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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealers or other registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

**If you have sold or transferred** all your shares in **Bonny International Holding Limited**, you should hand this circular at once to the purchaser(s) or transferee(s) or to the bank, licensed securities dealers or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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bonny 博尼

**BONNY INTERNATIONAL HOLDING LIMITED**

**博尼国际控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1906)**

**MAJOR TRANSACTION  
IN RELATION TO  
DISPOSAL OF LAND AND BUILDINGS THEREON**

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 4 to 10 of this circular.

The Disposal has been approved by written shareholders’ approval in lieu of a resolution to be passed by the Shareholder at a general meeting of the Company pursuant to the Rule 14.44 of Listing Rules. This circular is being despatched to the Shareholders for information only.

26 March 2021

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## CONTENT

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|  | <i>Page</i> |
|--|-------------|
| <b>DEFINITIONS</b> .....                                     | 1           |
| <b>LETTER FROM THE BOARD</b> .....                           | 4           |
| <b>APPENDIX I — FINANCIAL INFORMATION OF THE GROUP</b> ..... | I-1         |
| <b>APPENDIX II — PROPERTY VALUATION REPORT</b> .....         | II-1        |
| <b>APPENDIX III — GENERAL INFORMATION</b> .....              | III-1       |

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following terms have the meanings set out below:*

|                              |   |
|------------------------------|---|
| “Beiyuan Production Site”    | the production site of the Group at Beiyuan Street, Yiwu, Zhejiang, the PRC;  |
| “Board”                      | the board of directors of the Company;  |
| “China” or “PRC”             | the People’s Republic of China, but for the purpose of this circular only, excluding Hong Kong, Macau and Taiwan;   |
| “Company”                    | Bonny International Holding Limited, a company incorporated in the Cayman Islands with limited liabilities, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 1906); |
| “Compensation”               | the compensation in the aggregate amount of RMB163,719,238 to be paid by Yiwu Fotang to Zhejiang Bonny pursuant to the Disposal Agreement;  |
| “connected person(s)”        | has the meaning ascribed thereto under the Listing Rules;   |
| “controlling shareholder(s)” | has the meaning ascribed thereto under the Listing Rules;   |
| “Director(s)”                | the director(s) of the Company;   |
| “Disposal Agreement”         | the disposal agreement dated 31 December 2020 entered into by Zhejiang Bonny, the Local Government and Yiwu Fotang regarding the Disposal;  |
| “Disposal”                   | disposal of the Land and buildings thereon by Zhejiang Bonny under the Disposal Agreement;  |
| “Group”                      | the Company and its subsidiaries;   |
| “Hong Kong”                  | Hong Kong Special Administrative Region of the PRC;   |

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## DEFINITIONS

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|--------------------------------|--|
| “Independent Third Party(ies)” | any person(s) or company(ies) and their respective ultimate beneficial owners, to the best of the Directors knowledge, information and belief, having made all reasonable enquiry, which are third parties independent of and not connected with the Company and its connected persons in accordance with the Listing Rules; |
| “Land”                         | a parcel of land of approximately 40,000 square meters situated at 168 Haopai Road, Suxi, the PRC, to be acquired by the Local Government in accordance with the Disposal Agreement;   |
| “Latest Practicable Date”      | 23 March 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular;  |
| “Listing Rules”                | the Rules Governing the Listing of Securities on the Stock Exchange;   |
| “Local Government”             | the People’s Government of Suxi, Yiwu, Zhejiang, the PRC;  |
| “Maximax”                      | Maximax Holding Corporation, a British Virgin Islands business company incorporated in the British Virgin Islands with limited liability on 2 June 2017, wholly owned by Mr. Jin Guojun and is one of the controlling shareholder of the Company;  |
| “RMB”                          | Renminbi, the lawful currency of China;  |
| “SFO”                          | Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;   |
| “Shareholder(s)”               | holder(s) of the Share(s);   |
| “Share(s)”                     | share(s) of US\$0.01 each in the share capital of the Company;   |

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## DEFINITIONS

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|------------------------|--|
| “Stock Exchange”       | The Stock Exchange of Hong Kong Limited;   |
| “Suxi Production Site” | the production site of the Group at Suxi Town, Yiwu, Zhejiang, the PRC;  |
| “Yiwu Fotang”          | Yiwu Fotang Town Industrial Asset Management Co., Ltd.* (義烏市佛堂鎮工業資產管理有限公司), a limited liability company established in the PRC and the nominee appointed by the Local Government for arranging the payment of the Compensation;  |
| “Zhejiang Bonny”       | Zhejiang Bonny Fashion Holding Group Co., Ltd.* (浙江博尼時尚控股集團有限公司), formerly known as Zhejiang Bonny Co., Ltd.* (浙江博尼股份有限公司), Bonny Clothing Co., Ltd.* (博尼服飾有限公司) and Yiwu Boni Dress Co., Ltd.* (義烏博尼服飾有限公司), a limited liability company established in the PRC on 21 August 2001 and a wholly owned subsidiary of the Company; and |
| “%”                    | per cent.  |

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LETTER FROM THE BOARD

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bonny 博尼

**BONNY INTERNATIONAL HOLDING LIMITED**

**博尼国际控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1906)**

*Executive Directors:*

Mr. Jin Guojun (Chairman)  
Mr. Zhao Hui

*Non-executive Directors:*

Ms. Gong Lijin  
Ms. Huang Jingyi

*Independent non-executive Directors:*

Mr. Wang Jian  
Mr. Chan Yin Tsung  
Mr. Chow Chi Hang Tony

*Registered office:*

4th Floor  
Harbour Place  
103 South Church Street  
P.O. Box 10240  
Grand Cayman KY1-1002  
Cayman Islands

*Principal place of  
business in the PRC:*

No. 129,  
Chunhan Road, Beiyuan Street,  
Yiwu City, Zhejiang Province,  
the PRC

*Principal place of  
business in Hong Kong:*

40th Floor, Dah Sing Financial Centre  
248 Queen's Road East  
Wanchai  
Hong Kong

26 March 2021

*To the Shareholders,*

*Dear Sir or Madam,*

**MAJOR TRANSACTION  
IN RELATION TO  
DISPOSAL OF LAND AND BUILDINGS THEREON**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 31 December 2020 in relation to the entering of the Disposal Agreement by Zhejiang Bonny, with the Local Government and Yiwu Fotang, pursuant to which Zhejiang Bonny will sell the Land together with the buildings thereon to the Local Government for an aggregate Compensation of RMB163,719,238 to be settled by cash.

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## LETTER FROM THE BOARD

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As one or more of the applicable percentage ratios in respect of the Disposal are more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements.

As at the Latest Practicable Date, Maximax, which holds 634,500,000 Shares, representing approximately 52.88% of the total share capital of the Company, has approved the Disposal by a written Shareholders' approval pursuant to Rule 14.44 of the Listing Rules in lieu of a resolution to be passed at a general meeting of the Company. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder or any of their respective associates has a material interest in the Disposal, thus no Shareholder is required to abstain from voting for the resolution if the Company were to convene an extraordinary general meeting to approve the Disposal.

The purpose of this circular is to provide you with, among other things, (i) further information in relation to the Disposal Agreement; (ii) an independent valuation report in relation to the Land and buildings thereon; and (iii) other information as required by the Listing Rules.

### **THE DISPOSAL AGREEMENT**

Set out below is a summary of the principal terms of the Disposal Agreement:

#### **Date of agreement**

31 December 2020 (after trading hours)

#### **Parties**

- (1) the Local Government;
- (2) Zhejiang Bonny; and
- (3) Yiwu Fotang, being the nominee of the Local Government, for arranging payment of the Compensation

To the best knowledge, information and belief of the Directors, having made all reasonable enquiry, the Local Government, Yiwu Fotang and their respective ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

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## LETTER FROM THE BOARD

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### **Land and the buildings to be disposed**

The Land has an area of approximately 40,000 square meters and is located at 168 Haopai Road, Suxi, the PRC. The Land is designated for industrial use. Zhejiang Bonny has agreed to sell the Land to the Local Government in accordance with the terms of the Disposal Agreement for the purpose of the development planning of the Local Government. As at the date of this circular, the Suxi Production Site is situated on the Land with a floor area of approximately 56,759.5 square meters.

### **Compensation**

According to the Disposal Agreement, the Local Government will compensate Zhejiang Bonny RMB163,719,238 in aggregate to be settled by cash, which includes (i) compensation of RMB135,470,196 for the aggregate value of the Land and buildings thereon; (ii) general compensation of RMB14,702,025 (including one-off relocation fee, one-off temporary settlement fee and compensation for loss caused by production and business suspension); (iii) subsidies of RMB6,773,509; and (iv) incentives of RMB6,773,508 (including contract bonus and reallocation bonus).

Upon the execution of the Disposal Agreement, Yiwu Fotang shall pay the compensation for the aggregate value of the Land and buildings thereon and general compensation, amounting to RMB150,172,221 in total, to Zhejiang Bonny within seven working days upon cancellation of ownership of the Land. Zhejiang Bonny shall vacate the buildings (with utilities charges being fully settled) within six months upon receiving the first part of the compensation. After vacating the buildings, the soil test results being satisfactory and the keys of buildings being returned to the Local Government, Yiwu Fotang shall pay to Zhejiang Bonny within seven working days the remaining Compensation of RMB13,547,017 without interest.

The Compensation was agreed between by Zhejiang Bonny and the Local Government through arm's length negotiation with reference to the applicable procedures, regulations and laws in relation to acquisition of land by the Local Government. The Compensation was determined with reference to the preliminary valuation of the Land and buildings thereon of RMB87,320,000 as of 31 October 2020 assessed by AVISTA Valuation Advisory Limited, the independent professional valuer appointed by the Company, and RMB135,470,196 as of 5 August 2020 assessed by Zhejiang Guoxin Real Estate Land Valuation Consulting Co., Ltd., the independent professional valuer appointed by the Local Government. The valuation of the Land and buildings thereon by AVISTA Valuation Advisory Limited as of 30 December, 2020 was RMB86,850,000.



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## LETTER FROM THE BOARD

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### INFORMATION OF THE PARTIES

#### The Group and Zhejiang Bonny

The Group mainly engages in the production and sales of bras, functional sportswear, underpants and thermal clothes under two business segments through its subsidiaries. One-stop in-house intimate wear manufacturing solutions are provided to original design manufacturer (ODM) customers by our ODM sales segment. The branded sales segment sells mainly intimate wear under its “Bonny” and “U+Bonny” brands through its retail network and franchised stores. The Group sells its products in China and overseas markets.

Zhejiang Bonny is a wholly owned subsidiary of the Company.

#### The Local Government and Yiwu Fotang

To the best of the Directors’ knowledge, information and belief, and having made reasonable enquiry, (i) the Local Government is the local authority responsible for the acquisition of the Land; and (ii) Yiwu Fotang, being a nominee of the Local Government for arranging payment of the Compensation, is a limited liability company established in the PRC which is ultimately controlled by the State-owned Assets Supervision and Administration Office of the People’s Municipal Government of Yiwu\* (義烏市人民政府國有資產監督管理辦公室).

### REASONS FOR AND BENEFITS OF THE DISPOSAL

The Suxi Production Site is situated on the Land. According to the Disposal Agreement, it is expected that the production facilities at the Suxi Production Site shall be vacated within six months upon receiving the first part of the Compensation. The Group has formulated a relocation timetable and will ensure that the Suxi Production Site will be relocated to the Beiyuan Production Site in accordance with the timetable.

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## LETTER FROM THE BOARD

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The conditions of the production facilities, dormitory, sewage treatment facilities and dying equipment in the Suxi Production Site have deteriorated to such an extent that normal operation is hampered. The Company is of the view that the relocation of the Suxi Production Site to the Beiyuan Production Site will be more efficient and cost-effective than to upgrade the Suxi Production Site. The Beiyuan Production Site has been fully renovated and has more useable area than the Suxi Production Site and will be installed with automatic production system to significantly increase the production capacity of the Group. The Suxi Production Site can accommodate 271 sets of machines for the production of seamless intimate wear products while the second phase of the Beiyuan Production Site, the construction of which is completed, can accommodate up to 400 sets of machines. The third phase of the Beiyuan Production Site, which is under construction, is expected to be completed by 30 June 2022. Accordingly, the Company considers that the second phase of the Beiyuan Production Site alone can meet the expected production capacity after the disposal of the Suxi Production Site.

Having considered the preliminary valuation of the Land and buildings thereon by AVISTA Valuation Advisory Limited, the Directors consider that the Compensation under the Disposal Agreement is fair and reasonable. The Directors consider that the Compensation exceeds the value of the Land together with the properties thereon and will generate non-operating income which will improve the Group's financial position. The Directors expect that the impact of relocation of production facilities on the operation and income of the Group will be insignificant. Therefore, the Company is willing to cooperate with the Local Government under the Disposal Agreement to sell the Land and buildings thereon. In addition, the proceeds from the sale of assets may reduce the Group's debt level and satisfy the funding needs of the Group.

The Directors, including independent non-executive Directors, considers that the terms of the Disposal Agreement are on normal commercial terms, fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

### **FINANCIAL IMPLICATION OF THE DISPOSAL**

Deriving from the audited fixed assets and right-of-use assets of the Company as at 31 December 2019, the net book value of the Land and buildings thereon was approximately RMB65.5 million.

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## LETTER FROM THE BOARD

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After execution of the Disposal Agreement, the Company will relocate the Suxi Production Site to the Beiyuan Production Site. It is expected that the relocation will not have significant impact on the production and operating income of current orders of the Group. It is estimated that approximately RMB62.3 million (after tax) from the revenue of the Disposal will be credited in the consolidated accounts of the Group. The amount is calculated by deducting the net book value of the Land and buildings thereon as of 31 December 2019, estimated relocation cost and other related expenditures from the net proceeds of the Disposal.

### PROPOSED USE OF PROCEEDS

The net proceeds from the Disposal will be approximately RMB127.3 million (after tax), net of expenses.

The Company proposes to use (i) approximately RMB100 million of the proceeds to repay bank loans; (ii) approximately RMB20 million of the proceeds for construction of dying workshop and sewage treatment system and installation of air-conditioners; and (iii) the remaining proceeds will be used as general working capital for the Group.

### IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Disposal are more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements.

As at the Latest Practicable Date, Maximax, which holds 634,500,000 Shares, representing approximately 52.88% of the total share capital of the Company, has approved the Disposal by a written Shareholders' approval pursuant to Rule 14.44 of the Listing Rules in lieu of a resolution to be passed at a general meeting of the Company. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder or any of their respective associates has a material interest in the Disposal, thus no Shareholder is required to abstain from voting for the resolution if the Company were to convene an extraordinary general meeting to approve the Disposal.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Board considers that the terms of the Disposal Agreement are on normal commercial terms, fair and reasonable and the Disposal is in the interest of the Company and the Shareholders as a whole. Accordingly, the Board considers that if an extraordinary general meeting was to be convened for approving the Disposal, the Board would have recommended the Shareholders to vote in favour of the resolution to approve the Disposal Agreement and the Disposal at such general meeting.

### FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully  
By order of the Board  
**Bonny International Holding Limited**  
**Jin Guojun**  
*Chairman*

\* *For identification purpose only*

**1. FINANCIAL INFORMATION**

The financial information of the Group for each of the year ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 are disclosed in the following documents which have been published and are available on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.bonnychina.com](http://www.bonnychina.com) through the links below:

- interim report of the Company for the six months ended 30 June 2020 published on 29 September 2020 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0929/2020092900426.pdf>);
- annual report of the Company for the year ended 31 December 2019 published on 14 May 2020 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0514/2020051401739.pdf>); and
- prospectus of the Company dated 12 April 2019 which was published on 12 April 2019 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0412/lt20190412009.pdf>).

**2. INDEBTEDNESS**

As at the close of business on 31 January 2021, being the latest practicable date for the preparation of the indebtedness statement, the Group had outstanding secured and guaranteed bank borrowings of approximately RMB121.65 million, all of which has a maturity profile within one year. As at 31 January 2021, the Group had unsecured and unguaranteed lease liabilities of approximately RMB2.1 million.

Save as disclosed above or otherwise discussed in this circular and except for the inter-group liabilities during the ordinary course of business and normal trade payables, as at 31 January 2021, the Group did not have any debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, bank overdrafts, other borrowings or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities, whether guaranteed, unguaranteed, secured or unsecured.

**3. CONTINGENT LIABILITIES**

Save as disclosed in the section headed “6. Litigation” in Appendix III to this circular, as at the latest practicable date, the Group had no significant contingent liabilities.

**4. WORKING CAPITAL**

The Directors, after due and careful enquiry, are of the opinion that taking into consideration the effect of the Disposal and the present financial resources available to the Group, including funds generated from its business operations, existing cash and bank balances and available credit facilities, the Group has sufficient working capital for its business operations for at least the next 12 months from the date of this circular, in the absence of unforeseen material circumstances.

**5. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Company were made.

**6. FINANCIAL AND TRADING PROSPECT OF THE GROUP**

It is expected that the COVID-19 pandemic will linger and uncertainties over the global economy will sustain in 2021, which poses huge challenges to the entire clothing industry. As mentioned in the interim report of the Company for the six months ended 30 June 2020, the Company is well-prepared to overcome such difficulties. The Company will focus on providing one-stop in-house intimate wear manufacturing solutions to its ODM customers in the PRC and overseas. In addition, the Company will continue to:

- i) take regular measures for the prevention of the COVID-19 pandemic, so as to ensure the stable production and operation and the normal operation of our brand stores;
- ii) closely cooperating with academic institutions and third party design organizations to develop diversified products and smart production systems;
- iii) retain quality domestic customers, so as to grasp opportunities brought by the recent growth of online retail customers in the PRC; and
- iv) expand online sales channels (including micro business, live-streaming sales and social media sales) to enlarge its e-commerce network.

The construction of the second phase of the Beiyuan Production Site is completed. The third phase of the Beiyuan Production Site is under construction and is expected to be completed by 30 June 2022. The Company considers that the second phase of the Beiyuan Production Site alone can meet the expected production capacity after the disposal of the Suxi Production Site.

*The following is the text of a letter and a valuation certificate prepared for the purpose of incorporation in this circular received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation as at 30 December 2020 of the property interests held by the Group.*



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Wan Chai, Hong Kong

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26 March 2021

The Board of Directors

**Bonny International Holding Limited**

No. 129, Chunhan Road, Beiyuan Street,  
Yiwu City, Zhejiang Province, the PRC  
the People's Republic of China (the "PRC")

Dear Sirs/Madams,

**INSTRUCTIONS**

In accordance with the instructions of Bonny International Holding Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") for us to carry out the valuation of the property interests located in the PRC held by the Group. We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market Value of the property interests as at 30 December 2020 (the "Valuation Date").

**VALUATION STANDARDS**

In valuing the property interests, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the RICS Valuation — Global

Standards 2020 published by the Royal Institution of Chartered Surveyors (“RICS”) and the International Valuation Standards published from time to time by the International Valuation Standards Council.

### **BASIS OF VALUATION**

Our valuation is carried out on a Market Value basis, which is defined by the International Valuation Standards as *“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”*.

### **VALUATION ASSUMPTIONS**

Our valuation of the property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value or costs of sale and purchase or offset for any associated taxes.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In the course of our valuation of the property in the PRC, we have assumed that transferable land use rights in respect of the property for a specific term at nominal annual land use fees have been granted and that any premium has already been fully settled. We have relied on the advice given by the Group regarding the title to the property. For the purpose of our valuation, we have assumed that the grantee has an enforceable title to the property.

In valuing the property in the PRC, we have assumed that the grantees or the users of the property have free and uninterrupted rights to use or to assign the property for the whole of the unexpired term as granted.

Unless noted in the report, vacant possession is assumed for the property concerned.

Moreover, we have assumed that the design and construction of the properties are/will be in compliance with the local planning regulations and requirements and had been/would have been duly examined and approved by the relevant authorities.



Continued uses assumes the properties will be used for the purposes for which the properties are designed and built, or to which they are currently adapted. The valuation on the property in continued uses does not represent the amount that might be realised from piecemeal disposition of the property in the open market.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed. Moreover, it is assumed that all required licences, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organisation either have been or can be obtained or renewed for any use which the report covers.

It is also assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in the valuation report. In addition, it is assumed that the utilisation of the land and improvements are within the boundaries of the properties described and that no encroachment or trespass exists, unless noted in the report.

We have further assumed that the properties were not transferred or involved in any contentious or non-contentious dispute as at the valuation date. We have also assumed that there was not any material change of the properties in between dates of our inspection and the valuation date.

## **VALUATION METHODOLOGY**

In the course of our valuation, unless otherwise stated, we have valued the properties in their designated uses with the understanding that the properties will be used as such (hereafter referred to as “**continued uses**”).

In valuing the property interests, due to the nature of the buildings and structures of the property interests, there are no market sales comparables readily available, we have valued a property on the basis of its depreciated replacement cost. Depreciated replacement cost is defined as “*the current cost of replacing an asset with its modern equivalent asset less deduction for physical deterioration and all relevant forms of obsolescence and optimization*”. It is based on an estimation of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interests is subject to adequate potential profitability of the concerned business.

**TITLE INVESTIGATION**

We have been provided with copies of documents in relation to the title of the property interests in the PRC. Where possible, we have examined the original documents to verify the exiting title to the property interest in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. All documents have been used for reference only and all dimensions, measurements and areas are approximate. In the course of our valuation, we have relied considerably on the legal opinion given by the Company's PRC legal adviser — Zhejiang Ningbang Law Firm, concerning the validity of title of the property interests in the PRC.

**SITE INVESTIGATION**

We have inspected the exteriors and, where possible, the interior of the Property. The site inspection was carried out on by Greivis Sze (Manager) during the date 4 March 2019 to 5 March 2019 and Leo Shen (Analyst) on 7 January 2021. However, we have not carried out an investigation on site to determine the suitability of ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. We have further assumed that there is no significant pollution or contamination in the locality which may affect any future developments.

Moreover, no structural surveys have been undertaken, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the Property is free of rot, infestation or any other structural defects. No tests were carried out on any of the utility services.

**SOURCE OF INFORMATION**

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Company or the legal or other professional advisers on such matters as statutory notices, planning approvals, zoning, easements, tenures, completion date of buildings, development proposal, identification of properties, particulars of occupation, site areas, floor areas, matters relating to tenure, tenancies and all other relevant matters.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

**LIMITING CONDITION**

Wherever the content of this report is extracted and translated from the relevant documents supplied in Chinese context and there are discrepancies in wordings, those parts of the original documents will take prevalent.

**CURRENCY**

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates is attached.

Yours faithfully,  
For and on behalf of  
**AVISTA Valuation Advisory Limited**  
**Vincent C B Pang**  
*MRICS CFA FCPA FCPA Australia*  
*RICS Registered Valuer*  
*Managing Director*

*Notes:* Mr. Vincent C B Pang is a member of Royal Institution of Chartered Surveyors (RICS) and a registered valuer of RICS. He has over 10 years' experience in the valuation of properties including Hong Kong, the PRC, the U.S., Canada, East and Southeast Asia including Singapore, Japan and Korea.

## VALUATION CERTIFICATE

## Property interest held for owner occupied

| No. Property   | Description and tenure   | Particulars of occupancy   | Market value<br>in existing state<br>as at<br>30 December<br>2020<br>RMB |
|--|--|--|--|
| 1. 6 blocks of building located at 168 Haopai Road, Suxi Town, Yiwu City, Zhejiang Province, the PRC | <p>The property comprises 3 parcels of land with a total site area of approximately 40,000.00 sq.m and various blocks of building and ancillary structures erected thereon completed from 2007 to 2013.</p> <p>The buildings have a gross floor area of approximately 56,759.50 sq.m. and include 3 blocks of industrial buildings and 3 blocks of dormitory (please refer to Notes no. 1).</p> <p>The ancillary structures mainly include landscaping area, boundary wall, sewage treatment station and road.</p> <p>The land use rights of the property have been granted for a term commencing on 27 September 2005 and expiring on 26 September 2055 for industrial use.</p> | As at the date of valuation, the property was occupied by the Group. | 86,850,000   |

## Notes:

1. Pursuant to three Real Estate Ownership Certificates dated 19 July 2018, the land use rights of three parcels of land with a total site area of approximately 40,000.00 sq.m. and the property with a total gross floor area of approximately 56,759.50 sq.m. has been vested to Zhejiang Bonny Fashion Holding Group Co., Ltd. (浙江博尼時尚控股集團有限公司) the wholly owned subsidiary of the Group, for a term of approximately 50 years. The details are tabulated as below:

| No.           | Real Estate Ownership Certificate                     | Owner  | Expiry Date       | Gross             |                    | Usage      |
|---------------|---|--|-------------------|-------------------|--------------------|------------|
|               |   |  |                   | Site Area (sq.m.) | Floor Area (sq.m.) |            |
| 1             | Zhe (2018) Yi Wu Shi Bu Dong Chan Quan Di No. 0038226 | Zhejiang Bonny Fashion Holding Group Co., Ltd. | 26 September 2055 | 13,333.49         | 20,223.47          | Industrial |
| 2             | Zhe (2018) Yi Wu Shi Bu Dong Chan Quan Di No. 0038225 | Zhejiang Bonny Fashion Holding Group Co., Ltd. | 26 September 2055 | 13,333.10         | 22,684.49          | Industrial |
| 3             | Zhe (2018) Yi Wu Shi Bu Dong Chan Quan Di No. 0038228 | Zhejiang Bonny Fashion Holding Group Co., Ltd. | 26 September 2055 | 13,333.41         | 13,851.54          | Industrial |
| <b>Total:</b> |   |  |                   | <u>40,000.00</u>  | <u>56,759.50</u>   |            |

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
- The Company has legally obtained both land use right and building ownership of the property;
  - The Company has the right to possess, use, lease, transfer, pledge or dispose the property legally; and
  - The land use rights and buildings were pledged.
3. In our valuation, we have made reference to some transaction price references of land comparables near the subject. We have adopted the range of unit rates between RMB130 to RMB140 per sq.m. The unit rates assumed by us are consistent with the said price reference. Due adjustments to the unit rates of those price reference have been made to reflect factors including but not limited to time, location and size in arriving at the key assumptions.
4. A summary of major certificates/licenses is shown as follows:
- Real Estate Ownership Certificate Yes

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiry, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. INTERESTS OF DIRECTORS

### (a) Interests and short positions of Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”), which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have taken under such provisions of the SFO), or were recorded in the register required to be kept under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company (the “Model Code”) were as follows:

#### (i) Long position in the issued shares of the Company

| Name of Director | Capacity/Nature of Interest                          | Number of Shares held/interested | Approximate percentage of shareholding<br><i>(Note 1)</i> |
|------------------|--|----------------------------------|---|
| Jin Guojun       | Interested in controlled corporation <i>(Note 2)</i> | 634,500,000                      | 52.88%  |
| Gong Lijin       | Interest of spouse <i>(Note 3)</i>                   | 634,500,000                      | 52.88%  |
| Huang Jingyi     | Beneficial owner                                     | 10,033,461                       | 0.83%   |

*Notes:*

1. As at the Latest Practicable Date, the total number of issued shares of the Company is 1,200,000,000 shares.
2. These shares are held by Maximax, which is wholly owned by Jin Guojun. By virtue of the SFO, Jun Guojun is deemed to be interested in the shares held by Maximax.
3. Jin Guojun is the spouse of Gong Lijin. By virtue of the SFO, Gong Lijin is deemed to be interested in the shares interested by Jin Guojun.

**(ii) Long position in the shares of associated corporations of the Company**

| Name of Director | Name of associated corporation | Capacity/Nature of interest        | Number of Shares held/interested | Approximate percentage of shareholding |
|------------------|--------------------------------|------------------------------------|----------------------------------|--|
| Jin Guojun       | Maximax <sup>(Note 1)</sup>    | Interest in controlled corporation | 1                                | 100%                                   |

*Note:*

1. Maximax Holding Corporation is one of the controlling shareholders of the Company and is wholly owned by Jin Guojun.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have taken under such provisions of the SFO), or were recorded in the register required to be kept under Section 352 of the SFO, or as otherwise were notified to the Company and the Stock Exchange pursuant to the Model Code.

**(b) Interests and short positions of the substantial Shareholders in the shares and underlying shares of the Company**

As at the Latest Practicable Date, so far as known to the Directors, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

*Long position in issued shares of the Company*

| Name  | Capacity/Nature of Interest                     | Number of<br>Shares<br>held/interested | Approximate<br>percentage of<br>shareholding<br><i>(Note 1)</i> |
|---|---|--|---|
| Maximax   | Beneficial owner                                | 634,500,000                            | 52.88%  |
| Jin Xiaohong  | Beneficial owner                                | 63,000,000                             | 5.25%   |
| Zhejiang Yiwu Gaoxin District Development and Construction Co., Ltd.* (浙江義烏高新區開發建設有限公司) | Person having a security interest in the shares | 243,025,715                            | 20.25%  |

*Note:*

1. As at the Latest Practicable Date, the total number of issued shares of the Company is 1,200,000,000 shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other persons (other than the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

As at the Latest Practicable Date, no Director or proposed Director is a director or employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**(c) Interests of Directors in the assets of the Group**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had, since 31 December 2019, being the date of the latest published audited financial statements of the Company, been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.



**(d) Interests of Directors in contracts of the Group**

There was no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested in and which is significant to the business of the Group.

**3. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

**4. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors, the controlling Shareholders or his or her respective close associates was considered to have interests in business which competes or was likely to compete, either directly or indirectly, with the business of the Group other than those business to which the Directors, the controlling Shareholders or his or her close associates were appointed to represent the interests of the Company and/or the Group.

**5. MATERIAL CONTRACTS**

As at the Latest Practicable Date, save as disclosed in section headed "Appendix V — Statutory and General Information — B. Further information about our business — 1. Summary of Material Contracts" to the Company's prospectus dated 12 April 2019, the following are contracts (not being contracts entered into in the ordinary course of business) entered into by the members of the Group within the two years immediately preceding the date of this circular and which is or may be material or of significance:

- (a) the share pledge agreement dated 16 November 2020 entered in to between Maximax, a controlling shareholder of the Company (as defined under the Listing Rules), and a company registered in mainland China, pursuant to which Maximax pledged an aggregate of 243,025,715 ordinary Shares, representing approximately 20.25% of the issued share capital of the Company, in favour of the company registered in mainland China; and
- (b) the Disposal Agreement.

## 6. LITIGATION

As at the Latest Practicable Date, save as disclosed below, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

In December 2020, the Company received a “Civil Complaint” (民事起訴狀) served by Jinhua City Intermediate People’s Court of Zhejiang Province, and became aware that the case in relation to the procurement contract dispute with A Barcs & Co Nominees Pty Ltd and Zhejiang Bonny had been accepted by such court. For details, please refer to the announcement of the Company dated 13 January 2021.

A subsidiary of the Group is currently a defendant in a lawsuit brought by Shanghai Yuli Import & Export Co., Ltd. (“Yuli”) that the subsidiary breached and repudiated a procurement contract pursuant to which Yuli procured face masks from the subsidiary. Yuli claimed for the return of prepayment in the amount of RMB240,000 plus interest thereon, as well as for the termination of the contract and legal costs. The Directors, based on the advice from the Group’s legal counsel in the PRC, believe that the subsidiary has a valid defence against the allegation and, accordingly, have not provided for any claim arising from the litigation, other than the related legal and other costs.

A subsidiary of the Group is in a lawsuit brought by E&B Trading Co., Ltd (“E&B”) that the subsidiary breached and repudiated a procurement contract pursuant to which E&B procured face masks from the subsidiary. E&B claimed for RMB1,360,000, which is two times of the deposit paid by E&B, as well as the termination of the contract and legal costs. Based on the advice from the external legal counsel in the PRC, the Directors believe that E&B defaulted the contract at the beginning, thus, the subsidiary has not provided for any claim arising from the litigation, other than the related legal and other costs.

## 7. MATERIAL ACQUISITION

Since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group have been made up and up to the Latest Practicable Date, no member of the Group has acquired, or agreed to acquire, or is proposing to acquire a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the auditors’ report or next published audited consolidated financial statements of the Group.

**8. EXPERT QUALIFICATION AND CONSENT**

The qualification of the expert who has given opinion in this circular is as follows:

| <b>Name</b>                       | <b>Qualifications</b> |
|-----------------------------------|-----------------------|
| AVISTA Valuation Advisory Limited | Qualified surveyors   |

As at the Latest Practicable Date, AVISTA Valuation Advisory Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and reference to its name, in the form and context in which they appear.

As at the Latest Practicable Date, AVISTA Valuation Advisory Limited did not have any shareholding in any member of the Group and did not have the right to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, AVISTA Valuation Advisory Limited did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up.

**9. MISCELLANEOUS**

- (a) The company secretary of the Company is Ms. Chen Chun, who is an associate member of The Hong Kong Institute of Chartered Secretaries and an associate member of The Corporate Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators).
- (b) The registered office of the Company is at 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.
- (c) The Company's head office and principal place of business in the PRC is at No. 129, Chunhan Road, Beiyuan Street, Yiwu City, Zhejiang Province, the PRC.
- (d) The Company's principal place of business in Hong Kong is at 40th Floor, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong.

- (e) The Cayman Islands principal share registrar and transfer office of the Company is Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.
- (f) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (g) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

#### 10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at 40th Floor, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong, during normal business hours from 9:00 a.m. to 6:00 p.m. on any weekday, except public holidays, for the period of 14 days commencing from the date of this circular:

- (a) the amended and restated memorandum and articles of association of the Company;
- (b) the annual report of the Company for the year ended 31 December 2019 and the prospectus of the Company published on 12 April 2019;
- (c) the material contracts referred to in the paragraph headed "5. Material Contracts" in this appendix;
- (d) the Disposal Agreement;
- (e) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;
- (f) the property valuation report prepared by AVISTA Valuation Advisory Limited as set out in Appendix II to this circular;
- (g) the written consent of the expert referred to in the paragraph headed "8. Expert Qualification and Consent" of this appendix; and
- (h) this circular.