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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)

FURTHER SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO
SUBSCRIPTION OF CONVERTIBLE BONDS
UNDER GENERAL MANDATE

Reference is made to (i) the announcements of Baofeng Modern International Holdings Company Limited (the “**Company**”) dated 20 April 2021 and 21 April 2021 in relation to the subscription of the Convertible Bonds under General Mandate; (ii) the announcements of the Company dated 24 March 2021 and 19 April 2021 in relation to the subscription of 20,000,000 Shares (the “**Share Subscription**”) and the placing of 57,000,000 Shares (the “**Placing**”) under General Mandate (collectively, the “**Announcements**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings given to them in the Announcements.

In addition to the information provided in the Announcements, the Board would like to provide the following further information regarding the photovoltaic and related business of the Group (the “**Photovoltaic Business**”) which the Board intends to use all of the net proceeds of the Subscription and HK\$160 million of the net proceeds from the Share Subscription and the Placing for the development of the Photovoltaic Business.

BUSINESS MODEL OF THE PHOTOVOLTAIC BUSINESS

Products

The products developed and to be manufactured by the Group under the Photovoltaic Business includes (i) large size cast monocrystalline silicon (“**Cast-mono**”) wafers, which are mainly used to manufacture solar cells. Cast-mono wafers can be used to manufacture the mainstream monocrystalline silicon passivated emitter and rear cell (“**PERC**”) technology or other new cell technologies such as Heterojunction (“**HJT**”) or tunnel oxide passivated contact (“**TOPCON**”) solar cells; and (ii) Cast-mono HJT solar cells, which are mainly used for the manufacturing of Cast-mono solar modules for household use and use in photovoltaic power stations. Cast-mono wafers will be manufactured by Baofeng Silicon Science & Technology (Xu Zhou) Co., Ltd. (寶峰硅業科技(徐州)有限公司) (“**Baofeng Xuzhou**”), an indirect wholly-owned subsidiary of the Company, while the production of Cast-mono HJT solar cells will be outsourced to JP-Solar Power (Fujian) Company Ltd. (“**JP-Solar**”), a subsidiary of GS-Solar (Fujian) Company Limited (“**GS-Solar**”).

Plant, equipment and patents

The main equipment for the manufacturing of Cast-mono wafers is casting silicon furnace. Xinfeng 2D (Fujian) Material Technology Company Limited* (福建新峰二維材料科技有限公司) (“**Xinfeng 2D**”), an indirect wholly-owned subsidiary of the Company has acquired casting silicon furnaces pursuant to the purchase agreement dated 29 January 2021 for the purchase of casting silicon furnaces from Jiangsu GCL Software Control Equipment Technology Development Co., Ltd.* (江蘇協鑫軟控設備科技發展有限公司) (“**Jiangsu GCL**”), an indirect wholly-owned subsidiary of GCL-Poly Energy Holdings Limited (together with its subsidiaries, the “**GCL Group**”), the issued shares of which are listed on the Main Board of the Stock Exchange (Stock code: 3800), details of which are disclosed in the announcement of the Company dated 29 January 2021. The Group will use its proprietary technology and know-how to modify the casting silicon furnaces for manufacturing Cast-mono wafers. The Group intends to lease a plant located in Xuzhou, China for manufacturing Cast-mono wafers.

As at the date of this announcement, the Group has made 17 patent applications in relation to the Cast-mono wafers and Cast-mono HJT solar cells.

To facilitate the application of cast monocrystalline silicon technology in HJT solar cells, Xinfeng 2D entered into (i) a framework plant and equipment lease agreement with JP-Solar in respect of the lease of a plant located in Putian, Fujian Province, China and all relevant equipment of the production line for 500 megawatts high efficiency HJT solar cells from JP-Solar; and (ii) a license letter of intent with GS-Solar for GS-Solar to authorise Xinfeng 2D to use the patents and process technique in relation to HJT solar cells owned by GS-Solar for a trial period of 6 months from 11 March 2021 to 10 September 2021. As the cooperation results are satisfactory and the Group targets to be a light asset technology company, the Group intends to outsource the production of Cast-mono HJT solar cells to JP-Solar. Further details are disclosed in the announcement of the Company dated 11 March 2021.

Key processes and source of supply

The Group will purchase silicon materials and other raw materials from suppliers including the GCL Group to manufacture silicon ingots and outsource the cutting of silicon ingots into silicon wafers which will be sold to cell manufacturers. The Group may also outsource to JP-Solar to use such silicon wafers to manufacture Cast-mono HJT solar cells, which will then be sold to solar module manufacturers.

Management of the Photovoltaic Business

The management of the Photovoltaic Business includes Dr. Xu Zhi (“**Dr. Xu**”), Mr. Chang Chuan Bo (“**Mr. Chang**”) and Mr. Leung Tsz Chung (“**Mr. Leung**”).

Dr. Xu has been appointed as an executive Director and Chief Technology Officer of the Group with effect from 26 February 2021 and is an expert in the areas of material technology and applications and solar technology. Dr. Xu obtained a Doctor of Philosophy in Materials Science and Engineering from the Leland Stanford Junior University and prior to joining the Group, Dr. Xu worked for the position of senior member of technical staff of Applied Materials, Inc. He is responsible for leading the research and development team of the Group in the research and development of materials science technology and related applications. For more details, please refer to Company’s latest annual report.

Mr. Chang is the General Manager of Baofeng Xuzhou. One of the key experts in the casting silicon wafers technology, Mr. Chang is responsible to monitor the production of the Cast-mono wafers in Xuzhou. Mr. Chang obtained a Master Degree in Inorganic Chemistry from the North University of China in 2011. Prior to joining the Group in March 2021, Mr. Chang had worked in Rietech New Energy Science Technology Co., Ltd.* (榮德新能源科技有限公司), one of the largest silicon wafer manufacturers in China for around 10 years with his last position as the Director of Research and Development.

Mr. Leung, the chairman of the Board and Chief Executive Officer, is responsible for the business and strategic planning, business and market development, and sales and management of the Group.

Photovoltaic Business Employees

Manufacturing of Cast-mono wafers in Baofeng Xuzhou is operated under three shifts per working day, with on-site operators, on-site management and equipment maintenance staff (“**Production Staff**”) and other supporting functions such as administration, human resource and accounting (“**Back Office Staff**”). Baofeng Xuzhou is currently executing its recruitment plan to reach 5 Back Office Staff and around 65 Production Staff. Once full capacity of 290 furnaces is achieved, an estimation of 20 Back Office Staff and 220 Production Staff will be required. For the avoidance of doubt, the above numbers do not include the staff of the Group’s other businesses.

Size and diversity of customer base

The Group aims to supply Cast-mono wafers and Cast-mono HJT cells to leading cell and module manufacturers in the world.

Prospect and development of the Photovoltaic Business

The maximum production capacity of the 290 casting silicon furnaces procured from GCL Group is approximately 7 gigawatts, which is equivalent to approximately 1.1 billion Cast-mono wafers based on wafer size of 158.75mm. Depending on market demand, the capacity may gradually expand to approximately 2 billion to 3 billion Cast-mono wafers per year.

The Group is planning to commercialize mass production of Cast-mono wafers within a few months. Based on the silicon raw material procurement price of RMB70,000 per ton, the Group's goal is to achieve a manufacturing cost of lower than RMB1.9 per wafer. Current market selling price of Cast-mono wafers is approximately RMB4 per wafer. Concerning production of Cast-mono HJT solar cells, the Group is currently working closely with JP-Solar at the leased plant in Putian, Fujian Province and the Group intends to outsource prospective Cast-mono HJT solar cells orders to JP-Solar as the Group targets to be a light asset technology company.

As disclosed in the announcement of the Company dated 30 March 2021, the Group has received the first procurement order from Fujian Yishan Electrical Engineering Company Limited* (福建億山電力工程有限公司) (“**Fujian Yishan**”), a wholly-owned subsidiary of Fuzhou Wanshan Electrical Consulting Company Limited* (福州萬山電力諮詢有限公司), for photovoltaic modules based on our Cast-mono HJT solar cells, which will be used for building a demonstrating integrated charging station for new energy vehicles located in Fuzhou City, Fujian Province, China for State Grid Corporation of China. The procurement order was successfully delivered in April 2021.

History and milestone of the Photovoltaic Business

After paying continuous effort and capital investment in the past few years, the Group gradually transformed from a traditional manufacturing company to a materials science technology company and began to diversify its business to new energy related field. After the acquisition of proprietary technology which relates to certain technological know-how in respect of the application of graphene, under Dr. Xu's leadership and with the cooperation with Fujian Strait Graphene Industry Technology Research Institute* (福建海峽石墨烯產業技術研究院), the Group successfully applied graphene technology on the ethylene-vinyl acetate material. During the research and development of the carbon-based energy storage material in 2017, the research and development team of the Group gained more understanding of the relevant downstream market segments, including new energy vehicles, electronic consumables, and photovoltaic power generation, etc. The research and development team of the Group then began research and development of the production of more cost-efficient photovoltaic solar cells in 2018 and worked with other third-party partners on the research in the application of graphene on photovoltaic products. The Group successfully applied its exclusive graphene technology on the silicon wafer impurity removal technology and used silicon wafers manufactured from such technology to produce Cast-mono HJT solar cells in 2019. The research and development team of the Group successfully developed a new technology to utilize Cast-mono wafers to manufacture high efficiency HJT cells (with conversion efficiency > 24.0%) in September 2020.

The Group expects to begin manufacturing of Cast-mono wafers in May 2021. The Group targets to manufacture Cast-mono wafers of approximately 1.1 billion wafers per year by December 2021 and approximately 2 billion wafers per year by December 2022.

Detailed use of proceeds from the Subscription, the Share Subscription and the Placing

The Board intends to use the net proceeds from the Subscription, the Share Subscription and the Placing as to (i) approximately HK\$42,000,000 for the purchase of approximately 500 tons of silicon raw material for the manufacturing of Cast-mono wafers; (ii) approximately HK\$22,780,000 for the modification of casting silicon furnaces; (iii) approximately HK\$25,000,000 for the procurement of other peripheral production equipment; (iv) approximately HK\$120,000,000 for a potential strategic equity investment, partnering with certain external strategic entities like central enterprises in order to establish a Cast-mono HJT photovoltaic manufacturing facility in order to secure long-term orders for the Group's products. It is expected that the net proceeds would be fully utilised in 2021.

The Board, having considered the breakdown of the above use of proceeds and the recent development of the Photovoltaic Business, is of the view that the above proceeds are only sufficient for operating the Photovoltaic Business for several months after the Group begins the mass production process of Cast-mono wafers and Cast-mono HJT solar cells. The required working capital for operating the Photovoltaic Business and the funding need of the Group for the next twelve months will depend on the market demand for the Group's Cast-mono wafers and Cast-mono HJT solar cells and the Board will continue to closely monitor the Group's cash flow.

Shareholders and potential investors should note that completion of the Subscription is subject to fulfillment of the conditions under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

* *the English translation of Chinese names or words in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

On behalf of the Board
Baofeng Modern International Holdings Company Limited
Leung Tsz Chung
Chairman

Hong Kong, 18 May 2021

As at the date of this announcement, the executive Directors are Mr. Leung Tsz Chung, Mr. Zheng Jingdong and Dr. Xu Zhi; 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.