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)

SALES FOR THE YEAR ENDED 31 DECEMBER 2019 AND PROFIT WARNING

This announcement is made by Baofeng Modern International Holdings Company Limited (the "Company", together with its subsidiaries, the "Group") pursuant to Rules 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the "Board") of directors (the "Directors") of the Company wishes to inform the shareholders and potential investors of the Company that based on preliminary assessment of the Group's unaudited management accounts for the year ended 31 December 2019 (the "Reporting Period"), the sales of the Group for the Reporting Period amounted to approximately RMB169.7 million. Under the negative impact of the trade dispute between the People's Republic of China ("PRC") and the United States of America ("US"), due to the effort of sales team, the sales still record an increase of approximately 3.2% when compared to the amount of approximately RMB164.5 million for the corresponding period in 2018.

As some customers of the original equipment manufacturer business changed to place orders to manufacturers in Southeast Asia and India instead to the Group during the Reporting Period, the Group is forced to reduce its gross profit margin to retain existing customers and acquire new orders. Therefore, it is expected that the gross profit margin of the Group during the Reporting Period will be reduced to approximately 17.5% as compared to 24.0% for the corresponding period in 2018. As the trade friction between the PRC and the US was alleviated at the end of 2019 and the US has also suspended the 15% tariff announced earlier, the Board expected that the gross profit margin would increase in the coming year.

As the wireless connection issue of the third-generation do-it-yourself ("DIY") automated vending system, which restricts the choice of locations, can only be alleviated or resolved through 5G network services, the management of the Group decided to focus on the development of a new generation of DIY automated vending system. The commissioning and improvement of the new generation of DIY automated vending system took longer than expected, as a result, the management of the Company made a more prudent estimation on the future quantity and the speed of installation of the DIY automated vending system in the financial model. The management of the Company expected that certain impairment loss of certain technological know-how in respect of the application of graphene and includes one patent in the US, four invention patent applications, three utility model patent applications and two utility model patents in the PRC, relating to the manufacturing of graphene-based ethylene-vinyl acetate foam material, graphene deodorizing and sterilizing chips for air purifiers and air conditioners and graphene-based pressure-sensitive sensors and the exclusive formula (collectively as the "Technology Know-how"), shall be recognised during the Reporting Period. However, the actual amount of impairment loss was uncertain until the final version of the valuation working and report of the Technology Know-how received from the valuer.

The Company is still in the process of preparing and finalising the final results of the Group for the Reporting Period. The information contained in this announcement is a preliminary assessment made by the Board based on the information currently available to the Group and such information has not yet been audited, confirmed or reviewed by the auditors nor the audit committee of the Company, and the actual results of the Group for the Reporting Period may be different from what are disclosed herein.

Shareholders and potential investors of the Company are advised to read carefully the final results announcement of the Company for the Reporting Period which is expected to be issued on or before 31 March 2020.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

On behalf of the Board
Baofeng Modern International Holdings Company Limited
Zheng Jingdong
Chairman

Hong Kong, 22 January 2020

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.