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Bauhaus International (Holdings) Limited

包浩斯國際（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 483)

**DISCLOSEABLE TRANSACTION
IN RELATION TO DISPOSAL AND LEASEBACK OF PROPERTY
AND
NOTICE OF BOARD MEETING**

THE DISPOSAL AND LEASEBACK

The Board announces that on 14 September 2021 (after trading hours of the Stock Exchange), the Vendor, a wholly-owned subsidiary of the Company, the Company as the Vendor's guarantor, the Target Company and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which, the Vendor agreed to sell, and the Purchaser agreed to acquire (i) the Sale Share, representing the entire issued share capital of the Target Company; and (ii) the Sale Loan, representing the loan owing by the Target Company to the Vendor on the Completion Date, at an aggregate Consideration of HK\$71,000,000, subject to the terms and conditions therein.

The Target Company holds the Property, which shall be leased back for the use of the Group for a term of 6 months commencing immediately from the Completion Date pursuant to the Sale and Purchase Agreement.

IMPLICATION UNDER THE LISTING RULES

Since one or more of the applicable percentage ratios in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfilment or waiver (as the case may be) of the conditions precedent set out in the Sale and Purchase Agreement. Accordingly, the Disposal may or may not complete. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in any securities of the Company.

INTRODUCTION

The Board announces that on 14 September 2021 (after trading hours of the Stock Exchange), the Vendor, a wholly-owned subsidiary of the Company, the Company as guarantor, the Target Company and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which, the Vendor agreed to sell, and the Purchaser agreed to acquire (i) the Sale Share, representing the entire issued share capital of the Target Company; and (ii) the Sale Loan, representing the loan owing by the Target Company to the Vendor on the Completion Date, at an aggregate Consideration of HK\$71,000,000, subject to the terms and conditions therein.

The Target Company holds the Property, which shall be leased back for the use of the Group for a term of 6 months commencing immediately from the Completion Date pursuant to the Sale and Purchase Agreement.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are as follows:

Date

14 September 2021

Parties

Vendor:	Bauhaus Investments (BVI) Limited, a wholly-owned subsidiary of the Company
Vendor's guarantor:	The Company
Target Company:	Eighty Twenty Products Limited, an indirect wholly-owned subsidiary of the Company
Purchaser:	Well Huge Limited, a company incorporated under the laws of Hong Kong

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner is a third party independent of the Company and its connected persons.

The Company agreed to guarantee the performance by the Vendor of its obligation under the Sale and Purchase Agreement subject to the terms and conditions therein.

Subject matter

Pursuant to the Sale and Purchase Agreement, the Vendor agreed to sell, and the Purchaser agreed to acquire (i) the Sale Share; and (ii) the Sale Loan, at the aggregate Consideration of HK\$71,000,000. The Sale Share represents the one issued ordinary share of the Target Company, representing the total number of issued share(s) in the Target Company. The Sale

Loan represents the loan owing by the Target Company to the Vendor on the Completion Date which is to be assigned in favour of the Purchaser at Completion.

The Target Company is a company incorporated under the laws of Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of the Company before Completion. It holds the Property located at 2nd Floor of Wofoo Building, Nos. 204-210 Texaco Road, Tsuen Wan, New Territories, Hong Kong. The Property is being used as a warehouse by the Group immediately before the Disposal.

Upon Completion, the Vendor and the Company will cease to hold any shares in the Target Company.

The Target Company has an audited net liabilities of approximately HK\$2,150,000 as at 31 March 2021.

The net loss before and after taxation for the Target Company for the years ended 31 March 2020 and 2021 are set out as follows:

	Financial year ended	
	31 March 2021	31 March 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)
Net loss before taxation	1,032	344
Net loss after taxation	1,265	593

Consideration

The Consideration of HK\$71,000,000 under the Sale and Purchase Agreement is to be settled in the following manner:

- (a) an initial deposit in the amount of HK\$3,550,000 has already been paid prior to the signing of the Agreement, within which HK\$3,250,000 is a refundable initial deposit and HK\$300,000 is a non-refundable initial deposit, and will be applied as part payment of the Consideration;
- (b) a further deposit in the amount of HK\$3,550,000 has been paid upon the signing of the Sale and Purchase Agreement as deposit and part payment of the Consideration; and
- (c) the balance of the Consideration in the sum of HK\$63,900,000 shall be paid upon Completion.

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser with reference to the valuation of the Property made by an independent qualified valuer as at 23 August 2021 of approximately HK\$66,000,000 and the market value of comparable properties in Hong Kong.

Conditions Precedent

Completion is conditional upon and subject to the following conditions:

- (a) all payments required to be paid to the Vendor (or the Vendor's solicitors as agent) pursuant to the Sale and Purchase Agreement have been fully paid;
- (b) there being no encumbrances over the Sale Share, Sale Loan and the Property;
- (c) the Vendor being able to show and give good title to the Property in accordance with section 13 and 13A of the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong);
- (d) duly discharge of any encumbrance over the Property; and
- (e) there being no material adverse change in the Target Company between the date of the Sale and Purchase Agreement and Completion Date as contemplated under the Sale and Purchase Agreement.

If any of the conditions set out above have not been fulfilled or waived (as the case may be) on or before the Completion Date, then the Purchaser may give written notice to the Vendor to either (i) postpone the Completion to a date falling not more than 10 Business Days after the original Completion Date; or (ii) terminate the Sale and Purchase Agreement whereupon all rights and obligations of the Vendor and the Purchase will cease immediately upon termination and the deposits (to the extent paid) shall be returned to the Purchaser without interest upon demand in writing by the Purchaser in accordance with the Sale and Purchase Agreement.

Completion

Upon all of the conditions precedent under the Sale and Purchase Agreement having been fulfilled or waived (as the case may be), the Completion shall take place on 30 September 2021 or such other date as the Vendor and the Purchase may agree in writing.

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the Group will cease to have any interest in the Property.

LEASEBACK

Pursuant to the Sale and Purchase Agreement, upon the Completion, the Purchaser shall procure the Target Company to enter into the Tenancy Agreement with the Vendor or its wholly-owned subsidiary, pursuant to which the Target Company shall lease the Property to the Group for its use for a term of 6 months commencing immediately from the Completion Date. The monthly rent payable by the Group will be HK\$237,000 (inclusive of management fee, government rent and rates) during the term of the Leaseback. The aggregate rental for the term of the Leaseback will be deducted from the Balance of Consideration at the time of Completion. The Property will continue to serve as the Group's warehouse premises.

The Rent was determined after arm's length negotiations between Vendor and the Purchaser with reference to, among other things, (i) the Disposal and Leaseback arrangement as set out in the Sale and Purchase Agreement; (ii) the prevailing market conditions; and (iii) the location of the Property and the market rental price of comparable properties in the proximity.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Directors have been assessing the property market in Hong Kong and reviewing the Group's options over the Property as held by the Group. Having considered that the Property is not essential for the Group's long term future operations, the Disposal will not have a material adverse effect on the Group's operations. The Directors therefore believe that the Disposal represents a good opportunity for the Company to realise the value of the Property at a reasonable price and the proceeds from the Disposal will bring forth value to its Shareholders.

The Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase 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. The Disposal has been approved by the Board. As none of the Directors had material interests in the Sale and Purchase Agreement, no Director was required to abstain from voting on the resolutions approving the Sale and Purchase Agreement and the transaction contemplated thereunder.

FINANCIAL EFFECTS ON THE GROUP

The proceeds arising from the Disposal is HK\$71,000,000 and is expected to be used for the payment of a second special dividend for the year ending 31 March 2022 of approximately HK\$68,000,000 (after deducting expenses in relation to the Disposal) to the Shareholders as of the relevant record date (the "**2nd Special Dividend**"). Further announcement will be made by the Company in respect of the 2nd Special Dividend.

Subject to audit, the Group is expected to record a gain of approximately HK\$20.2 million from the Disposal, which is calculated based on the Consideration received by the Group for the Disposal less the carrying value of the Target Company as at 31 August 2021 before any related expenses. As of 31 August 2021, the unaudited net liabilities of the Target Company was approximately HK\$2.7 million.

INFORMATION OF THE PARTIES

The Group is principally engaged in design and retail of trendy apparel, bags and fashion accessories. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the principal business of the Purchaser is investment holding. The ultimate beneficial owner of the Purchaser is Ms. Chow Yuk Lan.

IMPLICATIONS UNDER THE LISTING RULES

Since one or more of the applicable percentage ratios in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

NOTICE OF BOARD MEETING

As disclosed above, subject to Completion, it is intended that a 2nd Special Dividend will be made. Notice is hereby given that a meeting of the Board will be held on Wednesday, 6 October 2021 for the purpose of, among other things, considering and approving the recommendation on the payment of the 2nd Special Dividend.

DEFINITIONS

“Board”	the board of Directors
“Business Days”	a day (other than Saturdays, Sundays and public holidays) on which licensed banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“Company”	Bauhaus International (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange with stock code 483
“Completion”	the completion of the Disposal
“Completion Date”	date of Completion, which shall take place on 30 September 2021 (or such other date as the Vendor and the Purchaser may agree in writing)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	The amount of HK\$71,000,000, being the consideration to be paid by the Purchaser to the Vendor for the Sale Share and the Sale Loan pursuant to the Sale and Purchase Agreement
“Directors”	directors of the Company
“Disposal”	the sale of the Sale Share and the assignment of the Sale Loan pursuant to the terms and conditions of the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Leaseback”	the leaseback arrangement in respect of the Property between the Vendor or its wholly-owned subsidiary (as tenant) and the Target Company (as landlord) upon Completion
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Property”	2nd Floor of Wofoo Building, Nos. 204-210 Texaco Road, Tsuen Wan, New Territories, Hong Kong
“Purchaser”	Well Huge Limited, a company incorporated under the laws of Hong Kong
“Rent”	the monthly rent of HK\$237,000 for the Property pursuant to the Tenancy Agreement (inclusive of management fee, government rent and rates)
“Sale and Purchase Agreement”	the sale and purchase agreement dated 14 September 2021 entered into among the Vendor, the Company as the Vendor’s guarantor and the Purchaser in respect of the Disposal and the Leaseback subject to the terms and conditions therein
“Sale Loan”	loan owing by the Target Company to the Vendor on the Completion Date which is to be assigned in favour of the Purchaser at Completion
“Sale Share”	one ordinary share of the Target Company, representing the total number of issued share(s) in the Target Company
“Shareholders”	holders of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Eighty Twenty Products Limited, a company incorporated under the laws of Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of the Company before Completion
“Tenancy Agreement”	the tenancy agreement to be entered into between the Target Company as the landlord and the Vendor (or its nominee) as tenant immediately after the Completion in relation to the Leaseback arrangement

“Vendor”

Bauhaus Investments (BVI) Limited, a company incorporated under the laws of BVI with limited liability, which is a wholly-owned subsidiary of the Company

“%”

per cent

By order of the Board
Bauhaus International (Holdings) Limited
Dr. Wong Yui Lam
Chairman

Hong Kong, 14 September 2021

As at the date of this announcement, the board of directors of the Company comprises three executive directors, namely Dr. Wong Yui Lam, Madam Tong She Man, Winnie and Mr. Yeung Yat Hang and three independent non-executive directors, namely Mr. Mak Wing Kit, Mr. Chu To Ki and Mr. Wong Man Tai.