LETTER FROM THE BOARD

THE SUBSCRIPTION

Reference is made to the announcement of the Company dated 21 April 2022, among other things, in relation to the Subscription. On 21 April 2022 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber and Yulong Shenzhen, pursuant to which the Company conditionally agreed to issue and the Subscriber conditionally agreed to subscribe for the Convertible Bonds in the principal amount of HK\$40,000,000 (based on the Exchange Rate, equivalent to approximately RMB32,786,900). The Subscription Parties (as defined below) agreed that the Subscriber was assigned by Yulong Shenzhen as its nominee to subscribe and hold the Convertible Bonds.

Upon the Subscription Completion, according to the CB Instrument, there shall be no restriction on the issue price and any further issue of securities of the Company.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber and Yulong Shenzhen have no intention, negotiation, understanding, arrangement and agreement to terminate, scale down or dispose of the Group's existing business, inject any new business and/or assets into the Group, and propose to change in the board composition of the Group.

The Subscription Agreement

Date

21 April 2022 (after trading hours)

Parties

- (i) The Company, as the issuer;
- (ii) The Subscriber, as the subscriber; and
- (iii) Yulong Shenzhen.

(each a "**Subscription Party**" and collectively, the "**Subscription Parties**")

Save for the Settlement Agreement entered into between the Company and Yulong Shenzhen and the Share Agreement entered into among Shanghai YunYao Culture & Media Limited* (上海雲遙文化傳媒有限公司) ("**Shanghai YunYao**"), an indirect wholly-owned subsidiary of the Company, Yulong Shenzhen and ShenZhen ZiJun Media Company Limited* (深圳鈺駿傳媒有限公司) ("**ShenZhen ZiJun**"), an indirect non-wholly owned subsidiary of the Company, as at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber and Yulong Shenzhen and their

* For identification purpose only

LETTER FROM THE BOARD

ultimate substantial beneficial owner(s) as publicly disclosed do not hold any Shares and are not connected persons of the Company and its subsidiaries.

Conditions precedent for the Subscription

The Subscription Completion shall be subject to the following conditions precedent:

- (i) the Company having obtained all necessary consents and approvals in respect of the Subscription, including but not limited to the Specific Mandate;
- (ii) the Company having obtained from the Stock Exchange the approval for the listing of, and permission to deal in, the Conversion Shares;
- (iii) Yulong Shenzhen having obtained all necessary consents and approvals in respect of the Subscription;
- (iv) the representations, warranties and undertakings by the Company as specified in the Subscription Agreement having remained true, accurate and not misleading in all material respects; and
- (v) the representations, warranties and undertakings by Yulong Shenzhen as specified in the Subscription Agreement having remained true, accurate and not misleading in all material respects.

Conditions precedent (i) to (iii) above cannot be waived by any Subscription Party, but condition precedent (iv) above can be waived unilaterally by Yulong Shenzhen and condition precedent (v) above can be waived unilaterally by the Company. The Subscription Parties shall use their best endeavours to procure the fulfillment or satisfaction of the abovementioned conditions precedent (except such conditions precedent having been waived) on or before 15 June 2022 (or such later date as may be agreed between the Subscription Parties in writing) (the “**Long Stop Date**”).

In the event that any condition precedent mentioned above (except such conditions precedent having been waived) cannot be fulfilled or satisfied by the Long Stop Date, the Subscription Agreement may be terminated and the Subscription may be cancelled accordingly by any Subscription Party. Nevertheless, the Company shall be required to submit an alternative proposal to Yulong Shenzhen and the relevant alternative proposal will require the payment to Yulong Shenzhen in cash and/or by other method of an amount equivalent to the principal amount of the Convertible Bonds. The relevant legal instrument shall be subject to negotiation and agreement between the Subscription Parties.

As at the Latest Practicable Date, the condition precedent (iii) has been satisfied and none of the other conditions precedent has been satisfied or fulfilled. Further, the condition precedent (iv) has not been waived by Yulong Shenzhen and the Company does not attempt to waive the condition precedent (v).

LETTER FROM THE BOARD

Consideration for the Subscription

The consideration for the Subscription is HK\$40,000,000 (based on the Exchange Rate, equivalent to approximately RMB32,786,900), which shall be used to set off HK\$40,000,000 (based on the Exchange Rate, equivalent to approximately RMB32,786,900) from the Claimed Amount on a dollar-for-dollar basis. It shall not be necessary for the Subscriber to pay any money to the Company for the Subscription. Accordingly, there will not be any proceeds from the Subscription.

Subscription Completion

Subject to the fulfilment (or waiver, if applicable) of the conditions precedent as set out in the Subscription Agreement, the Subscription Completion shall take place on the Subscription Completion Date. Upon the Subscription Completion or within the shortest period of time after the Subscription Completion, the Company shall register Yulong Shenzhen as the holder of the Convertible Bonds in full in the Company's bond register.

Principal Terms of the Convertible Bonds

Set out below are the principal terms of the Convertible Bonds:

Issuer	:	The Company
Principal amount	:	HK\$40,000,000
Maturity date	:	The date which falls on the first anniversary of the First Issue Date (the " Maturity Date ").
Interest	:	The Convertible Bonds shall not bear any interest whatsoever.
Conversion Price	:	HK\$0.35 per Conversion Share, subject to adjustment as described in the paragraph headed "Adjustment to the Conversion Price" below.

The initial Conversion Price of HK\$0.35 represents:

- (i) a premium of approximately 18.64% over the closing price of HK\$0.295 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

LETTER FROM THE BOARD

- (ii) a premium of approximately 4.48% over the closing price of HK\$0.335 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (iii) a premium of approximately 3.86% over the average closing price of HK\$0.337 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement; and
- (iv) a premium of approximately 5.11% over the average closing price of HK\$0.333 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Subscription Agreement.

The initial Conversion Price was arrived at after arm's length negotiations between the Subscription Parties with reference to, among others, the prevailing market price of the Shares. The Directors consider that the initial Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

In determining the initial Conversion Price, the Directors have also considered the market price of the Shares traded on the Stock Exchange in the past three months prior to and including the date of entering into of the Subscription Agreement (the “**Relevant Period**”) as a benchmark to reflect the prevailing market conditions and recent market sentiment. During the Relevant Period, the Shares were traded on the Stock Exchange with an average closing price of HK\$0.3275 per Share. The initial Conversion Price of HK\$0.35 per Share represents a premium of approximately 6.87% over the average closing price of HK\$0.3275 per Share. The Directors consider that the Relevant Period is appropriate in providing a reasonable reference for the prevailing market price of the Share taking into consideration of (i) placing of new shares of the Company under general mandate which had been announced on 28 January 2022 and completed on 21 February 2022, respectively; and (ii) the outbreak of the fifth wave of COVID-19 pandemic in Hong Kong since January 2022, which have shown the impact on the movement of the stock price of the Share. Accordingly, the Relevant Period is considered to be appropriate, fair and reasonable for determining the initial Conversion Price. As the Company has recorded an unaudited net liabilities of HK\$554,599,000 as at 30 September 2021 from its interim report and the net asset value per Share would be negative, the Directors consider that it would be more appropriate to determine the initial Conversion Price with reference to the prevailing market prices of the Shares which have reflected the fair market value of the Shares traded on the Stock Exchange.

**Adjustment to the
Conversion Price**

: The initial Conversion Price shall be adjusted if there is an alteration to the par value of the Shares as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such alteration by the following fraction:

$$\frac{A}{B}$$

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where

A is the par value of each Share immediately after such alteration; and

B is the par value of each Share immediately before such alteration.

Such adjustment shall become effective from the day on which such consolidation, subdivision or reclassification becomes effective.

Conversion Shares : In the case of the Conversion Rights having been exercised in full, a maximum of 114,285,714 Conversion Shares will be allotted and issued by the Company, representing:

- (i) approximately 19.43% of the existing issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 16.27% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming there is no other change in the issued share capital of the Company from the date of the Latest Practicable Date up to the date of full conversion of the Convertible Bonds).

The aggregate nominal value of the Conversion Shares will be HK\$1,142,857.14.

Conversion period : The period commencing from the First Issue Date and ending on the date which is 30 days prior to the Maturity Date (both days inclusive) (the “**Conversion Period**”).

LETTER FROM THE BOARD

- Conversion Rights** : The Bondholder shall have the right, exercisable during the Conversion Period in the manner provided in the CB Instrument, to convert the whole (i.e. HK\$40,000,000) or any part (subject to the CB Instrument, in multiples of HK\$800,000) of the outstanding principal amount of the Convertible Bonds into such number of Conversion Shares to be determined by dividing the principal amount of the Convertible Bonds to be converted by the Conversion Price.
- Conversion restrictions** : No Bondholder shall exercise any Conversion Rights and the Company shall not be required to issue any Conversion Share in the event that the exercise of such Conversion Rights by the Bondholder will cause: (1) the Bondholder and/or parties acting in concert with it being required by regulatory authority to make a mandatory general offer for the Shares held by the other Shareholders in accordance with the Takeovers Code, unless the Bondholder undertakes to the Company to fully comply with all applicable requirements under the Takeovers Code and the Model Code; and/or (2) the public float of the Company being less than 25% of its issued share capital.
- Redemption at maturity** : Subject to the other terms contained in the CB Instrument, all principal amount of the Convertible Bonds or the remaining principle amount of the Convertible Bonds (whichever is appropriate) which have not been redeemed or converted on the Maturity Date shall be validly and fully redeemed by the Company by allotting the Conversion Shares of exactly the same value as the principal amount of the Convertible Bonds or the remaining principal amount of the Convertible Bonds (whichever is appropriate) at the Conversion Price to the Bondholders on the Maturity Date. For the avoidance of doubt, no amount shall be payable by the Company to the Bondholders on the Maturity Date for the redemption of the principal amount of the Convertible Bonds or the remaining principal amount of the Convertible Bonds (whichever is appropriate).

LETTER FROM THE BOARD

Redemption prior to maturity : In accordance with the terms contained in the CB Instrument, the Company may, by giving a notice of not less than 14 days nor more than 30 days prior to the Maturity Date to the Bondholder, redeem the Convertible Bonds or any part of its principal amount.

Redemption on default : If any of the events of default specified below occurs, the Company shall forthwith give notice thereof to the Bondholder and the Bondholder may (without prejudice to any other rights and remedies available to the Bondholder) opt to issue a notice for redemption to the Company in respect of part or all of the Convertible Bonds held by it, whereupon such Convertible Bonds shall become immediately due and payable at a redemption amount equal to the principal amount of such Convertible Bonds.

The events of default include:

- (i) the Company is delisted by the Stock Exchange, or its listing status is cancelled, or the Shares are suspended for trading for more than 30 consecutive trading days for the reasons not related to the issue and/or disposal of the Convertible Bonds;
- (ii) the Company fails to pay the principal of the Convertible Bonds when due and such failure continues for a period of 10 Business Days;
- (iii) the Company does not comply with any of its undertakings, warranties or statements made in accordance with the provisions in the CB Instrument (other than the undertaking of repaying the principal of the Convertible Bonds), which default is incapable of remedy (the notice as described below is not required in this situation) or, if capable of remedy, is not remedied within 30 Business Days following the service by any Bondholder on the Company of notice requiring such default to be remedied;

LETTER FROM THE BOARD

- (iv) a resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved, other than for the purposes of a consolidation, amalgamation, merger or reorganisation, which shall have previously been approved in writing by Bondholder(s) or pursuant to and followed such resolutions;
- (v) an encumbrancer takes possession or a receiver is appointed of the whole or a material part of the assets or business of the Company;
- (vi) a distress, execution or seizure order before judgment is levied, enforced upon or sued out against (as the case may be) the whole or a material part of the property, assets or revenues of the Company, which is considered, by a resolution of Bondholder(s), incapable of being discharged and remains in effect for 45 Business Days or a longer period;
- (vii) legal proceedings have been brought against the Company in accordance with any applicable laws of bankruptcy, reorganisation or insolvency, which are not discharged or continues for 45 Business Days (or a longer period considered, by a resolution of Bondholder(s), to be appropriate in relation to the relevant jurisdiction);
- (viii) it will become unlawful for the Company to perform or comply with any of its obligations under the CB Instrument or any of the Convertible Bonds, or such obligations become unenforceable not causing by faults of any Bondholder(s) or claiming by the Company;

LETTER FROM THE BOARD

- (ix) any steps taken by any person for the purpose of taking possession of, compulsorily acquiring, confiscating or nationalizing the whole (excluding the assets carried on in normal transaction relationship, or involving part of the business or operations of a relevant entity which did not form part of the operating profit of the Company at least three years before the date on which the provisions of this paragraph apply), a material part of or substantial assets of the Company by law;
- (x) any actions, conditions or things required to be taken, satisfied or completed at any time (including the obtaining of any necessary consent, approval, authorisation, waiver, application, permission, order, recording or registration or giving effect thereto) for the purpose of (a) enabling the Company lawfully to enjoy, exercise its rights and, perform and comply with its obligations under the Convertible Bonds or the CB Instrument, (b) ensuring that those obligations are legally binding and enforceable, and (c) making the Convertible Bonds or the CB Instrument admissible as evidence in the courts of Hong Kong, is not taken, satisfied or completed within the prescribed time;
- (xi) the Stock Exchange has ruled under the Listing Rules that the Company has failed to meet the requirements of Rule 13.24 of the Listing Rules and the matter is not resolved within 30 Business Days following the receipt of the relevant written ruling by the Company; or
- (xii) any event occurring which has a similar effect to any of the events referred to the above paragraph (i) to (xi).

**Ranking of the
Conversion Shares**

: Subject to the CB Instrument, the Conversion Shares issued upon exercise of Conversion Rights shall rank *pari passu* in all respects with all other existing Shares outstanding prior to the Conversion Date and all Conversion Shares shall include rights to participate in all dividends and all other distribution rights the record date of which falls on or after the Conversion Date.

LETTER FROM THE BOARD

Transferability : The Bondholder(s) may, with the written consent of the Company, assign or transfer the Convertible Bonds or any part of the principal amount of the Convertible Bonds to any person, no matter such transferee is a connected person of the Company or not. Without prejudice to the terms as set out in the CB Instrument, (1) any assignment and/or transfer of the Convertible Bonds or any part thereof including the listing of the Conversion Shares on the Stock Exchange shall be subject to the Listing Rules and all applicable laws and regulations; and (2) if there is a proposed assignment and/or transfer of Convertible Bonds to a connected person of the Company shall be subject to the approval of the Shareholders at the relevant general meeting (if necessary) and comply with chapter 14A of the Listing Rules and in accordance with applicable requirements of the Listing Rules.

Any transfer of the Convertible Bonds shall be the entirety of or part of the outstanding principal amount of the Convertible Bonds (must be in multiples of HK\$800,000).

Status of the Convertible Bonds : The obligations of the Company arising under the Convertible Bonds constitute general, unsecured and unsubordinated obligations of the Company and rank *pari passu* among themselves and with other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law.

Application for listing : No application shall be made to the Stock Exchange for the listing of the Convertible Bonds. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

INFORMATION IN RELATION TO THE DISPOSAL

With reference to the announcement of the Company dated 21 April 2022, Shanghai YunYao, an indirect wholly-owned subsidiary of the Company, Yulong Shenzhen and ShenZhen ZiJun, an indirect non-wholly owned subsidiary of the Company, entered into the Share Agreement, pursuant to which Shanghai YunYao conditionally agreed to transfer, and Yulong Shenzhen conditionally agreed to accept the transfer of, the 20% of the paid-up equity interests of ShenZhen ZiJun at a consideration of RMB20,000,000.

LETTER FROM THE BOARD

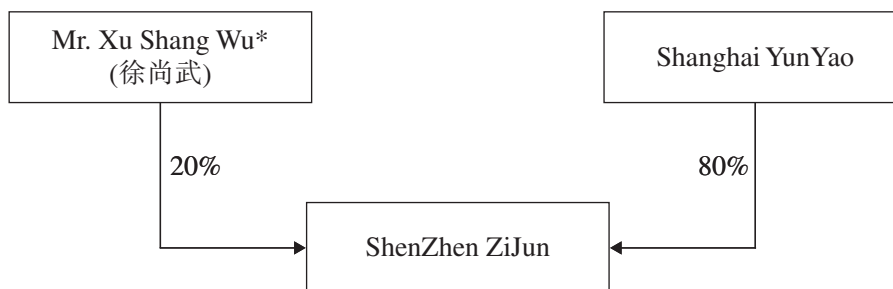
The consideration for the Disposal is RMB20,000,000, which shall be used to set off RMB20,000,000 from the Claimed Amount on a dollar-for-dollar basis. There will not be any proceeds from the Disposal.

The Disposal Completion shall take place within 10 business days after the execution of the Share Agreement, and upon the completion of modification of industrial and commercial registration of the Sale Shares from Shanghai YunYao to Yulong Shenzhen pursuant to the Share Agreement. Upon the Disposal Completion, Yulong Shenzhen shall be entitled to the corresponding shareholder's rights and interests based on the 20% of the paid-up equity interests of ShenZhen ZiJun and pursuant to the Share Agreement. Upon the Disposal Completion, ShenZhen ZiJun will remain as an indirect non-wholly owned subsidiary of the Company.

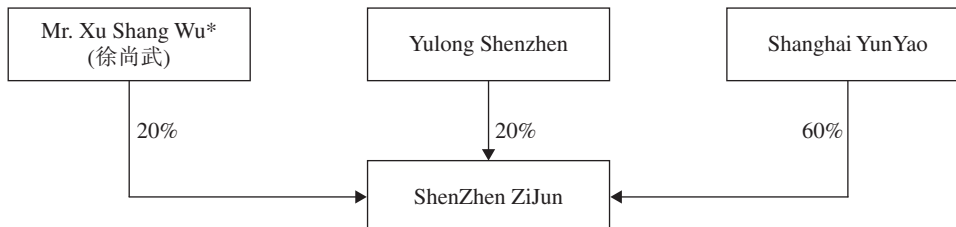
Within one year from the date of the Disposal Completion, Shanghai YunYao or its designated party has the right to buy back the 20% of the paid-up equity interests of ShenZhen ZiJun held by Yulong Shenzhen at a consideration of RMB20 million (the "**Buyback Right**"). All taxes and fees involved in the Buyback Right shall be borne by Shanghai YunYao or its designated party. Shanghai YunYao shall ensure that the payment to be received by Yulong Shenzhen will not be less than RMB20 million.

The following diagram illustrates the shareholding structures of ShenZhen ZiJun (i) before the completion of the Disposal; and (ii) immediately after the completion of the Disposal.

(i) Before the completion of the Disposal



(ii) Immediately after the completion of the Disposal



* For identification purpose only

LETTER FROM THE BOARD

INFORMATION ON THE GROUP AND SHANGHAI YUNYAO

The Group is principally engaged in multi-media technologies business, gamma ray business, tourism and hospitality business and other operations – securities trading and investment.

Shanghai YunYao is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in multi-media technologies business.

INFORMATION ON THE SUBSCRIBER AND YULONG SHENZHEN

The Subscriber is a company incorporated and continued in the British Virgin Islands with limited liability. It is the shareholder of Yulong Shenzhen, a wholly-owned subsidiary of Coolpad Group Limited (stock code: 2369), which holds 48% shareholding in Yulong Shenzhen. It is principally engaged in investment holding.

Yulong Shenzhen, a company established in the PRC with limited liability, is an indirect non-wholly owned subsidiary of Coolpad Group Limited. According to the annual report of Coolpad Group Limited for the year ended 31 December 2020, Yulong Shenzhen is a leading developer and provider of integrated solutions for Coolpad smartphone sets, mobile data platform system, and value-added business operations in the PRC.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

References are made to the Announcements. As disclosed in the Announcements, the Company will issue the Convertible Bonds and transfer the 20% of the paid-up equity interests of ShenZhen ZiJun to Yulong Shenzhen to settle the Claimed Amount and will provide an opportunity to establish long-term strategic alliance and business collaboration between the Company and Yulong Shenzhen.

The consideration of the Subscription in the sum of HK\$40,000,000 (based on the Exchange Rate, equivalent to approximately RMB32,786,900) and the consideration of the Disposal in the sum of RMB20,000,000 (with reference to the Exchange Rate, equivalent to approximately HK\$24,400,000), amounts to approximately RMB52,786,900 in aggregate, shall be used to set off part of the Claimed Amount on a dollar-for-dollar basis. There will not be any proceeds to be received from the Subscription and the Disposal.

Upon the Subscription Completion and the Disposal Completion, the difference of approximately RMB27,213,100 between the Claimed Amount of RMB80,000,000 and the aggregate amount of the consideration of the Subscription and the Disposal of approximately RMB52,786,900 shall not be required to pay and the obligations of the Company in relation to the Arbitral Award shall be settled and discharged fully and finally, arising from or in relation to the proceedings in the High Court and/or the Arbitral Award pursuant to the Settlement Agreement.

LETTER FROM THE BOARD

The Company expected that upon the Disposal Completion and the Subscription Completion, the Company will have the opportunities to integrate its multi-media digital advertising and marketing platform with the online shopping trend in duty-free e-commerce industry through the diversified marketing approach. The Company also has a plan to launch a mobile application for the train media duty-free e-commerce, whereby synergies with the mobile business of Yulong Shenzhen's group can be developed and created.

In addition, the Buyback Right allows the Company to retain its right to buy back the Sale Shares in consideration of the financial performance and the business development situation of the Target Company in the future. As at the Latest Practicable Date, the Company has no intention to exercise the Buyback Right.

As disclosed in the interim report of the Company for the six month ended 30 September 2021, the bank balances and cash was HK\$5,742,000, representing only 5.08% of the total assets of the Company. With the bank and other borrowings amounted to HK\$326,822,000, the Company would rather consider to utilise the cash to repay some of the bank and other borrowings, in particular to settle the borrowings with close maturity date and relatively high finance costs. Therefore, the settlement by way of the Subscription and the Disposal will relieve the cash outflow of the Company.

Prior to the entering into of the Subscription Agreement and the Share Agreement, in order to settle the Arbitral Award, the Company had considered the settlement by way of issuing new Shares but it would lead to an immediate dilution effect to the existing Shareholders. The Company also considered the method of rights issue/open offer. But in light of the size of the Claimed Amount which is more than 50% of the average of the market capitalisation of the Company during the Relevant Period, it would be a heavy burden on the Shareholders and the results might not be optimistic. In addition, the Company considered that it would be difficult to seek an underwriter to fully underwrite the Claimed Amount under the prevailing market conditions and market sentiment. On the other hand, the Company had also considered the settlement by way of paying cash but it would definitely drag down the financial condition of the Company. Furthermore, debt financing would inevitably increase the finance cost to the Company. Therefore, the combination of the Subscription and the Disposal is considered as an appropriate solution for the settlement of the Arbitral Award. Besides, the Disposal will provide an opportunity to establish long-term strategic alliance and business collaboration between the Company and Yulong Shenzhen mainly in the multi-media technologies business and e-commerce business of the Group. The Company expected that the Group will have the opportunities to integrate its multi-media digital advertising and marketing platform with the online shopping trend in duty-free e-commerce industry through the diversified marketing approach.

LETTER FROM THE BOARD

Given (i) the Share Agreement will provide the opportunities for the Group to have long-term strategic alliance and business collaboration with Yulong Shenzhen; (ii) the aggregate amount under the Subscription Agreement and the Share Agreement is approximately RMB52.79 million, which is approximately 34% lower than the Claimed Amount; (iii) the Subscription and the Disposal will relieve the cash outflow of the Company compared with the payment of the Claimed Amount after taking into consideration of the financial position of the Group and the size of the Claimed Amount; and (iv) the Company may expand its shareholders base upon exercising the Conversion Rights, the Directors consider that the terms of the Subscription Agreement and the Share Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As disclosed in the announcement of the Company dated 1 April 2021, the Company proposed to conduct rights issue and loan capitalisation. On 7 October 2021, the rights issue on the basis of one rights share for every two Shares was completed. The Company is still in discussion with its creditors in relation to possible loan capitalisation. As at the Latest Practicable Date, there is no concrete terms for loan capitalisation and/or plan for other fund raising exercises. However, the Directors will not rule out any possibility, subject to the market condition and market sentiment, to propose further fund raising exercises to cater for the needs of the Group in the future. The Company will make further announcement(s) in this regard in accordance with the Listing Rules as and when appropriate. In future, the Company will consider whether it would be in the interests of the Company and the Shareholders before conducting any corporate actions.

LETTER FROM THE BOARD

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has conducted the following equity fund raising activities during the 12 months immediately preceding the Latest Practicable Date:

Date of announcement	Event	Net proceeds raised	Proposed use of proceeds	Actual use of proceeds as at the Latest Practicable Date
28 January 2022	Placing of new shares under general mandate	Approximately HK\$10 million	(i) settlement of the outstanding liabilities of the Group in the amount of approximately HK\$3 million (being approximately 30% of the net proceeds); and (ii) general working capital of the Group in the amount of approximately HK\$7 million (being approximately 70% of the net proceeds).	Fully utilised as intended.
14 July 2021	Rights issue on the basis of one (1) rights share for every two (2) new shares held on the record date	Approximately HK\$70 million	(i) 20% (approximately HK\$14 million) of net proceeds for the reimbursement for trade and other payables accounts, in particular with regard to long-term outstanding payables; (ii) 10% (approximately HK\$7 million) of net proceeds for payment for the annual license fee for train media platform;	Fully utilised as intended.

LETTER FROM THE BOARD

Date of announcement	Event	Net proceeds raised	Proposed use of proceeds	Actual use of proceeds as at the Latest Practicable Date
			(iii) 50% (approximately HK\$35 million) of net proceeds for repayment for bank and other borrowings, in particular to settle the borrowings with close maturity date and relatively high finance costs; and	
			(iv) the remaining 20% (approximately HK\$14 million) of net proceeds for the Group's general working capital (including but not limited to (a) the operating cashflow for expansion of its scale of convergence media business; and (b) payment for daily operating expenses such as rental, salaries, legal and professional expenses).	

Save as disclosed above, the Company has not conducted any other equity fund raising activities in the past 12 months immediately prior to the Latest Practicable Date.

LETTER FROM THE BOARD

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purposes only, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after full conversion of the Convertible Bonds at the initial Conversion Price (assuming there is no other change in the issued share capital of the Company from the Latest Practicable Date up to the date of full conversion of the Convertible Bonds):

Shareholders	As at the Latest Practicable Date		Immediately after full conversion of the Convertible Bonds at the initial Conversion Price (assuming there is no other change in the issued share capital of the Company from the Latest Practicable Date up to the date of full conversion of the Convertible Bonds)	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Directors				
Zhang Yi (<i>Note 1</i>)	21,542,750	3.6623%	21,542,750	3.0665%
Lam Sze Man (<i>Note 2, 3</i>)	50,000	0.0085%	50,000	0.0071%
Chu Wei Ning (<i>Note 2, 4</i>)	3,000,000	0.5100%	3,000,000	0.4270%
Chan Kee Huen, Michael (<i>Note 2</i>)	2,500	0.0004%	2,500	0.0004%
The Subscriber	–	–	114,285,714	16.2680%
Public Shareholders	<u>563,638,933</u>	<u>95.8188%</u>	<u>563,638,933</u>	<u>80.2310%</u>
Total	<u>588,234,183</u>	<u>100.0000%</u>	<u>702,519,897</u>	<u>100.0000%</u>

Notes:

1. 8,000 Shares are beneficially owned by Mr. Zhang Yi, an executive Director, and 21,534,750 Shares are beneficially owned by One Faith Investments Limited, which is beneficially and wholly owned by Mr. Zhang Yi. In addition, Mr. Zhang Yi owns 3,721,561 share options which entitles the holder to subscribe for 3,721,561 Shares.
2. Ms. Lam Sze Man and Ms. Chu Wei Ning are executive Directors, and Mr. Chan Kee Huen, Michael is an independent non-executive Director.
3. In addition to 50,000 Shares, Ms. Lam Sze Man owns 1,860,781 share options which entitles the holder to subscribe for 1,860,781 Shares.
4. In addition to 3,000,000 Shares, Ms. Chu Wei Ning owns 3,721,561 share options which entitles the holder to subscribe for 3,721,561 Shares.

LETTER FROM THE BOARD

SPECIFIC MANDATE

The Conversion Shares will be allotted and issued pursuant to the Specific Mandate which is subject to Independent Shareholders' approval at the SGM.

SGM

The SGM will be convened and held at 22/F, Euro Trade Centre, 13–14 Connaught Road Central, Central, Hong Kong on Friday, 24 June 2022 at 5:00 p.m. for the purpose of considering and, if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds, the allotment and issue of the Conversion Shares, and the grant of the Specific Mandate.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolution proposed at the SGM shall be voted by poll. An announcement on the poll vote results will be made by the Company after the SGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

As at the Latest Practicable Date, the Subscriber and Yulong Shenzhen are considered to have a material interest in the Subscription Agreement and the transactions contemplated thereunder. As such, each of the Subscriber, Yulong Shenzhen and their respective associates is required to abstain from voting on the resolution to approve the Subscription Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds, the allotment and issue of the Conversion Shares, and the grant of the Specific Mandate) at the SGM. To the best of Directors' knowledge, information and belief having made all reasonable enquiries, save for the Subscriber, Yulong Shenzhen and their respective associates, no other Shareholders have any material interest in the Subscription Agreement and the transactions contemplated thereunder and are required to abstain from voting on the resolution to approve the Subscription Agreement and the transactions contemplated thereunder (including the issue of the Convertible Bonds, the allotment and issue of the Conversion Shares, and the grant of the Specific Mandate) at the SGM.

A notice convening the SGM is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete, sign and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment meeting should you so wish.

LETTER FROM THE BOARD

As the Subscription Completion are subject to satisfaction of the conditions precedent as set out in the Subscription Agreement, the Subscription may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 21 June 2022 to Friday, 24 June 2022, both days inclusive, for the purpose of ascertaining the Shareholders' entitlement to attend and vote at the SGM. In order to be eligible to attend and vote at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Monday, 20 June 2022.

RECOMMENDATION

The Directors consider that the although the Subscription Agreement and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Group, the terms of the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and the Subscription is in the interests of the Company and the Shareholders as a whole. As such, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM.

Yours faithfully,

By order of the Board

China Baoli Technologies Holdings Limited

Chu Wei Ning

Executive Director and Chief Executive Officer

NOTICE OF SPECIAL GENERAL MEETING



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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of China Baoli Technologies Holdings Limited (the “**Company**”) will be held on Friday, 24 June 2022 at 5:00 p.m. at 22/F, Euro Trade Centre, 13–14 Connaught Road Central, Central, Hong Kong for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolution as ordinary resolution:

ORDINARY RESOLUTION

“THAT:

- (a) the subscription agreement dated 21 April 2022 (the “**Subscription Agreement**”) entered into between the Company, Yulong Infotech Inc. (the “**Subscriber**”) and Yulong Computer Telecommunication Scientific (Shenzhen) Co., Ltd.* (宇龍計算機通信科技(深圳)有限公司) (a copy of the Subscription Agreement is marked “A” and initialed by the chairman of the SGM for identification purpose has been tabled at the meeting), pursuant to which the Company conditionally agreed to issue and the Subscriber conditionally agreed to subscribe for the convertible bonds in the principal amount of HK\$40,000,000 (the “**Convertible Bonds**”) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the grant of the specific mandate to the directors of the Company (the “**Directors**”) to allot and issue 114,285,714 new shares of the Company upon the exercise of the conversion rights attaching to the Convertible Bonds be and is hereby approved, confirmed and ratified. The specific mandate is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company prior to the passing of this resolution; and

* *For identification purpose only*

NOTICE OF SPECIAL GENERAL MEETING

- (c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with the implementation of giving effect to the Subscription Agreement, the transactions contemplated thereunder and the issue of the Convertible Bonds to the Subscriber.”

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

Hong Kong, 7 June 2022

Notes:

1. Any shareholder entitled to attend and vote at the SGM shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A proxy needs not be a shareholder of the Company. A shareholder who is the holder of two or more shares of the Company (“Shares”) may appoint more than one proxy to attend and vote on the same occasion.
2. Where there are joint registered holders of any Share(s), any one of such joint holders may attend and vote at the SGM, either in person or by proxy in respect of such Share(s) as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the SGM or any adjournment thereof (as the case may be), the more senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
3. In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority must be deposited at the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not less than 48 hours before the time fixed for holding the SGM or any adjournment thereof (as the case may be).
4. Completion and return of the form of proxy will not preclude members of the Company from attending and voting at the SGM or any adjournment thereof (as the case may be) should they so wish and in such event, the form of proxy shall be deemed to be revoked.
5. The register of members of the Company will be closed from Tuesday, 21 June 2022 to Friday, 24 June 2022, both days inclusive, during which period no transfer of shares will be registered. In order to determine the identity of the shareholders who are entitled to attend and vote at the SGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, no later than 4:30 p.m. on Monday, 20 June 2022.
6. If a tropical cyclone warning signal No. 8 or above is hoisted or “extreme conditions” caused by super typhoons or a black rainstorm warning signal is in force any time from 8:00 a.m. to 5:00 p.m. on the date of the SGM, the SGM will be postponed and members of the Company will be informed of the date, time and venue of the postponed SGM by a supplementary announcement posted on the website of the Stock Exchange. The SGM will be held as scheduled even when tropical cyclone warning signal no. 3 or below is hoisted, or an amber or red rainstorm warning signal is in force. Members of the Company should make their own decisions as to whether they would attend the SGM under such bad weather conditions and if they choose to do so, they are advised to exercise care and caution.

NOTICE OF SPECIAL GENERAL MEETING

7. PRECAUTIONARY MEASURES FOR THE SGM

To safeguard the health and safety of the Shareholders and to prevent the spreading of the novel coronavirus (“COVID-19”) pandemic, the following precautionary measures will be implemented by the Company at the SGM:

- (i) use hand sanitizer gel before entry and compulsory temperature checks;
- (ii) mandatory wearing of surgical face masks;
- (iii) maintain appropriate social distancing and the number of attendees at the meeting will be limited according to the latest regulations announced by the government;
- (iv) no provision of corporate gift distributed and refreshments or drinks will be served; and
- (v) any person who does not comply with the precautionary measures to be taken at the SGM may be denied entry into the meeting venue.

For the health and safety of the Shareholders, the Company encourages the Shareholders to appoint the chairman of the SGM as their proxy to vote on the relevant resolution as an alternative to attending the SGM in person. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement(s) on such measures as appropriate.

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