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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)

PROPOSED CAPITAL REORGANISATION

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The Board proposes to implement the Capital Reorganisation which comprises the following:

- (i) the consolidation of every ten (10) issued and unissued Existing Shares of par value of HK\$0.01 each in the authorised share capital of the Company into one (1) Consolidated Share of par value of HK\$0.10 each in the authorised share capital of the Company;
- (ii) the reduction of the issued share capital of the Company (a) by eliminating any fraction of a Consolidated Share in the issued share capital of the Company arising from the Share Consolidation in order to round down the total number of Consolidated Shares to a whole number; and (b) through a cancellation of the paid up capital of the Company to the extent of HK\$0.09 on each of the issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK\$0.10 to HK\$0.01;
- (iii) the subdivision of every unissued Consolidated Share of HK\$0.10 each in the authorised share capital of the Company (including the unissued Consolidated Shares resulting from the Capital Reduction) into ten (10) New Shares of HK\$0.01 each; and
- (iv) the transfer of the credit arising from the Capital Reduction to the Contributed Surplus Account in order to enable the application of the necessary amount in the Contributed Surplus Account in such manner as the Board may deem fit including setting off the accumulated losses of the Company in the manner permitted by the laws of Bermuda and the Bye-laws.

GENERAL

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Capital Reorganisation. A circular containing, among other things, (i) further information regarding the Capital Reorganisation; and (ii) a notice convening the SGM, is expected to be despatched to the Shareholders on or before 23 May 2023.

Shareholders and potential investors of the Company should note that the Capital Reorganisation is conditional upon satisfaction of the conditions set out in the section headed “Conditions of the Capital Reorganisation” in this announcement. Therefore, the Capital Reorganisation may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

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- (ii) the reduction of the issued share capital of the Company (a) by eliminating any fraction of a Consolidated Share in the issued share capital of the Company arising from the Share Consolidation in order to round down the total number of Consolidated Shares to a whole number; and (b) through a cancellation of the paid up capital of the Company to the extent of HK\$0.09 on each of the issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK\$0.10 to HK\$0.01;
- (iii) the subdivision of every unissued Consolidated Share of HK\$0.10 each in the authorised share capital of the Company (including the unissued Consolidated Shares resulting from the Capital Reduction) into ten (10) New Shares of HK\$0.01 each; and
- (iv) the transfer of the credit arising from the Capital Reduction to the Contributed Surplus Account in order to enable the application of the necessary amount in the Contributed Surplus Account in such manner as the Board may deem fit including setting off the accumulated losses of the Company in the manner permitted by the laws of Bermuda and the Bye-laws.

Effects of the Capital Reorganisation

As at the date of this announcement, the authorised share capital of the Company is HK\$650,000,000 divided into 65,000,000,000 Existing Shares of par value of HK\$0.01 each, of which 725,881,020 Existing Shares have been issued as fully paid or credited as fully paid.

Upon the Capital Reorganisation becoming effective and assuming that no further Existing Shares will be issued or repurchased from the date of this announcement until the effective date of the Capital Reorganisation, the authorised share capital of the Company will be HK\$650,000,000 divided into 65,000,000,000 New Shares of par value of HK\$0.01 each, and the issued share capital of the Company will be reduced to HK\$725,881.02 divided into 72,588,102 New Shares in issue which are fully paid or credited as fully paid.

The credit of HK\$6,532,929.18 arising from the Capital Reduction will be transferred to the Contributed Surplus Account and the Board will be authorised to utilise the credits in the Contributed Surplus Account in such manner as permissible under the Bye-laws and the Companies Act, including to set off against the accumulated losses of the Company.

Assuming there will be no change in the number of issued share capital of the Company from the date of this announcement and up to the date on which the Capital Reorganisation becomes effective, the share capital structure of the Company will be as follows:

	As at the date of this announcement	Immediately upon the Share Consolidation becoming effective	Immediately after the Capital Reorganisation becoming effective
Par value	HK\$0.01 per Existing Share	HK\$0.10 per Consolidated Share	HK\$0.01 per New Share
Authorised:			
Authorised share capital	HK\$650,000,000	HK\$650,000,000	HK\$650,000,000
Number of authorised shares	65,000,000,000 Existing Shares	6,500,000,000 Consolidated Shares	65,000,000,000 New Shares
Issued:			
Number of issued shares	725,881,020 Existing Shares	72,588,102 Consolidated Shares	72,588,102 New Shares
Issued share capital	HK\$7,258,810.20	HK\$7,258,810.20	HK\$725,881.02
Unissued:			
Number of unissued shares	64,274,118,980 Existing Shares	6,427,411,898 Consolidated Shares	64,927,411,898 New Shares

Other than the relevant expenses, including but not limited to professional fees and printing charges to be incurred, the implementation of the Capital Reorganisation will have no material effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position of the Company or the proportionate shareholding interests of the Shareholders, save for any fractional New Share which will be dealt with as described under “**Fractional entitlement to the New Shares**” below. The Board believes that the Capital Reorganisation will not have any material adverse effect on the financial position of the Group or its overall net asset value.

Status of the New Shares

All New Shares in issue immediately following the Capital Reorganisation becoming effective will rank pari passu in all respects with each other in accordance with the Bye-laws and the Capital Reorganisation will not result in any change in the relative rights of the Shareholders, save for any fractional New Share which may arise.

Conditions of the Capital Reorganisation

The implementation of the Capital Reorganisation is conditional upon:

- (i) the passing of a special resolution by the Shareholders approving the Capital Reorganisation at the SGM;
- (ii) the Stock Exchange granting the listing of, and permission to deal in, the New Shares in issue and to be issued upon the Capital Reorganisation becoming effective; and
- (iii) the compliance with the relevant procedures and requirements under the Companies Act and the Listing Rules to effect the Capital Reorganisation, which includes publication of a notice in relation to the Capital Reduction in Bermuda in accordance with the Companies Act and the Directors being satisfied that on the date the Capital Reorganisation is to take effect, there are no reasonable grounds for believing that the Company is, or after the Capital Reorganisation would be, unable to pay its liabilities as they become due.

Subject to the fulfilment of the conditions mentioned above, the Capital Reorganisation is expected to become effective on Tuesday, 20 June 2023, being the second business day after the date of passing of the relevant resolution approving the Capital Reorganisation at the SGM.

Listing Application

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the New Shares in issue and to be issued upon the Capital Reorganisation becoming effective.

Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, as well as compliance with the stock admission requirements of HKSCC, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the New Shares to be admitted into CCASS established and operated by HKSCC.

None of the Existing Shares or any debt securities of the Company are listed or dealt in on any other stock exchange other than the Stock Exchange, and at the time the Capital Reorganisation becomes effective, the New Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

REASONS FOR THE CAPITAL REORGANISATION

Under Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities. Further, according to the “Guide on trading arrangements for selected types of corporate actions” issued by the Stock Exchange on 28 November 2008 and last updated on 1 October 2020 (the “**Guide**”), it has stated that market price of the shares at a level less than HK\$0.10 will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules. It has also stated in the Guide that taking into account the minimum transaction costs for a securities trade, the expected board lot value should be greater than HK\$2,000.

The Existing Shares have been trading below HK\$0.10 and a board lot of the Existing Shares has been traded below HK\$2,000. As at the date of this announcement, the closing price of the Existing Shares was HK\$0.085, with a board lot size of 5,000, and the existing board lot value was only HK\$425, which was less than HK\$2,000. Upon the Share Consolidation becoming effective, based on the closing price of HK\$0.085 per Existing Share as at the date of this announcement, the share price of the Company would be adjusted to HK\$0.85 per Share. With a board lot size of 5,000, the theoretical market value of each board lot would be HK\$4,250. The Share Consolidation will thus enable the Company to comply with the trading requirements under the Listing Rules. In view of the prevailing trading price of the Existing Shares of HK\$0.085 as at the date of this announcement, and after considering the potential benefits of the Share Consolidation of increasing the trading price per Share and the minimal expenses involved in the Share Consolidation, the Board proposes to implement the Share Consolidation and considers that it would be the most effective means to bring about a corresponding upward adjustment in the trading price of the Consolidated Shares on the Stock Exchange.

Furthermore, the Group has been actively reviewing from different levels and ways to enrich the development strategy of corporate sustainability and optimisation to create values. It is believed that the adjusted share price as a result of the Share Consolidation will enhance the corporate image of the Company which will make investing in the Consolidated Shares more attractive to a broader range of investors, and the Board believes that this would be beneficial to the Company and the Shareholders as a whole.

In addition, the credit arising from the Capital Reduction will be transferred to the Contributed Surplus Account and following the Share Consolidation, the Board will be authorised to utilise the credits in the Contributed Surplus Account in such manner as permissible under the Bye-laws and the Companies Act. In the event of the Board applying the credit balance in the Contributed Surplus Account to set off against the accumulated losses of the Company, the Company's capital and reserves will more closely reflect the available net assets of the Company and would give the Company a capital structure that should, subject to performance and availability of distributable reserves, permit the payment of dividends as and when the Board considers it appropriate in the future.

In view of the above, the Board considers that the Capital Reorganisation is fair and reasonable and is in the interests of the Company and its Shareholders as a whole.

BOARD LOT SIZE

Upon the Capital Reorganisation becoming effective, the board lot size of the New Shares for trading on the Stock Exchange will remain unchanged at 5,000 New Shares per board lot, which is the same board lot size for trading of the Existing Shares on the Stock Exchange.

OTHER ARRANGEMENTS

Fractional entitlement to New Shares

Fractional New Shares arising from the Capital Reorganisation, if any, will not be issued to the Shareholders. All entitlements to fractional New Shares will be aggregated and, if possible, sold for the benefits of the Company.

Shareholders concerned about losing out on any fractional entitlement are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser and may wish to consider the possibility of buying or selling Existing Shares in a number sufficient to make up an entitlement to receive a whole number of New Shares.

Free exchange of share certificates

Subject to the Capital Reorganisation becoming effective, Shareholders may, on or after Tuesday, 20 June 2023 and until Thursday, 27 July 2023 (both days inclusive), submit their share certificates for the Existing Shares to the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong at the expense of the Company, to exchange for new share certificates of the New Shares (on the basis of 10 Existing Shares for 1 New Share). Thereafter, share certificates of the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the New Shares, whichever the number of certificates issued or cancelled is higher.

After 4:10 p.m. on Tuesday, 25 July 2023, existing share certificates for the Existing Shares will only remain effective as document of title and may be exchanged for new share certificates for New Shares at any time but will cease to be valid for delivery, trading and settlement purposes.

The new share certificates for the New Shares will be yellow in colour so as to distinguish them from the existing share certificates for the Existing Shares which are in green colour.

Arrangement on odd lots trading

In order to facilitate the trading of odd lots (if any) of the New Shares, the Company will appoint a designated broker to arrange for matching service on a best effort basis regarding the sale and purchase of odd lots of the New Shares for a limited period of time. Shareholders should note that matching of the sale and purchase of odd lots of the New Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lots arrangement is recommended to consult his/her/its own professional advisers. Further details in respect of the odd lots trading arrangement will be set out in the circular in relation to the Capital Reorganisation to be despatched to the Shareholders.

Adjustments in relation to the other securities of the Company

As at the date of this announcement, there are (i) outstanding SM Convertible Bonds in the principal amount of HK\$40,000,000 which are convertible into 114,285,714 Existing Shares at the conversion price of HK\$0.35 per Share; (ii) outstanding GM Convertible Bonds in the principal amount of HK\$12,000,000 which are convertible into 39,999,998 Existing Shares at the conversion price of HK\$0.30 per Share; and (iii) 37,215,612 outstanding share options for subscription of 37,215,612 Existing Shares under the Share Option Scheme.

The Company will make further announcement(s) as and when appropriate on any adjustments to be made as a result of the Capital Reorganisation to (i) the conversion price and/or the number of New Shares to be allotted and issued upon exercise of the conversion rights attaching to the SM Convertible Bonds pursuant to the terms and conditions of the bond instrument of the SM Convertible Bonds and the Listing Rules; (ii) the conversion price and/or the number of New Shares to be allotted and issued upon exercise of the conversion rights attaching to the GM Convertible Bonds pursuant to the terms and conditions of the bond instrument of the GM Convertible Bonds and the Listing Rules; and (iii) the exercise price and/or the number of the New Shares to be allotted and issued upon exercise of the outstanding share options pursuant to the terms and conditions of the Share Option Scheme and the Listing Rules.

Save as disclosed above, as at the date of this announcement, the Company does not have any other share options, derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into, any Existing Shares, Consolidated Shares or New Shares, as the case may be.

EXPECTED TIMETABLE

The expected timetable for the implementation of the Capital Reorganisation is set out below. All times and dates in this timetable refer to Hong Kong local times and dates. This timetable is for indicative purpose only and may be varied due to additional time required for compliance with regulatory requirements in Bermuda or otherwise. Any subsequent changes to the expected timetable will be announced by the Company as and when appropriate.

Event	Time and Date 2023
Despatch of the Company’s circular in relation to the Capital Reorganisation to the Shareholders together with notice of SGM and proxy form for the SGM	Tuesday, 23 May
Latest time for lodging transfer documents of the Shares to qualify for attendance and voting at the SGM	4:30 p.m. on Monday, 12 June
Closure of register of members of the Company for determining the identity of the Shareholders entitled to attend and vote at the SGM (both days inclusive)	Tuesday, 13 June to Friday, 16 June

Event	Time and Date 2023
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Latest time and date for lodging forms of proxy for the SGM (not less than 48 hours prior to the time of SGM)	3:00 p.m. on Wednesday, 14 June
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Expected time and date of the SGM to approve the Capital Reorganisation.	3:00 p.m. on Friday, 16 June
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Announcement of the poll results of the SGM.	Friday, 16 June
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The following events are conditional on the fulfillment of the conditions for the implementation of the Capital Reorganisation as set out in this announcement.

Effective date of the Capital Reorganisation	Tuesday, 20 June
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First day for free exchange of existing share certificates for new share certificates for the New Shares	Tuesday, 20 June
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Dealing in the New Shares commences	9:00 a.m. on Tuesday, 20 June
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Original counter for trading in existing Shares in board lots of 5,000 existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Tuesday, 20 June
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Temporary counter for trading in the New Shares in board lots of 500 New Shares (in the form of existing share certificates) opens	9:00 a.m. on Tuesday, 20 June
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Original counter for trading in the New Shares in board lots of 5,000 New Shares (in the form of new share certificates) re-opens	9:00 a.m. on Wednesday, 5 July
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Parallel trading in the New Shares (in the form of new share certificates and existing share certificates) commences	9:00 a.m. on Wednesday, 5 July
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“Business Day”	any day (other than a Saturday, Sunday or public holiday or a day on which a typhoon signal no. 8 or above or black rainstorm signal is hoisted or the Extreme Conditions is announced in Hong Kong between 9:00 a.m. to 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Bye-laws”	the bye-laws of the Company
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time
“Capital Reduction”	the proposed reduction in the issued share capital of the Company through cancellation of the paid up capital of the Company to the extent of HK\$0.09 on each of the issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK\$0.10 to HK\$0.01 and cancellation of fractional Consolidated Share as detailed in the section headed “ PROPOSED CAPITAL REORGANISATION ” of this announcement
“Capital Reorganisation”	the proposed capital reorganisation of the share capital of the Company involving the Share Consolidation, the Capital Reduction, the Share Subdivision and the transfer of the credit arising from the Capital Reduction to the Contributed Surplus Account
“Companies Act”	the Companies Act 1981 of Bermuda, as amended from time to time
“Company”	China Baoli Technologies Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Consolidated Share(s)”	ordinary share(s) of par value of HK\$0.10 each in the share capital of the Company immediately after the Share Consolidation becoming effective but before the Capital Reduction

“Contributed Surplus Account”	the contributed surplus account of the Company
“Director(s)”	the director(s) of the Company
“Existing Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company prior to the Capital Reorganisation becoming effective
“Extreme Conditions”	the extreme conditions as announced by any Hong Kong Government department or body or otherwise, whether or not under or pursuant to the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Labour Department in June 2019 in the event of serious disruption of public transport services, or government services, extensive flooding, major landslides or large-scale power outage after typhoons or incidents similar in seriousness or nature
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“GM Convertible Bonds”	the convertible bonds in the aggregate principal amount of HK\$12,000,000 issued by the Company to the subscribers on 29 August 2022 pursuant to the bond instrument constituting such convertible bonds
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“New Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company immediately after the Capital Reorganisation becoming effective
“Registrar”	Tricor Secretaries Limited, being the branch share registrar and transfer office of the Company in Hong Kong at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong

“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Capital Reorganisation
“Share(s)”	the Existing Share(s), the Consolidated Share(s) and/or the New Share(s), whichever shall be appropriate
“Shareholder(s)”	holder(s) of the Share(s) from time to time
“Share Consolidation”	the proposed consolidation of every ten (10) Existing Shares into one (1) Consolidated Share
“Share Option Scheme”	the share option scheme adopted by the Company on 30 September 2021
“Share Subdivision”	the proposed subdivision of every unissued Consolidated Share of HK\$0.10 each in the authorised share capital of the Company (including those unissued Consolidated Shares arising from the Capital Reduction) into ten (10) New Shares of HK\$0.01 each
“SM Convertible Bonds”	the convertible bonds in the principal amount of HK\$40,000,000 issued by the Company to Yulong Infotech Inc. on 15 July 2022 pursuant to the bond instrument constituting such convertible bonds
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 28 April 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 Man.