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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 a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

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

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# **bauhaus**

**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)**

**MAJOR TRANSACTION  
IN RELATION TO THE DISPOSAL AND LEASEBACK OF PROPERTY**

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A letter from the Board is set out on pages 3 to 8 of this circular.

Capitalised terms used in this cover shall have the same meanings as defined in this circular.

26 October 2021

# CONTENTS

	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	3
<b>APPENDIX I – FINANCIAL INFORMATION OF THE GROUP</b> .....	I-1
<b>APPENDIX II – VALUATION REPORT</b> .....	II-1
<b>APPENDIX III – GENERAL INFORMATION</b> .....	III-1

## DEFINITIONS

*In this circular, unless the context requires otherwise, the following expressions shall have the following meanings.*

“Announcement”	the announcement of the Company dated 1 September 2021 in relation to the Disposal and Leaseback
“Balance of Consideration”	the balance in the sum of HK\$113,400,000 to be paid in full upon Completion
“Board”	the board of Directors
“Company”	Bauhaus International (Holdings) Limited, a company incorporated in the Cayman Islands
“Completion”	the completion of the Disposal
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration of HK\$126,000,000 payable by the Purchaser for the Disposal
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the sale of the Property by the Vendor to the Purchaser pursuant to the terms of the Provisional Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Special Region of the PRC
“Latest Practicable Date”	20 October 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Leaseback”	the leaseback arrangement in respect of the Property between the Vendor or a nominated member of the Group (as tenant) and the Purchaser (as landlord) upon completion of the Provisional Sale and Purchase Agreement

## DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Property”	Workshop Nos. 1-40 (both inclusive) with Store Room No. 9 on 5th floor and Private Parking P39, Lorry Parking L9 on B/F, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Hong Kong
“Provisional Sale and Purchase Agreement”	the provisional sale and purchase agreement dated 1 September 2021 entered into between the Vendor and the Purchaser in respect of the sale and purchase of the Property”
“Purchaser”	Asian Land (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Vendor”	Bauhaus Property Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“%”	per cent

# **bauhaus**

**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)**

*Executive Directors:*

Dr. Wong Yui Lam (*Chairman*)

Madam Tong She Man, Winnie (*Vice Chairlady  
and Chief Operating Officer*)

Mr. Yeung Yat Hang (*Chief Executive Officer*)

*Independent non-executive Directors:*

Mr. Chu To Ki

Mr. Mak Wing Kit

Mr. Wong Man Tai

*Registered Office:*

P.O. Box 902

Second Floor, Century Yard

Cricket Square

Grand Cayman KY1-1103

Cayman Islands

*Head office and principal place of  
business in Hong Kong*

Room 501

Sino Industrial Plaza

9 Kai Cheung Road

Kowloon Bay

Kowloon, Hong Kong

26 October 2021

*To the Shareholders*

Dear Sir or Madam,

## **MAJOR TRANSACTION IN RELATION TO THE DISPOSAL AND LEASEBACK OF PROPERTY**

### **INTRODUCTION**

The Board announces that on 1 September 2021 (after trading hours), the Vendor, a wholly-owned subsidiary of the Company, entered into the Provisional Sale and Purchase Agreement with the Purchaser pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Property for an aggregate consideration of HK\$126,000,000.

The Disposal constitutes a major transaction for the Company under the Listing Rules.

## LETTER FROM THE BOARD

As the Company has received a written Shareholder's approval from (i) Dr. Wong Yui Lam and his controlled corporation Wonder View Limited, (ii) Madam Tong She Man, Winnie through her controlled corporation Great Elite Corporation, and (iii) New Huge Treasure Investments Limited, being the controlling shareholders of the Company who are collectively interested in 246,168,000 Shares, representing approximately 67.01% of the issued share capital of the Company as at the Latest Practicable Date, approving the Disposal pursuant to Rule 14.44(2) of the Listing Rules, the Company will not convene any general meeting to approve the Disposal. The purpose of this circular is to provide you with, amongst other things, further information in relation to the Disposal and other information in compliance with the requirements of the Listing Rules.

### THE PROVISIONAL SALE AND PURCHASE AGREEMENTS

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

#### Date

1 September 2021 (after trading hours)

#### Parties

Vendor: Bauhaus Property Limited, a wholly-owned subsidiary of the Company

Purchaser: Asian Land (Hong Kong) Limited

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

#### Properties to be disposed of

Workshop Nos. 1-40 (both inclusive) with Store Room No. 9 on 5th floor and Private Parking P39, Lorry Parking L9 on B/F, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Hong Kong.

#### Consideration and basis of determining the Consideration

The consideration of the Property is HK\$126,000,000, which shall be paid by the Purchaser to the Vendor in the following manner:

- (a) HK\$6,300,000 has been paid upon signing of the Provisional Sale and Purchase Agreement as initial deposit;
- (b) HK\$6,300,000 has been paid on or before 15 September 2021 as further deposit; and

## LETTER FROM THE BOARD

- (c) the balance in the sum of HK \$113,400,000 shall be paid in full upon Completion.

As of the Latest Practicable Date, the Vendor has received from the Purchaser an aggregate of HK\$12,600,000 comprising HK\$6,300,000 as initial deposit referred to in paragraph (a) above and HK\$6,300,000 as further deposit referred to in paragraph (b) above.

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser with reference to the preliminary valuation of the Property made by an independent qualified valuer as at 31 July 2021 of approximately HK\$139,300,000 in respect of the Property and the market value of comparable properties in Hong Kong.

The Consideration of HK\$126,000,000 represents a discount of approximately 9.5% to the preliminary valuation of the Property of HK\$139,000,000 as at 31 July 2021, as shown in Appendix II to this circular. Such discount was agreed based on arm's length negotiations after taking into account the prevailing market condition of industrial buildings in Hong Kong, the market value of comparable properties in the vicinity of the Property and the results of a non-legally binding public tender for the Property conducted in June 2021. In June 2021, the Group conducted such non-legally binding public tender programme through an independent agent with an aim to dispose of the Property but no tender offers were received. Given that this public tender was non-legally binding in nature and no definitive agreement was entered into by the Group, there were no implications for the Company in connection with notifiable and/or connected transactions under Chapters 14 and 14A of the Listing Rules, respectively.

### **Formal agreement**

A formal agreement for sale and purchase in respect of the Property dated 15 September 2021 has been entered into by the Vendor and the Purchaser.

### **Completion**

Completion shall take place on or before 1 November 2021.

### **Leaseback**

Pursuant to the Provisional Sale and Purchase Agreement, upon Completion, the Vendor or a nominated member of the Group shall lease back the Property for the Group's use for a term of three (3) months commencing immediately from the date of Completion. The monthly rent (including the management fee, rate and government rent) payable by the Group will be HK\$416,000 during the term of the Leaseback. The Property will continue to be used by the Group as office, warehouse and car parking. The aggregate rental for the term of the Leaseback will be deducted from the Balance of Consideration at the time of Completion.

## LETTER FROM THE BOARD

The monthly rent payable by the Group was determined after arm's length negotiations between the Group and the Vendor, after taking into consideration the short term nature of the lease and the prevailing market rental yield for comparable premises in the vicinity of the Property.

### 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 Mr. He Huoyou.

### 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 Properties as held by the Group. In view of the Group's streamlined business scale and that the Property together with the properties disposed by the Company pursuant to its announcements dated 19 November 2020, 3 June 2021 and 14 September 2021 (the "**Disposed Properties**") were under-utilised, the Property and the Disposed Properties are not essential for the Group's future operations.

The Property has been used as the Group's office since the listing of the Company on the Stock Exchange in 2004. The office space is under 40% utilization as the business scale of the Group has downsized over the past few years and the number of employees has decreased. The Disposed Properties consisted primarily of warehousing and storage spaces used by the Group. The utilization of these spaces had continued to drop as the Group's inventory levels fell due to reduction in business scale, adoption of just-in-time inventory management and increased utilization of the Group's retail stores for inventory storage.

Having considered the cost inefficiencies to maintain under-utilised properties of the Group, the Directors are of the view that that replacement of the Property and Disposed Properties by way of leasing office and warehousing space necessary for the Group's business scale is a more effective and flexible application of the Group's assets and will not have a material adverse effect on the Group's operations. Accordingly, the Directors believe that the Disposal represents a good opportunity for the Company to realize the value of the Property at a reasonable price and the proceeds from the Disposal will bring forth value to its Shareholders, and free up the assets and cash flows of the Group.

The Directors consider the terms of the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Going forward, the Group is adopting an asset-light approach to its operations and aims to better utilise and realise the value of its assets, maintain financial flexibility while ensuring it has sufficient assets to support its operational scale with reference to prevailing market conditions.

## LETTER FROM THE BOARD

### FINANCIAL EFFECTS ON THE GROUP

Based on, inter alia, the Consideration and the unaudited carrying value of the Property as at 31 August 2021, the Group currently expects to record a gain on disposal of approximately HK\$118,200,000 upon Completion (before related expenses). As of 31 August 2021, the book value of the Property was approximately HK\$7,800,000.

The proceeds arising from the Disposal will be used for general working capital of the Group.

As a result of the Disposal, the consolidated net assets of the Group will be increased by approximately HK\$118,200,000 (before related expenses), comprising an HK\$126,000,000 increase in cash and cash equivalents, a HK\$507,000 decrease in right-of-use assets and a HK\$7,293,000 decrease in property, plant and equipment. Save for the aforementioned, the Disposal (except for related expenses) does not have any financial effect on other asset and/or liability items of the Group nor any material adverse impact on the future earnings of the Group.

### LISTING RULES IMPLICATIONS OF THE DISPOSAL

As one of the applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules in respect of the Disposal are more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company and is therefore subject to the announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiry, no Shareholder has a material interest in the Disposal and is required to abstain from voting for the resolution to approve the Disposal, should the Disposal be put forward to the shareholders to approve at a general meeting of the Company. (i) Dr. Wong Yui Lam ("**Dr. Wong**") and his controlled corporation Wonder View Limited, (ii) Madam Tong She Man, Winnie ("**Madam Tong**") through her controlled corporation Great Elite Corporation, and (iii) New Huge Treasure Investments Limited, being the controlling shareholders of the Company, are collectively interested in 246,168,000 Shares, representing approximately 67.01% of the issued share capital of the Company as at the Latest Practicable Date. Dr. Wong and Madam Tong, being former spouses, co-founded the Company and together took it to listing on the Main Board of the Stock Exchange in 2005, whereupon both were appointed executive Directors of the Company. Madam Tong was an executive Director until 25 March 2009 and rejoined the Company as the Vice-Chairlady and Executive Director on 12 September 2019. Dr. Wong and Madam Tong have been the controlling shareholders of the Company since the Company was founded. Dr. Wong and Madam Tong together established The Tong and Wong Family Trust (the "**Trust**"). Each of Dr. Wong and Madam Tong is a beneficiary of the Trust, which in turn beneficially owns 49% of the issued shares of the Company. Dr. Wong and Madam Tong are also the directors of New Huge Treasure Investments Limited and jointly control how it votes. Thus, Dr. Wong and Madam Tong, together with their relevant controlled corporations, are a "closely allied group of shareholders" under Listing Rules 14.45. The said controlling shareholders have approved the Disposal by a written shareholders'

## LETTER FROM THE BOARD

approval pursuant to Rule 14.44(2) of the Listing Rules in lieu of a resolution to be passed at a general meeting of the Company.

### RECOMMENDATIONS

The Directors (including the independent non-executive Directors) are of the view that the Disposal is fair and reasonable and are in the interests of the Company and the Shareholders as a whole and would recommend the Shareholders to vote in favour of the Disposal if it had been necessary to hold a general meeting for such purpose.

### ADDITIONAL 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  
**Bauhaus International (Holdings) Limited**  
**Dr. Wong Yui Lam**  
*Chairman*

**FINANCIAL INFORMATION OF THE GROUP**

Financial information of the Group for each of the three financial years ended 31 March 2019, 31 March 2020 and 31 March 2021 were disclosed in the following documents which have been published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company's website ([www.bauhaus.com.hk](http://www.bauhaus.com.hk)):

- Annual report of the Company for the year ended 31 March 2019 published on 18 July 2019 (pages 44 to 100);
- Annual report of the Company for the year ended 31 March 2020 published on 17 July 2020 (pages 41 to 96); and
- Annual report of the Company for the year ended 31 March 2021 published on 15 July 2021 (pages 41 to 96).

**STATEMENT OF INDEBTEDNESS**

As at the close of business on 31 August 2021, being the latest practicable date for the purpose of this indebtedness statement, the Group had the following liabilities:

**a) Borrowings**

As at 31 August 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of the Circular, the Group did not have any outstanding bank borrowings.

As at 31 August 2021, the Group had the following charge on its assets: bank deposits of a subsidiary of the Group with a carrying value of US\$2,000,000. As at 31 August 2021, the Group's banking facilities were secured by corporate guarantees of HK\$10,000,000 given by the Company which were not utilised as at 31 August 2021.

**b) Lease Liabilities**

	<i>HK\$'000</i>
Lease liabilities	66,467

**c) Contingent Liabilities**

	<i>HK\$'000</i>
Guarantees given for committed lease payments	1,097

Save as disclosed above and apart from intra-group liabilities, the Group did not have any other outstanding indebtedness, mortgages, charges, debentures or other loan capital, bank overdrafts or loan, other similar indebtedness, liabilities under acceptance or acceptance credits, hire purchase commitments, guarantees, material covenants or other material contingent liabilities as at the close of business on 31 August 2021.

## RECENT DEVELOPMENT AND FINANCIAL AND TRADING PROSPECT OF THE GROUP

Retailers across Hong Kong and other regions globally have experienced unprecedented difficulties in their operations in 2020 and 2021, mainly resulting from the challenges brought by the COVID-19 pandemic. Looking forward, the Group still expects to encounter strong headwinds in the short-term and might require a prolonged path to thorough recovery.

For the year ended 31 March 2021, the Group reported a net profit for the year ended 31 March 2021 of about HK\$99.7 million (2020: net loss of HK\$172.6 million). The favourable result was primarily attributable to the combined effect of (i) the net gain on disposal of properties of about HK\$47.4 million (2020: HK\$29.2 million); (ii) the receipt of pandemic relief and subsidies from the Hong Kong and Macau governments aggregately of about HK\$20.6 million (2020: Nil); (iii) the temporary rental concessions granted from landlords, restructured or early surrendered certain leases with landlords as well as the liquidation of certain subsidiaries of the Group; and (iv) the effective cost control measures adopted by the Group since 2020.

The same store sales performance of the Group's self-managed retail business in various operating segments and the weighted average number of corresponding shops were as follows:

	<b>Same-store-sales growth Year-on-year change Six months ended 30 September 2021</b>	<b>Weighted average number of corresponding shops Six months ended 30 September 2021</b>
Hong Kong	-10%	32
Macau	-13%	10
<b>Group</b>	<b>-11%</b>	<b>42</b>

*Remarks: Same store sales growth represents a comparison of sales of the same self-managed shop having full month operations in the comparable periods; and such data does not include sales of any shop that was newly opened during the respective covering periods of the above mentioned same store sales growth.*

Looking forward, in view of the persisting risks on global economic growth created by the COVID-19 pandemic and other macroeconomic factors, the Group will remain cautious in controlling operating expenses, in particular its retail store rentals. The cost of rentals to replace the Property and Disposed Properties is not expected to be material and is considered by the Company as a more effective and flexible application of assets. Such expected rental cost is immaterial as compared to the rental costs of its retail stores. Also, the Group has proactively negotiated with landlords to strive for reasonable rental concessions and more flexible lease arrangements. At the same time, the Group will continue to take cost-cutting measures in the top priority and to streamline and consolidate under-performing retail stores and operations. As at the Latest Practicable Date, the Group has sufficient cash on hand to meet current business needs and the Board expects that the Group's capital expenditures will be limited in the year ending 31 March 2022 until a clearer economic recovery.

#### **WORKING CAPITAL**

The Directors are of the opinion that, in the absence of unforeseeable circumstances, after taking into account the Group's business prospects, internal resources, available credit facilities and the Completion, the Group has sufficient working capital for its requirements for at least twelve months from the date of this circular.

The Company has obtained the relevant confirmations as required under Rule 14.66(12) of the Listing Rules.

#### **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 March 2021, the date to which the latest published audited financial statements of the Group were made up.

*The following is the text of a letter, Property Particulars and Opinion of Value, prepared for the purpose of incorporation in this circular received from RHL Appraisal Limited, an independent property valuer, in connection with its valuation as at 31 July 2021 of the Property.*



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Room 1010, 10/F, Star House  
Tsimshatsui, Hong Kong

26 October 2021

**The Board of Directors**  
**Bauhaus International (Holdings) Limited**  
Room 501  
Sino Industrial Plaza  
9 Kai Cheung Road  
Kowloon Bay  
Kowloon, Hong Kong

Dear Sir/Madam,

#### INSTRUCTIONS

We refer to the instruction from Bauhaus International (Holdings) Limited (the “**Company**”) for us to provide our opinion of the market value of the property interest of Workshop Nos. 1-40 (both inclusive) with Store Room No. 9 on 5th floor, Car Parking Space No. P39 and Lorry Car Parking Space No. L9 on the Basement, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon (the “**Property**”) to be disposed by Bauhaus Property Limited, a wholly-owned subsidiary of the Company. We confirm that we have carried out property inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Company with our opinion of the market value of the Property as at 31 July 2021 (the “**Valuation Date**”) for the purposes of inclusion in a circular to be issued by the Company for the disposal of the Property.

This letter which forms part of our valuation report explains the basis and methodologies of valuation, clarifying assumptions, valuation considerations, title investigations and limiting conditions of this valuation.

## BASIS OF VALUATION

The valuation is our opinion of the market value (“**Market Value**”) which we would define as intended to mean “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 wherein the parties had each acted knowledgeably prudently and without compulsion”.

Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase and without offset for any associated taxes or potential taxes.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

## VALUATION METHODOLOGY

We have valued the Property by using the Direct Comparison Approach, which is based on the principle of substitution, where comparison is made based on prices realized on actual sales and/or asking prices of comparable properties. Comparable properties of similar size, development scale, nature, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value.

## VALUATION CONSIDERATIONS

In valuing the property interest, we have complied with all the requirements contained in Chapter 5 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the International Valuation Standards 2020 issued by The International Valuation Standards Council.

## VALUATION ASSUMPTION

Our valuations have been made on the assumption that the owner sells the Property on the market in their existing state without the benefit of a cash rebate, deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which could serve to increase the value of the Property. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the Property and no forced sale situation in any manner is assumed in our valuation.

No allowances have been made in the report for any charges, mortgages or amounts owing to the Property, nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoing of an onerous nature which could affect its value.

Unless otherwise stated, we have assumed that the Property have been constructed, occupied and used in full compliance with, and without contravention of all Ordinances. We have further assumed that, for any use of the Property upon which this report is based, all required licenses, permit, certificated, and authorizations have been or will be obtained.

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

Other special assumptions of the Property, if any, have been stated in the footnote of the Property Particulars and Opinion of Value of the Property.

#### **TITLE INVESTIGATION**

We have been provided with copies of various documents relating to the Property and have caused searches to be made at the Hong Kong Land Registry and made relevant enquiries. However, we have not searched the original documents to verify the ownership or to ascertain any amendment. All documents have been used for reference only.

#### **LIMITING CONDITIONS**

We have conducted on-site inspection to the Property by our staff Mr. Laurence Lau (MRICS) on 9 September 2021. During the course of our inspections, we did not note any serious defects. However, we must point out that we have not carried out a structural survey nor have we inspected parts of the structures which are covered, unexposed or inaccessible, we are therefore unable to report and any such part of the Property are free from rot, infestation, or any other defects. Further, no test has been carried out on any of the building services.

None of the services have been tested by us and we are, therefore, unable to report on their present conditions. We have no duty to verify that no deleterious or hazardous materials or techniques have been used in the construction of or making addition or alteration to the Property. We have assumed that utility services, such as electricity, telephone, water, etc., are available and free from defect.

We have relied to a very considerable extent on the information provided by the Company and have accepted advice given to us on such matters, in particular, but not limited to tenure, planning approvals, statutory notices, easements, particulars of occupancy, size and floor areas and all other relevant matters in the identification of the Property. The plans including but not limited to location plan, floor plan, lot index plan,

outline zoning plan, building plan if any, in the report are included to assist the reader to identify the Property for reference only and we assume no responsibility for their accuracy.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also been advised by the Company that no material fact has 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.

While we have taken care to investigate the title to the Property, we do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of the legal advisers of the Company. Neither have we verified the correctness of any information supplied to us concerning the Property.

This report is for the exclusive use of the addressee stated herein and for that particular purpose only. The contents of this report either in whole or in part shall not be disclosed to any other parties and we accept no responsibility if it is used or relied upon by any others or for purposes other than that stated herein. Neither the whole nor any part of this report or any reference thereto may be included in any published documents, circular or statement nor published in any way without our written approval or the form and context in which it may appear.

## REMARKS

We have valued the Property in Hong Kong Dollars (HKD).

We enclose herewith the "Property Particulars and Opinion of Value".

Yours faithfully,  
For and on behalf of  
**RHL Appraisal Ltd**

**Serena S. W. Lau**  
*FHKIS, AAPI, MRICS, RPS(GP), MBA(HKU)*  
**Managing Director**

**Hammer W. H. Chui**  
*MRICS, BSc*  
**Associate Director**

*Ms. Serena S. W. Lau is a Registered Professional Surveyor (GP) with over 20 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Ms. Lau is a Professional Member of The Royal Institution of Chartered Surveyors, an Associate of Australian Property Institute, a Fellow of The Hong Kong Institute of Surveyors as well as a registered real estate appraiser in the PRC.*

*Mr. Hammer W.H. Chui is a Registered Professional Surveyor (Valuation) with over 10 years' experience in valuation of properties in HKSAR. Sr Chui is a Professional Member of The Royal Institution of Chartered Surveyors.*

## PROPERTY PARTICULARS AND OPINION OF VALUE

## Property to be disposed by a wholly-owned subsidiary of the Company

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2021 HKD
Workshop Nos. 1 to 40 (both inclusive) & Store Room No. 9 on 5th Floor, Car Parking Space No. P39 and Lorry Car Parking Space No. L9 on the Basement, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon	The Property comprises 40 workshops together with a store room on the 5th Floor and a private parking space and a lorry parking space on the Basement of Sino Industrial Plaza which is a 12-storey industrial block of reinforced concrete construction with mosaic-tiled external finishes. Car parking spaces are provided on the basement and ground floors whilst industrial units are distributed on upper floors. The subject development was completed in about 1987.	The Property is currently owner-occupied as at Valuation Date.	139,300,000. (Hong Kong Dollars One Hundred and Thirty Nine Million and Three Hundred Thousand Only).
Workshop Nos. 1 to 40 (both inclusive) & Store Room No. 9 on 5th Floor			
223/6018th Shares of and in New Kowloon Inland Lot No. 5847.			
Car Parking Space No. P39	According to the developer's sales brochures, the gross floor areas of the workshops and Store Room No.9 are approximately 31,712 sq.ft. and 149 sq.ft. respectively.		
3/6018th Shares of and in New Kowloon Inland Lot No. 5847.			
Lorry Car Parking Space No. L9	According to the measurement from the registered assignment plan, the saleable areas of the workshops and Store Room No.9 are approximately 25,690 sq.ft. and 110 sq.ft. respectively.		
4/6018th Shares of and in New Kowloon Inland Lot No. 5847.	According to the measurement from approved building plan, the areas of Car Parking Space No. P39 and Lorry Car Parking Space No. L9 are approximately 121 sq.ft. (4.9 m in length and 2.3 m in width) and 255 sq.ft. (7.65 m in length and 3.1 m in width) respectively.		
	The Property is held under Conditions of Sale No.UB11660 for a lease term of 99 years commencing from 1 July 1898. In our valuation, we take into account that such leases are extended without premium until 30 June 2047 and that a rent of three percent of the rateable value of the Property is charged from the date of extension.		

*Notes:*

1. The registered owner of Workshops No. 1-40 (both inclusive) and Store Room No. 9 is Bauhaus Property Limited for a consideration of \$10,400,000.00 (PT.) vide memorial no. UB91550658 dated 26 February 2004. (Remarks: Exercise of Power of Sale in M/N 6268282, 6268283 & 7742487).
2. The registered owner of Car Parking Space No. P39 is Bauhaus Property Limited for a consideration of HKD900,000.00 vide memorial no. UB9166287 dated 26 February 2004.
3. The registered owner of Lorry Car Parking Space No. L9 is Bauhaus Property Limited for a consideration of HKD1,980,000.00 (PT.) vide memorial no. 10042800840015 dated 29 March 2010.
4. The Property is subject to:-
  - i. Occupation Permit No. NK53/87 vide memorial no. UB3550774 dated 29 October 1987.
  - ii. Deed of Mutual Covenant vide memorial no. UB3568164 dated 20 November 1987.
  - iii. Sub-Deed of Mutual Covenant with Plan vide memorial no. UB8896015 dated 28 February 2003. (Remarks: for workshops only)
5. Pursuant to Occupation Permit No. NK53/87 dated 29 October 1987, the Property is permitted for workshops and one store use (Re: 5th Floor) and carpark use (Basement).
6. The Property is zoned "Other Specified Uses (Business)" under Approved Ngau Tau Kok and Kowloon Bay Outline Zoning Plan No. S/K13/30 dated 8 May 2020.
7. The Property is located on the northern side of Kai Cheung Road at its junction with Wang Kwong Road in Kowloon Bay. The immediate vicinity comprising mainly commercial developments, industrial developments and private residential developments of various ages. Upon our inspection, the external condition of the Property was fair.
8. As advised by the Company, Bauhaus Property Limited is a wholly-owned subsidiary of the Company.

## 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 enquiries, 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. DISCLOSURE OF INTERESTS

### (a) Interests and short positions of directors and chief executives of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in the Listing Rules, were as follows:

#### *i) Long positions in Shares and underlying Shares of the Company*

Name of Director	Number of Shares held			Total	Percentage of issued share capital of the Company as at the Latest Practicable Date
	Directly beneficially owned	Through controlled corporation	Through a discretionary trust/as beneficiary and founder of trust		
Dr. Wong Yui Lam (“ <b>Dr. Wong</b> ”) <sup>Note 1</sup>	2,200,000	29,900,000	180,000,000	212,100,000	57.73%
Madam Tong She Man, Winnie (“ <b>Madam Tong</b> ”) <sup>Note 2</sup>	–	34,068,000	180,000,000	214,068,000	58.27%
Mr. Yeung Yat Hang	4,930,000	–	–	4,930,000	1.34%

Notes:

- (1) The 29,900,000 shares are held by Wonder View Limited (“**Wonder View**”), the entire issued share capital of which is beneficially owned by Dr. Wong. The 180,000,000 shares are held by New Huge Treasure Investments Limited (“**Huge Treasure**”), which is held by Yate Enterprises Limited as to 100%. Yate Enterprises Limited is in turn held by East Asia International Trustees Limited (“**EAIT**”) as to

100% as trustee of The Tong & Wong Family Trust, a discretionary trust established by Dr. Wong and Madam Tong. Dr. Wong is also one of the beneficiaries of The Tong & Wong Family Trust.

- (2) The 34,068,000 shares are held by Great Elite Corporation (“**Great Elite**”), the entire issued share capital of which is beneficially owned by Madam Tong. The 180,000,000 shares are held by Huge Treasure, which is held by Yate Enterprises Limited as to 100%. Yate Enterprises Limited is in turn held by EAIT as to 100% as trustee of The Tong & Wong Family Trust, a discretionary trust established by Dr. Wong and Madam Tong. Madam Tong is also one of the beneficiaries of The Tong & Wong Family Trust.

*ii) Long positions in the shares and underlying shares of the associated corporation of the Company*

Name of associated corporation	Name of director	Capacity	Number of shares held	Percentage of the associated corporation's issued share capital
Tough Jeans Limited	Dr. Wong	Beneficial Owner <sup>Note</sup>	3 non-voting deferred shares of HK\$1 each	60% of the issued non-voting deferred shares
Tough Jeans Limited	Madam Tong	Beneficial Owner <sup>Note</sup>	2 non-voting deferred shares of HK\$1 each	40% of the issued non-voting deferred shares
Bauhaus Holdings Limited	Dr. Wong	Beneficial Owner <sup>Note</sup>	1 non-voting deferred share of HK\$1	50% of the issued non-voting deferred shares
Bauhaus Holdings Limited	Madam Tong	Beneficial Owner <sup>Note</sup>	1 non-voting deferred share of HK\$1	50% of the issued non-voting deferred shares

*Note:* Dr. Wong and Madam Tong are non-voting shareholders of these companies. The holders of these non-voting deferred shares are not entitled to any dividends and have no voting rights.

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO.

**(b) Interests of substantial Shareholders**

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Position	Number of Shares held			Total	Percentage of issued share capital of the Company as at the Latest Practicable Date
		Directly beneficially owned	Through controlled corporation	Through a discretionary trust/as beneficiary and founder of trust		
Huge Treasure	Long position	180,000,000	-	-	180,000,000	49.00%
Yate Enterprises Limited <sup>Note 1</sup>	Long position	-	180,000,000	-	180,000,000	49.00%
EAIT <sup>Note 2</sup>	Long position	-	-	180,000,000	180,000,000	49.00%
Wonder View <sup>Note 3</sup>	Long position	29,900,000	-	-	29,900,000	8.14%
Great Elite <sup>Note 4</sup>	Long position	34,068,000	-	-	34,068,000	9.27%
David Michael Webb <sup>Note 5</sup>	Long position	12,326,400	18,359,600	-	30,686,000	8.35%

*Notes:*

- (1) Yate Enterprises Limited holds 100% shareholding interest in Huge Treasure. Therefore, Yate Enterprises Limited is deemed to be interested in the shares in the Company held by Huge Treasure by virtue of the SFO.
- (2) EAIT holds 100% shareholding interest in Yate Enterprises Limited as trustee of The Tong & Wong Family Trust. Therefore, EAIT is deemed to be interested in the shares in the Company by virtue of the SFO.
- (3) Wonder View is a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Dr. Wong.
- (4) Great Elite is a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Madam Tong.
- (5) The 18,359,600 shares are held by Preferable Situation Assets Limited, which is incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Mr. David Michael Webb.

Save as disclosed above, no other person (other than a Director or chief executive of the Company) had any interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at the Latest Practicable Date.

**3. COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

**4. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or be determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

**5. DIRECTORS' INTEREST IN ASSETS**

As at the Latest Practicable Date, save as disclosed above, none of the Directors had any direct or indirect interest in any asset which had been, since 31 March 2021 (being the date to which the latest published audited consolidated financial statements of the Company were made up) and up to the Latest Practicable Date, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

**6. DIRECTORS' INTEREST IN CONTRACT**

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

**7. LITIGATION**

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

**8. QUALIFICATION AND CONSENTS OF EXPERTS**

- (a) The following is the qualification of the experts who have given opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
RHL Appraisal Limited ("RHL")	Independent property valuer

- (b) As at the Latest Practicable Date, RHL did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) RHL has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appear.
- (d) As at the Latest Practicable Date, RHL did not have any interest, direct or indirect, in any assets which have been, since 31 March 2021, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or proposed to be acquired or disposed of by or leased to any member of the Group.

## 9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by the Group within the two years immediately preceding the Latest Practicable Date which are, or may be, material:

- (a) the provisional sale and purchase agreement dated 22 November 2019 and the formal sale and purchase agreement dated 4 December 2019, entered into between Sky Top Investment (Group) Limited, a wholly-owned subsidiary of the Company as the vendor, and Multi Ray Limited as the purchaser in relation to the disposal of 12th Floor of Wofoo Building, Nos. 204-210 Texaco Road, Tsuen Wan, New Territories, Hong Kong at a total consideration of HK\$45.0 million;
- (b) the provisional sale and purchase agreements dated 18 September 2020 and the formal sale and purchase agreement dated 5 October 2020 entered into between Bauhaus Property Limited, a wholly-owned subsidiary of the Company as the vendor, and Bright Excellent Limited as the purchaser in respect of the disposal of (1) workshop nos. 47, 48, 49, 50, 51 on 1/F and flat roof of workshop nos. 27, 28, 47, 48 on 1/F Sino Industrial Plaza, No. 9 Kai Cheung Road, Kowloon, Hong Kong; and (2) workshop nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 32A, 33A, 34, 35, 36, 37, 38, 39, 40 on 6/F and lorry car parking space no. L11 on basement of Sino Industrial Plaza, No. 9 Kai Cheung Road, Kowloon, Hong Kong at an aggregate consideration of HK\$68,480,000;
- (c) the provisional sale and purchase agreement dated 3 June 2021 and the formal sale and purchase agreement dated 18 June 2021, entered into between Sky Top Investment (Group) Limited, a wholly-owned subsidiary of the Company as the vendor, and Wealthy Linker Trading Limited as the purchaser in respect of the disposal of 10th Floor of Wofoo Building, Nos. 204-210 Texaco Road, Tsuen Wan, New Territories, Hong Kong at a total consideration of HK\$48.0 million;

- (d) the Provisional Sale and Purchase Agreement;
- (e) the sale and purchase agreement dated 14 September 2021 entered into between Bauhaus Investments (BVI) Limited as the vendor, a wholly-owned subsidiary of the Company, and Well Huge Limited as the purchaser in respect of the disposal and leaseback of 2nd Floor of Wofoo Building, Nos. 204-210 Texaco Road, Tsuen Wan, New Territories, Hong Kong at a total consideration of HK\$71.0 million; and
- (f) the formal sale and purchase agreement dated 15 September 2021 entered into between the Vendor and Purchaser in relation to the disposal of the Property.

#### 10. MISCELLANEOUS

- (a) The registered office of the Company is at Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman KY1-1103, Cayman Islands.
- (b) The head office and principal place of business of the Company in Hong Kong is at Room 501, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The company secretary of the Company is Li Kin Cheong, who is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.
- (e) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

#### 11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.bauhaus.com.hk>) from the date of this circular up to 14 days thereafter:

- (a) the memorandum of association and articles of association of the Company;
- (b) the annual reports of the Company for the two financial years ended 31 March 2020 and 31 March 2021;
- (c) the valuation report from RHL, the text of which is set out on Appendix II to this circular;

- (d) the material contracts referred to in the paragraph under the heading “Material Contracts” in this appendix;
- (e) the written consent referred to in the paragraph headed “Qualification and Consent of Experts” in this appendix; and
- (f) this circular.