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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
PROPOSED ISSUE OF NON-LISTED CONVERTIBLE NOTES
AND WARRANTS**

THE AGREEMENT

The Company is pleased to announce that on 8 June 2012, the Company and the Subscriber entered into the Agreement, pursuant to which the Company agreed to issue and the Subscriber agreed to subscribe and pay for or to procure subscribers and pay for the Convertible Notes in an aggregate principal amount of HK\$176,000,000 which will be convertible into fully paid ordinary shares of US\$0.01 each in the capital of the Company. Under the Agreement, in connection with and as a condition to the proposed issue of the Convertible Notes, the Company agreed to issue to the Subscriber Warrants which will carry the rights to subscribe for 62,026,431 Shares from the Commencement Date until five years from Commencement Date.

Upon completion of the Agreement and assuming full conversion of the Convertible Notes and full exercise of the Warrants, and assuming all Conversion Shares and Warrant Share are issued to the Subscriber and there are no transfers of Conversion Shares or the Warrant Shares, the Subscriber would hold approximately 19.72% of the Company's existing issued share capital and approximately 16.47% of the Company's issued share capital as enlarged by the issue of the Conversion Shares and the Warrant Shares.

The Conversion Shares and the Warrant Shares will be allotted and issued by the Company pursuant to the general mandate granted to the Directors at the annual general meeting held on 23 May 2012.

The estimated net proceeds of the issue of the Convertible Notes, after deduction of commission and expenses, are approximately HK\$165,000,000. The net proceeds are all intended to be used by the Company for working capital and general corporate development.

Completion of the Agreement and the issue of the Convertible Notes and the Warrants are subject to fulfillment, or waiver, of the conditions set out below. In addition, the Agreement may be terminated under certain circumstances. Please refer to the section headed “THE AGREEMENT” below for further information.

As the Agreement may or may not be completed, Shareholders and prospective investors are reminded to exercise caution when dealing in the Shares.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

THE AGREEMENT

The Company is pleased to announce that on 8 June 2012, the Company and the Subscriber entered into the Agreement, pursuant to which the Company agreed to issue and the Subscriber agreed to subscribe and pay for or to procure subscribers and pay for the Convertible Notes in an aggregate principal amount of HK\$176,000,000 with the final redemption date falling thirty-six months after the date of issue which will be convertible into fully paid ordinary shares of US\$0.01 each in the capital of the Company. In connection with, and as a condition to, the proposed issue of the Convertible Notes, the Company agreed to issue to the Subscriber Warrants which will carry the rights to subscribe for 62,026,431 Shares from the Commencement Date until five years from Commencement Date.

Particulars of the Agreement

Date: 8 June 2012

Parties: (1) the Company;
(2) BAOF HK
(3) the Subscriber

To the best knowledge, information and belief of the Directors, and having made all reasonable enquires, the Subscriber and its ultimate beneficial owner(s) are independent third parties not connected with the Company or any of its connected persons (as defined in the Listing Rules) of the Company and is not acting in concert with any of the connected persons and each other.

Issue Price: HK\$176,000,000, representing 100% of the face value of the principal amount of the Convertible Notes

CONVERTIBLE NOTES

Principle Terms of the Convertible Notes

Set out below is a summary of the principle terms of the Convertible Notes:

Issuer:	the Company
Subscriber:	Asia Equity Value LTD
Principal Amount:	HK\$176,000,000
Denomination:	HK\$100,000 each
Interest:	7% per annum on the principal amount of the Convertible Notes, payable quarterly in arrears on each of the dates falling six (6), nine (9), twelve (12), fifteen (15), eighteen (18), twenty-one (21), twenty-four (24), twenty-seven (27), thirty (30), thirty-three (33) and thirty-six (36) months after the Closing Date and calculated at a simple interest on the basis of a 360-day year consisting of 12 months of 30 days each.

At the Company's option, interest on the outstanding Convertible Notes may be paid, (i) in whole in cash; (ii) in whole in Shares; or (iii) in a combination of cash and Shares, provided that the Company may only pay such interest in Shares if, among other things,

- (a) the lower of (i) the arithmetic average of the VWAP (in respect of one Share) for each of the 20 consecutive trading days immediately prior to the relevant interest payment date; and (ii) the VWAP (in respect of one Share) for the trading day immediately prior to the relevant interest payment date exceeds 60% of the Reference Market Price;
- (b) as of the relevant interest payment date and immediately subsequent thereto, upon issue and delivery of the relevant Shares as interest payment, to the best of the Company's knowledge (having made due inquiry), the aggregate shareholding of a Noteholder (together with parties acting in concert with such Noteholder) in the Company will not (1) trigger an obligation to make a general offer under the Takeovers Code after such issue and delivery of Shares;

or (2) exceed 29.9% (or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) of the issued share capital or voting rights of the Company (as enlarged by the issue and allotment of the relevant Shares), following such issue and delivery of Shares.

Interest to be paid by Shares shall be paid in a number of fully paid and non-assessable Shares equal to (1) the amount of interest payable on the relevant interest payment date less any interest paid in cash divided by (2) 92% of the arithmetic average of the VWAP (in respect of one Share) for each of the 20 consecutive trading days immediately following such interest payment date.

Term/Maturity:	36 months after the date of issue of the Convertible Notes
Conversion Right:	The Convertible Notes are convertible at the Noteholder's option, in whole or in part, at any time after Closing into a fixed number of common shares at the Conversion Price,
Conversion Price:	HK\$1.31, subject to anti-dilution adjustment for stock dividends, stock splits, dilutive securities issuances and other customary adjustment events from time to time in accordance with the terms and conditions of the Convertible Notes.
Conversion Period:	at any time on or after the date of the issue of the Convertible Notes up to the close of business (Hong Kong time) on the date which is two business days immediately prior to the Final Redemption Date or, if such Convertible Note shall have been called for redemption before the Final Redemption Date, up to the date upon which the full amount of the moneys and/or full number of Shares payable or issuable (as the case may be) in respect of such Convertible Note has been duly received by the Noteholders
Principal Redemption Schedule:	The Company shall redeem the principal amount of the Convertible Notes in equal quarterly installments of HK\$16,000,000 each commencing on the 180th day following the Closing. The repayment amount shall be payable in cash and/or Shares at the Company's option in accordance with the terms and conditions of the Convertible Notes.

Redemption:

Quarterly Redemption

Unless previously redeemed, converted, purchased, cancelled or otherwise agreed by the Noteholder, on each of dates falling six (6), nine (9), twelve (12), fifteen (15), eighteen (18), twenty-one (21), twenty-four (24), twenty-seven (27), thirty (30), thirty-three (33) and thirty-six (36) months after the Closing Date (each a “**Repayment Date**”) and the first Repayment Date being the 180th day following Closing, the Company will redeem HK\$16,000,000 in principal amount of the Convertible Notes at 100 per cent. of such principal amount together with any accrued but unpaid interest thereto (“**Quarterly Instalment**”), provide that the Company will redeem all Convertible Notes remaining outstanding at 100 per cent. of its principal amount, on the Final Redemption Date together with any accrued but unpaid interest.

At the Company’s option, each Quarterly Instalment may be paid (i) in whole in cash; (ii) in whole in Shares; or (iii) in a combination of cash and Shares, provided that the Company may only pay such Quarterly Instalment in Shares if, among other things,

- (a) the lower of (i) the arithmetic average of the VWAP (in respect of one Share) for each of the 20 consecutive trading days immediately prior to the relevant Repayment Date; and (ii) the VWAP (in respect of one Share) for the trading day immediately prior to the relevant Repayment Date exceeds 60% of the Reference Market Price; and
- (b) as of the relevant Repayment Date and immediately subsequent thereto, upon issue and delivery of the relevant Shares as payment of Quarterly Instalment, to the best of the Company’s knowledge (having made due inquiry), the aggregate shareholding of a Noteholder (together with parties acting in concert with such Noteholder) in the Company will not (1) trigger an obligation to make a general offer under the Takeovers Code after such issue and delivery of Shares; or (2) exceed 29.9% (or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) of the issued share capital or voting rights of the Company (as enlarged by the issue and allotment of the relevant Shares), following such issue and delivery of Shares.

Quarterly Instalment to be paid in Shares shall be paid in a number of fully paid and non-assessable Shares equal to (1) the amount of Quarterly Instalment payable on the relevant Repayment Date less any Quarterly Instalment paid in cash divided by (2) 92% of the arithmetic average of the VWAP (in respect of one Share) for each of the 20 consecutive trading days immediately following the relevant Repayment Date.

Redemption for delisting or change of control

Any Noteholder will have the right at such Noteholder's option, to require the Company to redeem all of that Noteholder's Convertible Notes in cash if any of the following occurs: (a) any event of default under the Agreement; (b) a change of control under the Agreement; and (c) the Shares cease to be listed or admitted to trading on the Stock Exchange.

Conversion call

If, on any date (the "**Call Exercise Date**") after the Issue Date, the VWAP per Share is greater than 160% of the Reference Market Price (subject to adjustments in accordance with the terms and conditions of the Convertible Notes) for each of the 20 consecutive trading days immediately preceding the Call Exercise Date and provided always that certain standard equity conditions are and remain satisfied during such period, the Company may issue a call exercise notice to require any Noteholder to exercise the right of conversion attached to the Convertible Note in whole or in part (being a part of the Conversion Price stated in the Call Exercise Notice).

As a condition to the issue of a call exercise notice, the Company shall pay to the Noteholder all outstanding accrued but unpaid interest up to the relevant conversion date.

Voting:

The Convertible Notes will not entitle its holder to attend or vote at any general meetings of the Company by reason only of it being a holder of any Convertible Notes.

Purchase:

The Company or any of its subsidiaries may at any time and from time to time purchase Convertible Notes at any price in the open market or otherwise provided that an offer to purchase on the same terms and conditions must be made to all the Noteholders.

Negative Pledge: Each of the Company and the Guarantor undertakes that, so long as any of the Convertible Notes remains outstanding or any amount is due under or in respect of any Convertible Note or otherwise under the terms and conditions of the Convertible Notes, it will not, and will procure that none of its subsidiaries will, create or permit to subsist or arise any Encumbrance upon the whole or any part of their respective present or future assets or revenues to secure any indebtedness of the Company or any subsidiary of the Company unless the value of such Encumbrance does not exceed sixty per cent. (60%) of the net asset value of the Group.

The Company further undertakes that, so long as any of the Convertible Notes remains outstanding or any amount is due under or in respect of any Convertible Notes or otherwise under terms and conditions of the Convertible Notes, it will not, and will procure that none of its subsidiaries will incur, guarantee, assume, allow or suffer to exist, directly or indirectly, any indebtedness except as permitted under the Convertible Notes.

Ranking: The Convertible Notes constitute direct, senior, and unconditional obligations of the Company and the Convertible Notes shall at all times rank *pari passu* and without any preference or priority among themselves. Save for such exceptions as may be provided by mandatory provisions of applicable law and subject to the negative pledge under the Convertible Notes, the payment obligations of the Company under the Notes shall at all times rank senior to all present and future obligations of the Company and the payment obligations of the Guarantor under the guarantee shall at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations.

Transferability: The Convertible Notes and any Conversion Shares are freely transferable in accordance with the terms and conditions of the Agreement, the terms and conditions of the Convertible Notes, and compliance with applicable law.

Listing: The Convertible Notes will not be listed on the Stock Exchange or any other stock exchange.

Comparison of Conversion Price

The initial Conversion Price (subject to adjustment), being HK\$1.31 per Share, represents:

- (i) a premium of approximately 11.02% over the closing price of the Shares as quoted on the Stock Exchange on 8 June 2012, being HK\$1.18 per Share;
- (ii) a premium of 9.35% to the five-day average closing price of the Shares over the five trading days up to and including 8 June 2012; and
- (iii) a premium of 8.44% to the ten-day average closing price of the Shares over the ten trading days up to and including 8 June 2012.

The initial Conversion Price was determined after arms' length negotiations between the parties with reference to the prevailing market price of the Shares. The net price of each Conversion Share to the Company, based on the estimated net proceeds of approximately HK\$165,000,000 and 134,351,145 Conversion Shares, is expected to be approximately HK\$1.23.

Assuming full conversion of the Convertible Notes at the initial Conversion Price of HK\$1.31, the Convertible Notes will be convertible into 134,351,145 Shares (subject to adjustment), representing approximately 13.49% of the issued share capital of the Company as at the date of this announcement and approximately 11.89% of the issued share capital of the Company as enlarged by the issue of such 134,351,145 Shares. The Conversion Shares will be allotted and issued by the Company pursuant to the general mandate granted to the Directors at the annual general meeting held on 23 May 2012 and the issue will not be subject to the Shareholders' approval.

The Conversion Shares will rank *pari passu* in all respects with the Shares then in issue on the relevant conversion date.

WARRANTS

Principle Terms of the Warrants

Set out below is a summary of the principle terms of the Warrants:

Issuer:	The Company
Number of Warrants to be issued:	62,026,431
Number of Warrants Exercise Shares issuable:	62,026,431

Subscription Price:	HK\$1.53, subject to anti-dilution adjustment for stock dividends, stock splits, dilutive securities issuances and other customary adjustment events from time to time in accordance with the terms and conditions of the Warrant Instrument.
Subscription period:	Exercisable (may be exercised or sold by the Holders) from any time beginning six months following the Closing (after the securities are issued and paid for) until five years from the date the Warrants are issued.
Transferability:	Transferable in amounts equivalent to the Subscription Price in respect of 1,000,000 Shares for the time being in force (or an integral multiple thereof)
Ranking of the Warrant Shares:	All Warrant Shares allotted and issued will rank <i>pari passu</i> with the fully paid Shares in issue on the relevant Subscription Date.
Redemption:	Each Warrantholder shall have the right, at such Warrantholder's option, to require the Company to redeem or purchase all or a portion of its Warrants at a price equal to the Black Scholes Value of such Warrants upon the occurrence of the following events: (a) a change of control of the Company; (b) the Company failing to pay any amount payable under the Warrant Instrument or any Warrant when due; (c) the Company failing to deliver any Shares as required under the Warrant Instrument or any Warrant as and when such Shares are required to be delivered and such failure continues for more than 3 days; (d) the Company fails duly to perform or comply with any other obligation expressed to be assumed by it in the Warrant Instrument or the Warrant; or (e) there occurs any event of default under the Agreement; and (f) the cessation of listing of Shares on the main board of the Stock Exchange, and the suspension from trading on such exchange for a certain period of time.
Voting:	The Warrants will not entitle its holder to attend or vote at any general meetings of the Company by reason only of it being a holder of any Warrants.
Listing:	The Warrants will not be listed on the Stock Exchange or any other stock exchange.

Comparison of Subscription Price

The initial Subscription Price (subject to adjustment), being HK\$1.53 per Share, represents:

- (i) a premium of approximately 29.66% over the closing price of the Shares as quoted on the Stock Exchange on 8 June 2012, being HK\$1.18 per Share;
- (ii) a premium of 27.71% to the five-day average closing price of the Shares over the five trading days up to and including 8 June 2012; and
- (iii) a premium of 26.66% to the ten-day average closing price of the Shares over the ten trading days up to and including 8 June 2012.

The initial Subscription Price was determined after arms' length negotiations between the parties with reference to the prevailing market price of the Shares. The net price of each Conversion Share to the Company, based on the estimated net proceeds of approximately HK\$94,800,000 upon full exercise of the Warrants and 62,026,431 Warrant Shares, is expected to be approximately HK\$1.53.

Assuming full exercise of the Warrants at the initial Subscription Price of HK\$1.53, 62,026,431 Shares (subject to adjustment) will be allotted and issued pursuant to such exercise, representing approximately 6.23% of the issued share capital of the Company as at the date of this announcement and approximately 5.86% of the issued share capital of the Company as enlarged by the issue of such 62,026,431 Shares. The Warrant Shares will be allotted and issued by the Company pursuant to the general mandate granted to the Directors at the annual general meeting held on 23 May 2012 and the issue will not be subject to the Shareholders' approval.

The Warrant Shares will rank *pari passu* in all respects with the Shares then in issue on the relevant date of exercise of the Warrants.

CONDITIONS PRECEDENT

The obligations of the Subscriber under the Agreement are conditional upon, among other things, the following conditions precedent having been fulfilled and/or waived:

- (1) the passing of the necessary resolution(s) by the Board approving the Agreement and the transactions contemplated under it;
- (2) the Subscriber be satisfied with the results of its due diligence investigations, in its absolute discretion, on the Company and its Subsidiaries;
- (3) the Warrant Instrument shall have been executed and delivered by all parties thereto on or prior to the Closing Date;

- (4) the Stock Exchange shall have agreed, if the agreement of the Stock Exchange is required, to (i) approve the issue of the Warrants and (ii) grant the listing of and permission to deal in the Shares to be allotted and issued upon conversion of the Convertible Notes and exercise of the Warrants (or, the Subscriber being reasonably satisfied that such listing will be granted);
- (5) on or prior to the Closing Date, the Subscriber be provided with copies of certain constitutive and organisational documents and all documents evidencing the registration of the relevant parties (other than the Subscriber) with the appropriate authorities and their qualification to conduct their business in the relevant jurisdictions;
- (6) on or prior to the Closing Date, the Subscriber be delivered opinions of the legal advisor to the Company as to the laws of the Cayman Islands and opinions of the legal advisor to the Company as to the laws of Hong Kong, in the forms satisfactory to the Subscriber;
- (7) the representations and warranties in the Agreement and each other Transaction Document be true, accurate and correct in all respects at, and as if made at the Closing Date;
- (8) the Company and the Guarantor have performed all of their obligations in the Agreement expressed to be performed on or before the Closing Date;
- (9) Subscriber be delivered a certificate confirming no material adverse change dated as of Closing Date, of a duly authorised officer of each of the Company and the Guarantor to such effect at the Closing Date;
- (10) at the Closing Date there shall not have occurred any change, or any development or event reasonably likely to involve a prospective change, in the financial condition, operations, business or properties of the Company and its subsidiaries as a whole (including as revealed in the audited consolidated financial statements of the Group for the year ended 31 December 2011), which is reasonably expected to be material and adverse;
- (11) in relation to the Subscription Notes, simultaneous completion of the issue and subscription for all of the Convertible Notes in the aggregate principal amount of HK\$176,000,000 on the Closing Date;
- (12) on or prior to the Closing Date, (i) any other relevant transaction document and any other documents entered into by the Subscriber on the date of the Agreement with any affiliate of the Company in relation to the ordinary shares of the Company shall be executed and delivered by all parties thereto; (ii) any documents or shares required to be delivered to the Subscriber in connection therewith shall be delivered to the Subscriber; and (iii) such other resolutions, approvals, consents, authorities and documents relating to the issue of the Convertible Notes, the Warrants, the Agreement and any other relevant transaction document (as defined in the Terms and Conditions), as the Subscriber may reasonably require, shall be delivered to the Subscriber.

TERMINATION

The Subscriber may, by notice to the Company given at any time prior to payment of the subscription monies for the Convertible Notes to the Company, terminate the Agreement in any of the following circumstances:

- (1) if there shall have come to the notice of the Subscriber any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties and representations contained in the Agreement, the terms and conditions of the Convertible Notes, the Warrant Instrument or any other relevant transaction document or any failure by the Company to perform any of its undertakings or agreements in such documents;
- (2) if there shall have occurred any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions or currency exchange rates or foreign exchange controls which would in the Subscriber's view be likely to prejudice materially the success of the offering or the distribution of the Convertible Notes, the Warrants, or dealings in the Convertible Notes, or the Warrants, in the secondary market; or
- (3) if there shall have occurred an outbreak or escalation of hostilities or act of terrorism which would in the Subscriber's view be likely to prejudice materially the success of the offering or the distribution of the Convertible Notes, the Warrants, or dealings in the Convertible Notes, the Warrants, in the secondary market;
- (4) if on or after the date of the Agreement there shall have occurred either of the following:
 - (i) a suspension or material limitation of trading in securities generally on the New York Stock Exchange, the Nasdaq Stock Market, Inc., the London Stock Exchange plc or the Stock Exchange; or
 - (ii) a suspension in trading in the Company's securities for more than five consecutive trading days on the Stock Exchange, which would in the Subscriber's view be likely to prejudice materially the success of the offering or the distribution of the Convertible Notes, the Warrants, or dealings in the Convertible Notes or the Warrants in the secondary market;
- (5) if any of the conditions precedent has not been satisfied or waived by the Subscriber on or prior to the Closing Day.

THE STOCK BORROWING AGREEMENT

On 8 June 2012, Best Mark International Limited ("**Best Mark**") entered into a stock borrowing agreement with the Subscriber pursuant to which Best Mark agreed to lend 32,000,000 Shares to the Subscriber on or before the Closing Date, with no interest, consideration and collateral (cash or otherwise), representing approximately 23.82% of the Conversion Shares into which the Convertible Notes may be converted assuming a Conversion Price of HK\$1.31.

APPLICATION FOR LISTING

The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Conversion Shares which may fall to be issued upon conversion of the Convertible Notes and the Warrant Shares which may fall to be issued upon exercise of the subscription rights attaching to the Warrants. No listing application will be made for the Convertible Notes and the Warrants on the Stock Exchange or any other stock exchange.

REASON FOR AND BENEFITS OF THE AGREEMENT

The Board considers that issue of the Convertible Notes and the Warrants represents an opportunity to broaden the capital base of the Company and to gain immediate access to funding on attractive terms. Taking into account the terms of the Convertible Notes and the initial Conversion Price (which represents a 11.02% premium to the closing price of the Shares as quoted on the Stock Exchange on 8 June 2012), the Board are of the view that the terms and conditions of the Convertible Notes are fair and reasonable and are in the interest of the Shareholders taken as a whole.

The estimated net proceeds from the issue of the Convertible Notes, after deduction of commission and expenses, are approximately HK\$165,000,000. Upon full exercise of the subscription rights attached to the Warrants, the net proceeds from the issue of the Warrant Shares are estimated to be approximately HK\$94,800,000. The net proceeds are all intended to be used by the Company for working capital and general corporate purposes.

SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the Company's shareholding structure as at the date of this announcement and upon the full conversion of the Convertible Notes and full exercise of the subscription rights attaching to the Warrants, and assuming there is no transfer of New Shares.

Name of Shareholder	Nature of Interest	Shareholding as at the date of this announcement		Shareholding immediately after completion and upon full conversion of the Convertible Notes but before any exercise of the Warrants		Shareholding immediately after completion and upon full conversion of the Convertible Notes and full exercise of the Warrants	
		No. of Shares	% of the issued share capital of the Company	No. of Shares	% of the issued share capital of the Company	No. of Shares	% of the issued share capital of the Company
Sze Ching Bor ¹	Interest in controlled corporations	519,035,767	52.13%	519,035,767	45.93%	519,035,767	43.54%
Tsang Shuk Ping ²	Interest of spouse	519,035,767	52.13%	519,035,767	45.93%	519,035,767	43.54%
Best Mark International Limited	Beneficial owner	473,876,157	47.59%	473,876,157	41.93%	473,876,157	39.75%
CITIC Capital China Mezzanine Fund Limited	Beneficial owner	85,325,500	8.57%	85,325,500	7.55%	85,325,500	7.16%
Multifield International Limited ³	Interest in controlled corporation	85,325,500	8.57%	85,325,500	7.55%	85,325,500	7.16%
CITIC Capital Investment Holdings Limited ⁴	Interest in controlled corporation	85,325,500	8.57%	85,325,500	7.55%	85,325,500	7.16%
CITIC Capital Holdings Limited ⁵	Interest in controlled corporation	85,325,500	8.57%	85,325,500	7.55%	85,325,500	7.16%
CITIC Limited (中國中信股份有限公司) ⁵	Interest in controlled corporation	85,325,500	8.57%	85,325,500	7.55%	85,325,500	7.16%
CITIC Group ⁶	Interest in controlled corporation	85,325,500	8.57%	85,325,500	7.55%	85,325,500	7.16%
Warlord Investment Corporation ⁷	Interest in controlled corporation	85,325,500	8.57%	85,325,500	7.55%	85,325,500	7.16%
China Investment Corporation ⁸	Interest in controlled corporation	85,325,500	8.57%	85,325,500	7.55%	85,325,500	7.16%
The Royal Bank of Scotland N.V. ⁹	Interest in controlled corporation	85,325,500	8.57%	85,325,500	7.55%	85,325,500	7.16%
The Royal Bank of Scotland Group plc ¹⁰	Interest in controlled corporation	85,325,500	8.57%	85,325,500	7.55%	85,325,500	7.16%
RBS Holding N.V. ¹¹	Interest in controlled corporation	85,325,500	8.57%	85,325,500	7.55%	85,325,500	7.16%
RFS Holdings B.V. ¹²	Interest in controlled corporation	85,325,500	8.57%	85,325,500	7.55%	85,325,500	7.16%
The Subscriber ¹³	-	-	-	134,248,665	11.89%	196,003,050	16.47%
Other public Shareholders	-	391,358,733	39.30%	391,358,733	34.63%	391,358,733	32.83%
Total		995,720,000	100%	1,130,071,145	100%	1,192,097,576	100%

Notes:

1. Mr. Sze Ching Bor (“**Mr. Sze**”) is deemed to be interested in the Shares held by Best Mark International Limited (“**Best Mark**”) and Capital Vision International Limited (“**Capital Vision**”). Best Mark and Capital Vision are wholly owned and controlled by Mr. Sze and held 473,876,157 Shares and 45,159,610 Shares respectively.

2. Ms. Tsang Shuk Ping, the spouse of Mr. Sze, is deemed to be interested in Mr. Sze's interests in the Company.
3. Multifield International Limited holds 100% of the sponsor shares in CITIC Capital China Mezzanine Fund Limited ("**CITIC Capital**") and 33.3% of the participating shares in CITIC Capital. Accordingly, Multifield International Limited is deemed to be interested in the Shares in which CITIC Capital is interested for the purpose of Part XV of the SFO.
4. CITIC Capital Investment Holdings Limited wholly owns Multifield International Limited and is deemed to be interested in the Shares in which Multifield International Limited is interested for the purpose of Part XV of the SFO.
5. CITIC Capital Holdings Limited wholly owns CITIC Capital Investment Holdings Limited and is deemed to be interested in the Shares in which CITIC Capital Investment Holdings Limited is interested for the purpose of Part XV of the SFO. CITIC Limited owns 55% of CITIC Capital Holdings Limited and is deemed to be interested in the Shares in which CITIC Capital Holdings Limited is interested for the purpose of Part XV of the SFO.
6. CITIC Group is deemed to be interested in the Shares in which CITIC Capital Holdings Limited is interested for the purpose of Part XV of the SFO through various intermediary holding companies which in aggregate hold 55% in CITIC Capital Holdings Limited.
7. Warlord Investment Corporation owns 40% of the shareholding interests in CITIC Capital Holdings Limited. Accordingly it is deemed to be interested in the Shares in which CITIC Capital Holdings Limited is interested for the purpose of Part XV of the SFO.
8. China Investment Corporation wholly owns Warlord Investment Corporation. Accordingly, it is deemed to be interested in the Shares in which Warlord Investment Corporation is interested for the purpose of Part XV of the SFO.
9. The Royal Bank of Scotland N.V. owns 33.3% of the participating shares in CITIC Capital and accordingly is deemed to be interested in the Shares in which CITIC Capital is interested for the purpose of Part XV of the SFO.
10. The Royal Bank of Scotland Group plc. is deemed to be interested in the Shares in which The Royal Bank of Scotland N.V. is interested for the purpose of Part XV of the SFO by virtue of its 97.7% shareholding in RFS Holdings B.V., which indirectly and wholly owns The Royal Bank of Scotland N.V. through a wholly-owned subsidiary, RBS Holdings N.V.
11. RBS Holdings N.V. wholly owns The Royal Bank of Scotland N.V., it is deemed to be interested in the Shares in which The Royal Bank of Scotland N.V. is interested for the purpose of Part XV of the SFO.
12. RFS Holdings B.V. wholly owns RBS Holdings N.V., it is deemed to be interested in the Shares in which RBS Holdings N.V. is interested for the purpose of Part XV of the SFO.
13. Assuming all Conversion Shares and Warrant Share are issued to the Subscriber and there are no transfers of Conversion Shares or the Warrant Shares.

GENERAL

The Company will promptly notify the Stock Exchange if it becomes aware of any dealings in the Convertible Notes and the Warrants by any connected person (as defined in the Listing Rules) of the Company.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

At the annual general meeting of the Company held on 23 May 2012, a general mandate was granted to the Directors to allot, issue and deal with not more than 199,144,000 Shares, representing 20% of the issued share capital of the Company at the date of the passing of the resolution. As at the date of this announcement, no Shares have been allotted and issued by the Directors pursuant to such general mandate.

Apart from the issue of the Convertible Notes and Warrants, the Company has not raised any fund by issuing of equity securities during the 12 months immediately preceding the date of this announcement.

INFORMATION ABOUT THE COMPANY

The Company is the leading brand owner and supplier of slippers, flip-flops, sandals and casual footwear in the PRC. It owns two brands “Boree” and “Baofeng”, and supplies OEM products to renowned international brands. “Boree” and “Baofeng” targets mid to high-end and mass market respectively, catering to all walks of life, with sales networks all over China and Hong Kong.

Completion of the Agreement and the issue of the Convertible Notes and the Warrants are subject to fulfilment, or waiver, of the conditions set out above. In addition, the Agreement may be terminated under certain circumstances. Please refer to the section headed “AGREEMENT” above for further information. As the Agreement may or may not be completed, Shareholders and prospective investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

Agreement	the subscription agreement dated 8 June 2012 entered into between the Company as issuer, BAOF HK as guarantor and the Subscriber as subscriber and any other subscription agreements entered into by the Company in relation to the issue of, among other things, the Convertible Notes
BAOF HK	BAOF International Limited (寶峰新國際有限公司), a limited liability company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Company

Black Scholes Value	the Black Scholes value as determined by applying the volatility used in the Company's most recently audited financials in respect of a whole financial year
Closing	the date when the securities are issued and paid for
Closing Date	is 5 p.m. (Hong Kong time) on or before the date falling 14 days from the date of the Agreement or such other date as shall be agreed between the Company and the Subscriber
Commencement Date	the date falling six months after the Closing Date
Company	Baofeng Modern International Holdings Company Limited (寶峰時尚國際控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
Conversion Period	on or after the Issue Date up to the close of business (Hong Kong time) on the date which is 2 business days immediately prior to the Final Redemption Date, which is the 3rd anniversary of the Issue Date or if such Convertible Note shall have been called for redemption before the Final Redemption Date then, up to the date upon which the full amount of the moneys and/or full number of Shares payable or issuable (as the case may be) in respect of such Convertible Note has been duly received by the Noteholders
Conversion Price	the price per Share at which the Convertible Notes may be converted into Shares
Conversion Shares	Shares which may fall to be issued by the Company on conversion of the Convertible Notes
Convertible Notes	the senior convertible notes due 2015 in an aggregate principal amount of HK\$176,000,000 having a denomination of HK\$100,000 each
Director	directors of the Company
Encumbrance	a mortgage, charge, pledge, lien or other encumbrance or security interest securing any obligation of any person
Final Redemption Date	third anniversary of the date of the issue of the Convertible Notes

Guarantor	BAOF HK
Issue Date	the date of the issue of the Convertible Notes
Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Maximum Warrant Amount	means HK\$94,900,439.43
Noteholder(s)	holder(s) of the Convertible Notes
Reference Market Price	HK\$1.135
Shares	fully paid ordinary shares of US\$0.01 each in the share capital of the Company
Shareholders	shareholders of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
Subscriber	Asia Equity Value LTD, a limited liability company incorporated in the British Virgin Islands
Subscription Notes	HK\$176,000,000 principal amount of the Convertible Notes
Takeovers Code	the Hong Kong Code on Takeovers and Mergers
VWAP	volume weighted average price, a function derived from Bloomberg
Warrants	the rights created by the Warrant Instrument entitling the registered holders thereof to exercise subscription rights attached to the Warrants on the terms and conditions set out in the Warrant Instrument
Warrantholders	in relation to any Warrant, the person or persons who is or are for the time being registered as the holder or joint holders of the Warrant in the register of warrantholders to be set up and maintained by the Company
Warrant Instrument	the instrument by which the Warrants are constituted

Warrant Shares

new Shares to be allotted and issued by the Company upon exercise of the subscription rights attaching to the Warrant(s) by the Warrantholder(s)

By Order of the Board

Baofeng Modern International Holdings Company Limited

Zheng Liuhe

Chairman

Hong Kong, 8 June 2012

As at the date of this announcement, the executive Directors are Mr. Zheng Liuhe, Mr. Zhang Aiguo, Mr. Chen Qingwei and Mr. Zheng Jingdong, the non-executive Directors are Mr. Sze Ching Bor and Mr. Cheung Miu, and the independent non-executive Directors are Professor Bai Changhong, Mr. Lee Keung and Ms. An Na.