



IN THE GRAND COURT OF THE CAYMAN ISLANDS  
FINANCIAL SERVICES DIVISION

CAUSE NO: FSD <sup>185</sup> OF 2020 (RPJ)

IN THE MATTER OF SECTION 15 OF THE COMPANIES LAW (2020 REVISION)

AND IN THE MATTER OF CHINA BAOFENG (INTERNATIONAL) LIMITED



PETITION



To: The Grand Court

**THE HUMBLE PETITION** of China Baofeng (International) Limited, whose registered office is situated in the offices of Conyers Trust Company (Cayman) Limited (previously known as Codan Trust Company (Cayman) Limited), Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands ( the "**Company**") **SHOWS THAT:**

1. The object of this Petition is to seek the confirmation by the Court of a reduction in the Company's issued share capital (the "**Capital Reduction**"), pursuant to section 16 of the Companies Law (2020 Revision) (the "**Companies Law**").
2. The proposed Capital Reduction is part of a proposal to privatise the Company by way of scheme of arrangement (the "**Scheme**"), for which the Court's sanction pursuant to section 86 of the Companies Law is being sought by way of separate proceedings before this Honourable Court. A Petition for the Court's sanction of the Scheme was filed on 9 July 2020 and is the subject of cause number FSD 156 of 2020 (RPJ).

#### The Company

3. The Company was incorporated in the Cayman Islands on 3 August 2011 as an exempted company limited by shares. At the time of incorporation, the Company's name was MASTERCRAFT INTERNATIONAL HOLDINGS LIMITED. On 12 May 2016, the Company changed its name to China Baofeng (International) Limited.
4. The Company's shares are listed for trading on the Main Board of The Hong Kong Stock Exchange Limited (the "**Stock Exchange**") (Stock Code 3966). The Company and its

subsidiaries (the "**Group**") are principally engaged in the photovoltaic power generation business and lighting products business. The Group mainly operates in Yinchuan City, Ningxia Hui Autonomous Region, the People's Republic of China.

5. Pursuant to clause 3 of the memorandum of association of the Company (the "**Memorandum**"), the objects for which the Company is established are unrestricted.
6. The Company's current authorised share capital is HK\$8,000,000.00 divided into 800,000,000 shares of par value HK\$0.01 each (the "**Shares**"). Of these, 663,846,000 Shares have been issued and are fully paid or credited as fully paid.
7. On 21 June 2020, the Company and East Step International Holdings Limited (the "**Offeror**") jointly announced a proposal for the privatisation of the Company through the Scheme. The Offeror is a company incorporated in Hong Kong with a limited liability, of which the issued share capital is owned as to 51.22% by Mr Dang Yanbao ("**Mr Dang YB**"), the Chairman and an executive Director of the Company, and 48.78% by Fung Teng Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability ("**Fung Teng**").

#### **Shareholders**

8. As at the date of this Petition for Capital Reduction:
  - 8.1. The Offeror does not hold any issued shares within the Company.
  - 8.2. The parties acting in concert with the Offeror are any parties acting in concert or presumed to be acting in concert with the Offeror under the definition of "acting in concert" under the Hong Kong Code on Takeovers and Mergers and Share Buy-backs (the "**Takeovers Code**"), including Fung Teng, Mr Dang YB, Mr Dang Ziwei ("**Mr Dang ZW**") and Mr Dang Zidong ("**Mr Dang ZD**") (the "**Offeror Concert Parties**"). The Offeror Concert Parties hold in aggregate 464,120,000 Shares (representing approximately 69.91% of the issued share capital within the Company), of which
    - a) Fung Teng holds 456,150,000 Shares, representing approximately 68.71% of the issued share capital of the Company. Fung Teng is wholly owned by Mr Dang ZW, who is a son of Mr Dang YB; and
    - b) Mr Dang ZD holds 7,970,000 Shares, representing approximately 1.2% of the issued share capital of the Company. Mr Dang ZD is the Chief Executive Officer

of the Company, an executive Director and a director of the Offeror. Further Mr Dang ZD is a nephew of Mr Dang YB.

- 8.3. All other shareholders of the Company other than the Offeror Concert Parties, who together hold the remaining 199,726,000 Shares, represent 30.09% of the issued share capital of the Company (the "**Independent Shareholders**").
9. The Shares held by the Independent Shareholders and Mr Dang ZD, 207,696,000 Shares in total, will become the **Scheme Shares**. The Independent Shareholders and Mr Dang ZD will be collectively referred to as the **Scheme Shareholders**.

#### **The Scheme**

10. The Scheme involves the following steps:
  - (1) the Capital Reduction, by the cancellation of the Scheme Shares and, in consideration therefor, the payment by the Offeror to the Scheme Shareholders of HK\$2.60 in cash for each Scheme Share;
  - (2) the restoration of the issued share capital of the Company to the amount immediately before the cancellation of the Scheme Shares by the issuance of new Shares in the same number as the cancelled Scheme Shares to the Offeror, credited as fully paid out of the credit arising in the Company's books of accounts as a result of the Capital Reduction; and
  - (3) the withdrawal of the listing of the Shares on the Stock Exchange.
11. For the Scheme to be effective certain conditions must be complied with, including the passing of a Special Resolution to approve the Capital Reduction and the confirmation of the Capital Reduction by this Honourable Court. For reasons including a desire to bring the Company's shareholders together only once, the applications pursuant to sections 15 and 86 of the Companies Law are being made by separate Petition.

#### **The Capital Reduction**

12. On 10 July 2020, the Board of Directors of the Company convened a meeting and resolved to approve, among other things, the Scheme and the Capital Reduction, which would involve the

cancellation and extinguishment of the Scheme Shares, and each Scheme Shareholder will be entitled to receive the cancellation price of HK\$2.60 in cash for each Scheme Share cancelled and extinguished.

13. Article 6 of the articles of association of the Company (the "**Articles**") provides that the Company may from time to time by special resolution, subject to any confirmation or consent required by the Companies Law, reduce its share capital in any manner permitted by law.
14. The Company convened an extraordinary general meeting (the "**EGM**") to consider and if thought fit, approve, amongst other things, the proposed Capital Reduction in accordance with its Memorandum and Articles of Association by Notice of EGM dated 23 July 2020, constituting Appendix V to the Scheme Document sent to all of the Company's shareholders on that day.
15. The Scheme Document included, among other things, information about the proposed Capital Reduction, and the notice of EGM, with a proxy form used for the EGM.
16. The Scheme Document was sent to persons entitled to receive notice of every general meeting of the Company in accordance with Article 59 of the Articles and published on the website of the Stock Exchange of Hong Kong.
17. The EGM was held at Suite 3401, 34/F, Two Pacific Place, 88 Queensway Admiralty, Hong Kong on 17 August 2020 at 10:05am (Hong Kong time).
18. The Special Resolution submitted to the EGM held on 17 August 2020 was as follows:

*"THAT, AS A SPECIAL RESOLUTION:*

- (a) pursuant to the scheme of arrangement dated 23 July 2020 (the "**Scheme of Arrangement**") between the Company and holders of the Scheme Shares (as defined in the Scheme of Arrangement) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, on the Effective Date (as defined in the Scheme of Arrangement), the issued share capital of the Company shall be reduced by the cancellation and extinguishment of the Scheme Shares (as defined in the Scheme of Arrangement) (the "**Capital Reduction**"); and*
- (b) any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the reduction of issued share*

*capital of the Company pursuant to the Scheme of Arrangement, including (without limitation) giving consent to any modification of, or addition to, the Scheme of Arrangement or the reduction of issued share capital of the Company which the Grand Court of the Cayman Islands may see fit to impose."*

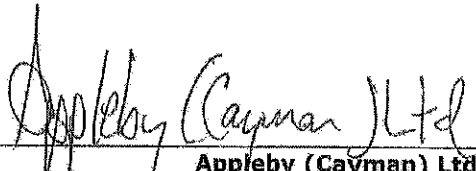
19. The Capital Reduction would involve neither a diminution of liability in respect of any unpaid share capital nor the payment to any shareholder of any paid-up share capital.
20. The Capital Reduction is for a discernible purpose, and its terms and effect were explained to shareholders with sufficient time before the EGM so as to ensure that shareholders were treated equitably.
21. The form of minute proposed to be registered is as follows:

*"The issued share capital of China Baofeng (International) Limited (the "**Company**") was by virtue of a special resolution of the Company (the "**Special Resolution**") passed at an extraordinary general meeting of shareholders of the Company held on 17 August 2020 (the "**EGM**") and with the confirmation of an order of the Grand Court of the Cayman Islands dated [ ] 2020 reduced from HK\$6,638,460.00 divided into 663,846,000 shares of par value HK\$0.01 each (represented by an authorised share capital of HK\$8,000,000 divided into 800,000,000 shares, of which 663,846,000 shares had been issued and fully paid) to HK\$4,561,500.00 divided into 456,150,000 shares of par value HK\$0.01 each (represented by an authorised share capital of HK\$8,000,000 divided into 800,000,000 shares, of which 456,150,000 had been issued and fully paid). A resolution was also passed at the same EGM which provides that subject to and forthwith upon such reduction of capital taking effect, the issued share capital of the Company be increased to its former amount of HK\$6,638,460.00 by allotting and issuing, credited as fully paid at par, 207,696,000 shares of par value HK\$0.01 each, being the same number of shares cancelled and extinguished, to East Step International Holdings Limited. The issued share capital of the Company at the time of the registration of this minute is accordingly HK\$6,638,460.00 divided into 663,846,000 shares of par value HK\$0.01 each."*
22. It is appropriate for this Honourable Court to confirm the Capital Reduction.

**YOUR PETITIONER THEREFORE HUMBLY PRAYS THAT:**

1. The reduction of the Issued share capital of the Company proposed to be effected by the Special Resolution set out at paragraph 18 above be confirmed and that the form of minute set out at paragraph 21 above be approved by the Court.
2. Such further orders be made as to the Court seem fit.

Dated the 18 day of August 2020

  
**Appleby (Cayman) Ltd.**  
**Attorneys-at-Law for the Petitioner**

Note: This petition is not intended to be served

**THIS PETITION** was filed by Appleby (Cayman) Ltd., Attorneys-at-Law for the Petitioner, whose address for service is Clifton House, 71 Fort Street, PO Box 190, KY1-1104, George Town, Grand Cayman, Cayman Islands. (Ref: 448920.0001/ES)

**NOTICE OF HEARING**

**TAKE NOTICE THAT** the hearing of this petition will take place at the Law Courts, George Town, Grand Cayman on the    day of            2020 at            am/pm.

Any correspondence or communication with the Court relating to the hearing of this petition should be addressed to the Registrar of the Financial Services Division of the Grand Court at PO Box 495, Grand Cayman, Cayman Islands, KY1-1106 telephone (+1 345) 949 4296.