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BAOFENG MODERN INTERNATIONAL HOLDINGS COMPANY LIMITED
寶峰時尚國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1121)

ANNOUNCEMENT IN RESPECT OF
(1) PUBLICATION OF UNAUDITED MANAGEMENT ACCOUNTS FOR
THE YEAR ENDED 31 DECEMBER 2016
(2) CONTINUED SUSPENSION OF TRADING

PUBLICATION OF UNAUDITED MANAGEMENT ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

Reference is made to the announcement of Baofeng Modern International Holdings Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 30 March 2017 (the “**Announcement**”) relating to the delay in publication of 2016 Annual Results and possible delay in despatch of 2016 Annual Report. Capitalised terms used in this announcement shall bear the same meanings as those defined in the Announcement unless the context requires otherwise.

As disclosed in the Announcement, the Company is currently still in the process of providing all necessary information to the Auditor to perform and complete the audit procedures in respect of the 2016 Annual Results. The necessary information is relating to the going concern issue of the Group and valuation of the intangible assets of the Group as at 31 December 2016 comprising certain technological know-how in respect of the application of graphene, one patent in the United States of America, four invention patent applications, three utility model patent applications and two utility model patents in the People’s Republic of China, relating to the manufacturing of graphene-based ethylene-vinyl acetate foam material, graphene deodorizing and sterilizing chips and graphene-based pressure-sensitive sensors and the exclusive formula, acquired from Bluestone Technologies (Cayman) Limited during the year ended 31 December 2015.

In order to keep the shareholders of the Company (the “**Shareholders**”) and the public informed of the Group’s business operation and financial position, the Board would like to provide the Shareholders and the public with the preliminary unaudited financial information of the Group for the year ended 31 December 2016 together with the audited comparative figures for the same period in 2015, which were prepared on a going concern basis in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 <i>RMB’000</i> (Unaudited)	2015 <i>RMB’000</i> (Audited)
REVENUE	215,831	171,655
Cost of sales	<u>(140,529)</u>	<u>(128,746)</u>
GROSS PROFIT	75,302	42,909
Other net income and gains	3,506	13,091
Selling and distribution expenses	(8,591)	(11,968)
General and administrative expenses	(51,916)	(36,078)
Amortisation of intangible assets	(105,401)	(6,501)
Impairment loss on intangible assets	(325,616)	–
Finance costs	(7,933)	(7,848)
Fair value loss on convertible notes and warrants at fair value through profit or loss	(31,173)	(13,451)
Fair value gain on provision for contingent consideration at fair value through profit or loss	<u>140,813</u>	<u>–</u>
LOSS BEFORE TAX	(311,009)	(19,846)
Income tax expense	<u>(7,671)</u>	<u>(5,823)</u>
LOSS FOR THE YEAR AND TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>(318,680)</u>	<u>(25,669)</u>
LOSS PER SHARE		
– Basic (RMB)	<u>(0.29)</u>	<u>(0.02)</u>
– Diluted (RMB)	<u>(0.29)</u>	<u>(0.02)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	2016 <i>RMB'000</i> (Unaudited)	2015 <i>RMB'000</i> (Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	82,010	87,341
Prepaid land lease payments	32,640	33,485
Intangible assets	1,302,378	1,476,616
	<u>1,417,028</u>	<u>1,597,442</u>
CURRENT ASSETS		
Inventories	24,922	31,366
Trade receivables	76,132	39,034
Prepayments, deposits and other receivables	7,437	7,451
Pledged deposits	4,283	2,723
Cash and bank balances	4,789	789,836
	<u>117,563</u>	<u>870,410</u>
CURRENT LIABILITIES		
Trade and bills payables	53,889	38,679
Deposits received, other payables and accruals	33,521	630,259
Interest-bearing bank borrowings	124,000	129,570
Warrants	5,067	21,590
Income tax payable	8,285	1,640
	<u>224,762</u>	<u>821,738</u>
NET CURRENT (LIABILITIES)/ASSETS	<u>(107,199)</u>	<u>48,672</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,309,829</u>	<u>1,646,114</u>
NON-CURRENT LIABILITIES		
Convertible notes	194,824	91,717
Provision for contingent consideration	269,664	422,285
Deferred tax liability	3,071	3,071
	<u>467,559</u>	<u>517,073</u>
NET ASSETS	<u>842,270</u>	<u>1,129,041</u>
EQUITY		
Share capital	71,629	70,555
Reserves	770,641	1,058,486
TOTAL EQUITY	<u>842,270</u>	<u>1,129,041</u>

Shareholders and potential investors are reminded that the information contained in this announcement is only based on the preliminary assessment by the Board on the unaudited management accounts of the Group for the year ended 31 December 2016 and the information currently available for the audit committee of the Company, and is not based on any data or information that has been audited or reviewed by the Auditor. The relevant financial information is pending for further review by the Company, the Auditor, the audit committee and, if applicable independent professional valuers, and will be subject to changes resulting from, among others, further review by the Company and any adjustments that might be proposed by the Auditor.

Shareholders and potential investors are also cautioned not to unduly rely on the unaudited financial information disclosed above, and should exercise caution when dealing in the shares of the Company.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 31 March 2017. Trading in the shares of the Company will remain suspended until further notice.

By Order of the Board
Baofeng Modern International Holdings Company Limited
Zheng Jingdong
Chairman

Hong Kong, 18 April 2017

As at the date of this announcement, the executive directors are Mr. Zheng Jingdong and Mr. Leung Tsz Chung; the non-executive director is Ms. Lin Weihuan; and the independent non-executive directors are Professor Zhao Jinbao, Mr. Chen Shaohua and Ms. An Na.