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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**

**THE DISPOSAL**

On 31 December 2020 (after trading hours), Zhejiang Bonny, a wholly-owned subsidiary of the Company, entered into the Disposal Agreement 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.

**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.

A circular containing, among other things, (i) further information in relation to the Disposal Agreement and the Disposal thereunder; (ii) an independent valuation report in relation to the Land and buildings thereon; and (iii) other information as required by the Listing Rules, is expected to be despatched to the Shareholders no later than 22 January 2021.

As at the date of this announcement, Maximax Holding Corporation holds 634,500,000 Shares, representing approximately 52.88% of the total issued 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.

On 31 December 2020 (after trading hours), Zhejiang Bonny, a wholly-owned subsidiary of the Company, entered into the Disposal Agreement 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.

The principal terms of the Disposal Agreement are set out below:

**Date**

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.

**Land and buildings thereon 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 announcement, 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.

## **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.

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.

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 expenses 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.

## **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).

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A circular containing, among other things, (i) further information in relation to the Disposal Agreement and the Disposal thereunder; (ii) an independent valuation report in relation to the Land and the buildings thereon; and (iii) other information as required by the Listing Rules is expected to be despatched to the Shareholders no later than 22 January 2021.

As at the date of this announcement, Maximax Holding Corporation, 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.

## DEFINITIONS

In this announcement, the following terms have the meanings set out below, unless the context requires otherwise.

“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 announcement 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
“Director(s)”	the director(s) of the Company
“Disposal Agreement”	the disposal agreement dated 31 December 2020 entered into between 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
“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, 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
“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
“RMB”	Renminbi, the lawful currency of China



“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) in the share capital of the Company
“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
“%”	per cent

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

Hong Kong, 31 December 2020

*As at the date of this announcement, the Board consists of two executive Directors, namely Mr. Jin Guojun and Mr. Zhao Hui; two non-executive Directors, namely Ms. Gong Lijin and Ms. Huang Jingyi; and three independent non-executive Directors, namely Mr. Li Youxing, Mr. Wang Jian and Mr. Chan Yin Tsung.*

\* For identification purpose only