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China Baofeng (International) Limited

中國寶豐(國際)有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3966)

CONNECTED TRANSACTION SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**

ALTUS CAPITAL LIMITED

THE SUBSCRIPTION AGREEMENT

The Board is pleased to announce that, on 24 May 2018, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, the Subscription Shares at the Subscription Price on the Completion Date.

The Subscription Shares represent approximately 16.94% of the number of issued Shares as at the date of this announcement, and approximately 14.48% of the number of issued Shares as enlarged by the proposed allotment and issue of the Subscription Shares. The Subscription Shares will be issued under the specific mandate to be granted by the Independent Shareholders in the EGM and will rank *pari passu* in all respects among themselves and with the issued Shares as at the Completion Date.

The gross proceeds of the Subscription are estimated to be HK\$249,990,000, and the net proceeds of the Subscription (after deducting all applicable costs and expenses reasonably incurred in relation to the entering of the Subscription Agreement and the related documents) are estimated to be HK\$248,990,000 and all of the net proceeds are intended to be used for repayment of the existing interest-bearing loan in the principal amount of HK\$250.0 million.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Subscriber is a controlling Shareholder, holding 360,000,000 Shares, representing approximately 63.41% of the number of the issued Shares. Since the Subscriber is a connected person of the Company under the Listing Rules, the Subscription will constitute a connected transaction for the Company, and is subject to the announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

The EGM will be convened and held to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder and the grant of the specific mandate to allot and issue the Subscription Shares. The Subscriber and its associates shall be required to abstain from voting on the resolution(s) of the Company in approving the Subscription Agreement and the transactions contemplated thereunder at the EGM.

Save as disclosed and to the best knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Subscription and is required to abstain from voting on the resolution(s) of the Company in approving the Subscription Agreement and the transactions contemplated thereunder at the EGM.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been established to give a recommendation to the Independent Shareholders as to whether the terms of the Subscription Agreement are on normal commercial terms or better and fair and reasonable, whether the Subscription is in the interests of the Company and the Shareholders as a whole and as to voting at the EGM. Altus Capital Limited, a corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activity under the Securities and Futures Ordinance has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the Subscription Agreement; (ii) the recommendation from the Independent Board Committee in respect of the Subscription; (iii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription; and (iv) the notice of the EGM is expected to be despatched to the Shareholders on or before 14 June 2018.

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

The Board is pleased to announce that, on 24 May 2018, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, the Subscription Shares at the Subscription Price on the Completion Date.

Principal terms of the Subscription Agreement are set forth below:

THE SUBSCRIPTION AGREEMENT

Date

24 May 2018

Parties

- (1) the Company as issuer; and
- (2) the Subscriber as subscriber.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Subscriber is an investment holding company incorporated in the British Virgin Islands with limited liability. As at the date of this announcement, the Subscriber is a controlling Shareholder, holding 360,000,000 Shares, representing approximately 63.41% of the number of the issued Shares, accordingly, the Subscriber is a connected person of the Company under Chapter 14A of the Listing Rules.

Number of Subscription Shares

96,150,000 Subscription Shares, which represent approximately 16.94% of the number of issued Shares as at the date of this announcement, and approximately 14.48% of the number of issued Shares as enlarged by the proposed allotment and issue of the Subscription Shares.

The Subscription Shares will be issued under the specific mandate to be granted by the Independent Shareholders in the EGM.

The Subscription Price

The Subscription Price is HK\$2.60 per Subscription Share, and the aggregate Subscription Price for all Subscription Shares shall be paid by the Subscriber to the Company in cash upon Completion. It represents:

- (i) a discount of approximately 13.33% to the closing price of HK\$3.00 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and
- (ii) a discount of approximately 13.91% to the average closing price of approximately HK\$3.02 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to the date of the Subscription Agreement (including the date of the Subscription Agreement).

The Subscription Price was determined with reference to the prevailing market price and the recent trading volume of the Shares and was negotiated on an arm's length basis between the Company and the Subscriber.

The aggregate nominal value of the Subscription Shares is HK\$961,500 and the net issue price per Subscription Share is approximately HK\$2.59.

Ranking of Subscription Shares

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with the issued Shares as at the Completion Date.

Conditions of the Subscription

Completion is subject to the following conditions:

- (a) the Board having approved the terms and authorised the execution of and performance by the Company of its obligations under the Subscription Agreement;

- (b) the Independent Shareholders having approved the terms and authorised the execution of and performance by the Company of its obligations under the Subscription Agreement;
- (c) the board of directors of the Subscriber having approved the terms and authorised the execution of and performance by the Subscriber of its obligations under the Subscription Agreement;
- (d) the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange;
- (e) the Company will be able to meet the public float requirement under the Listing Rules upon Completion;
- (f) all other necessary consents, approvals, permits or licences from the relevant governmental or regulatory authorities or other third parties in relation to the transactions contemplated under the Subscription Agreement having been obtained; and
- (g) the representations and warranties made by the Company where required to be repeated in accordance with the Subscription Agreement at Completion being materially true and accurate at the time of Completion, as though then made and the Company not otherwise being in material breach of its obligations under the Subscription Agreement.

Each of the conditions set out above is not waivable under any circumstances.

If the conditions set out above are not fulfilled on or before 27 September 2018, being the long stop date, the Subscription Agreement shall terminate.

Completion

Completion shall take place within five (5) Business Days after the fulfilment of the conditions (or at such other time and place as designated by the Company).

APPLICATION FOR LISTING

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

REASONS FOR THE SUBSCRIPTION AND INTENDED USE OF PROCEEDS

The Group is principally engaged in (i) photovoltaic power generation in the PRC; and (ii) the sales of lighting products including portable lighting products, shades for the lamps and furniture set and other home accessory products.

As stated in the 2017 annual report of the Company, as at 31 December 2017, the interest-bearing bank borrowings of the Group that are provided by independent financial institutions and will become due within a year was HK\$275.5 million, and the interest rate is based on the Hong Kong Interbank Offered Rate. The net gearing ratio of the Group was 19% as at 31 December 2017. In view of the potential increasing trend of the Hong Kong Interbank Offered Rate, the Directors considered that the Subscription would enable the Group to utilize the proceeds of the Subscription to repay the existing bank borrowings of the Group, hence reduces its finance costs, lowers the net gearing ratio, increases the profitability and strengthens the financial position of the Group.

The Directors (excluding the independent non-executive Directors who will form their view after considering the advice of the independent financial adviser with regard to the Subscription) consider that the terms of the Subscription Agreement are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

The gross proceeds of the Subscription are estimated to be HK\$249,990,000, and the net proceeds of the Subscription (after deducting all applicable costs and expenses reasonably incurred in relation to the entering of the Subscription Agreement and the related documents) are estimated to be HK\$248,990,000 and all of the net proceeds are intended to be used for repayment of the existing interest-bearing loan in the principal amount of HK\$250.0 million.

FUND RAISING ACTIVITIES BY THE COMPANY IN THE PAST TWELVE MONTHS

The Directors confirm that the Company has not conducted any fund raising activity involving the issue of its equity securities in the 12 months immediately preceding the date of this announcement.

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after Completion, assuming that no further Shares have been issued or repurchased before Completion:

	As at the date of this announcement		Immediately after Completion (assuming that no further Shares have been issued or repurchased before Completion)	
	<i>Number of shares</i>	<i>Approximate %</i>	<i>Number of shares</i>	<i>Approximate %</i>
The Subscriber	360,000,000	63.41	456,150,000	68.71
Public Shareholders	<u>207,696,000</u>	<u>36.59</u>	<u>207,696,000</u>	<u>31.29</u>
Total	<u>567,696,000</u>	<u>100</u>	<u>663,846,000</u>	<u>100</u>

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Subscriber is a controlling Shareholder, holding 360,000,000 Shares, representing approximately 63.41% of the number of the issued Shares. Since the Subscriber is a connected person of the Company under the Listing Rules, the Subscription will constitute a connected transaction for the Company, and is subject to the announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Subscriber is an associate of Mr. Dang Yanbao, Mr. Dang Yanbao is considered to have a material interest in the Subscription and has abstained from voting on the Board resolution(s) of the Company to approve the Subscription Agreement and the transactions contemplated thereunder. Save as disclosed, no other Director has a material interest in the Subscription and therefore has abstained from voting on the board resolution(s) of the Company to approve the Subscription Agreement and the transactions contemplated thereunder.

EGM

The EGM will be convened and held to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder and the grant of the specific mandate to allot and issue the Subscription Shares. The Subscriber and its associates shall be required to abstain from voting on the resolution(s) of the Company in approving the Subscription Agreement and the transactions contemplated thereunder at the EGM.

Save as disclosed and to the best knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Subscription and is required to abstain from voting on the resolution(s) of the Company in approving the Subscription Agreement and the transactions contemplated thereunder at the EGM.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been established to give a recommendation to the Independent Shareholders as to whether the terms of the Subscription Agreement are on normal commercial terms or better and fair and reasonable, whether the Subscription is in the interests of the Company and the Shareholders as a whole and as to voting at the EGM. Altus Capital Limited, a corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activity under the Securities and Futures Ordinance has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the Subscription Agreement; (ii) the recommendation from the Independent Board Committee in respect of the Subscription; (iii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription; and (iv) the notice of the EGM is expected to be despatched to the Shareholders on or before 14 June 2018.

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

DEFINITIONS

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

“associate(s) ”	has the meaning ascribed to such term in the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, a Sunday or a public holiday or a day on which a tropical cyclone warning No.8 or above or a “black rainstorm” warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which commercial banks are open for general banking business in Hong Kong
“Company”	China Baofeng (International) Limited (中國寶豐(國際)有限公司), a company incorporated in Cayman Islands with limited liability whose issued Shares are listed on the main board of the Stock Exchange
“Completion”	completion of the Subscription
“Completion Date”	the date on which Completion takes place
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder and the grant of the specific mandate to allot and issue Subscription Shares
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of the Hong Kong

“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors
“Independent Shareholders”	Shareholders other than the Subscriber and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Fung Teng Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability and a controlling Shareholder
“Subscription”	the subscription for the Subscription Shares by the Subscriber pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 24 May 2018 entered into between the Company and the Subscriber in respect of the Subscription
“Subscription Price”	HK\$2.60 per Subscription Share

“Subscription Share(s)” 96,150,000 Shares, being the Shares to be allotted and issued to the Subscriber subject to the terms of the Subscription Agreement

“%” per cent

By Order of the Board
China Baofeng (International) Limited
Dang Yanbao
Chairman and Executive Director

Hong Kong, 24 May 2018

As at the date of this announcement, the executive Directors of the Company are Mr. Dang Yanbao, Mr. Dang Zidong, Mr. Liu Yuanguan, Mr. Gao Jianjun and; the non-executive Directors of the Company are Mr. Cheng Hoo and Mr. Chung Kin Shun, Jimmy and the independent non-executive Directors of the Company are Mr. Xia Zuoquan, Dr. Tyen Kan Hee, Anthony and Mr. Guo Xuewen.