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High Fashion International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 608)

MAJOR TRANSACTION IN RELATION TO THE FACADE WORKS CONSTRUCTION CONTRACT

THE FACADE WORKS CONSTRUCTION CONTRACT

On 8 March 2021, High Fashion China, an indirect wholly-owned subsidiary of the Company, entered into the Facade Works Construction Contract with Tonglu Liyue, pursuant to which Tonglu Liyue undertakes to provide the facade construction works on the Land to High Fashion China at the consideration of approximately RMB39,973,000 (tax inclusive) (equivalent to approximately HK\$47,775,700**), subject to adjustment based on actual work undertaken.

LISTING RULES IMPLICATIONS

Reference is made to the announcement of the Company dated 10 August 2020 and the supplemental announcement dated 13 August 2020 in relation to the Main Structure Construction Contract entered into between High Fashion China and Zhejiang Futai.

As the Main Structure Construction Contract and the Facade Works Construction Contract involve the development of the same commercial properties to be erected on the Land and form a series of transactions conducted within the past 12-month period, the Facade Works Construction Contract is required to be aggregated with the Main Structure Construction Contract pursuant to Rule 14.22 of the Listing Rules.

Upon aggregation of the Main Structure Construction Contract and the Facade Works Construction Contract, one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) exceed 25% but all such percentage ratios are less than 100%. The Facade Works Construction Contract (when considered in aggregate with the Main Structure Construction Contract) therefore constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Since no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Facade Works Construction Contract, a written Shareholders' approval (from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at that general meeting) may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

The Closely Allied Group, holding 206,035,361 Shares in aggregate, representing approximately 67.42% of the total issued Shares and voting rights in the Company at the date of this announcement, has given its written approval for the Facade Works Construction Contract. Accordingly, written approval from the Closely Allied Group will be accepted in lieu of holding a general meeting of the Company for the approval of the Facade Works Construction Contract.

A circular containing, among other matters, further details of the Facade Works Construction Contract and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 29 March 2021.

Reference is made to the announcement of the Company dated 10 August 2020 and the supplemental announcement dated 13 August 2020 in relation to the Main Structure Construction Contract entered into between High Fashion China and Zhejiang Futai.

On 8 March 2021, High Fashion China, an indirect wholly-owned subsidiary of the Company, entered into the Facade Works Construction Contract with Tonglu Liyue, pursuant to which Tonglu Liyue undertakes to provide the facade construction works on the Land to High Fashion China at the consideration of approximately RMB39,973,000 (tax inclusive) (equivalent to approximately HK\$47,775,700**), subject to adjustment based on actual work undertaken.

THE FACADE WORKS CONSTRUCTION CONTRACT

Date: 8 March 2021

Parties:

1. High Fashion China; and
2. Tonglu Liyue

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Tonglu Liyue and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined under the Listing Rules), and as at the date of this announcement, Tonglu Liyue is 100% owned by Song Jianer (宋建兒).

Scope of construction:

The facade construction works (外立面建設工程) in relation to the development of commercial properties to be erected on a piece of land of the Group located at the south side to No. 8, Qiannong East Road, Xiaoshan Economic and Technological Development Zone, Hangzhou, Zhejiang Province, the PRC* (中國浙江省杭州市蕭山經濟技術開發區錢農東路8號南側) as stated in the relevant blueprints including but not limited to aluminium windows and facades (外立面鋁合金門窗), roof finishes (屋面飾面), canopies (雨篷) and curtain walls (幕牆).

The construction works contemplated under the Facade Works Construction Contract are expected to be completed within 730 days from the date of commencement of the construction works under the Facade Works Construction Contract.

Consideration:

The Facade Works Consideration payable by High Fashion China pursuant to the Facade Works Construction Contract is approximately RMB39,973,000 (tax inclusive) (equivalent to approximately HK\$47,775,700**), subject to adjustment based on the actual work undertaken.

The Facade Works Consideration was the bid price submitted by Tonglu Liyue and accepted by High Fashion China after a selective tendering process. The Facade Works Construction Contract was awarded to Tonglu Liyue after an objective evaluation by High Fashion China of the experience and competency of Tonglu Liyue, the expected scope and complexity of the construction works to be carried out, the costs of material and labour costs estimated to be incurred, and the prevailing market prices for carrying out construction works of comparable scale and complexity.

Payment terms:

The Facade Works Consideration of approximately RMB39,973,000 (tax inclusive) (equivalent to approximately HK\$47,775,700**), subject to adjustment based on the actual work undertaken, shall be settled by High Fashion China in the following manner:

- (1) High Fashion China shall pay a deposit to Tonglu Liyue, being 6% of the Facade Works Consideration in accordance with the Facade Works Construction Contract upon its receipt of a performance guarantee letter amounting to 6% of the Facade Works Consideration as provided by Tonglu Liyue to the satisfaction of High Fashion China;
- (2) in the course of the construction works, High Fashion China shall pay Tonglu Liyue monthly based on 76% of the assessed value of the construction works completed in that month;

- (3) up to 90% of the assessed value of the construction works will be paid upon completion and satisfactory inspection of the construction works;
- (4) after completion of the settlement procedures, up to 97% of the settlement price will be paid; and
- (5) the remaining balance of 3% of the settlement price will be held up as retention monies and will be paid after expiry of the warranty period following completion and acceptance of the construction works.

The Facade Works Consideration will be settled from internal resources and/or bank borrowings of the Group.

INFORMATION ON THE GROUP

The Company is an investment holding company. The Group is principally engaged in the manufacturing, retailing and trading of garments, and property investment and development.

High Fashion China, a company established in the PRC with limited liability, is principally engaged in the manufacturing and trading of garments, and property leasing. As at the date of this announcement, High Fashion China is an indirect wholly-owned subsidiary of the Company.

INFORMATION ON TONGLU LIYUE

Tonglu Liyue is a company established in the PRC with limited liability. Its principal business activities include construction contracting, municipal public construction contracting, interior and exterior decoration construction works, landscaping construction works and water and electricity supply installation works.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group intends to increase the scale and profitability of its property business through the commercial units to be developed on the Land which can also generate synergies with other existing properties of the Group adjacent to the Land. The Transaction is therefore considered by the Directors to be in line with the Group's existing business strategy and represents a desirable step forward in the pursuit of the Group's future business development opportunities.

As a legally qualified construction company with a good reputation, Tonglu Liyue has been selected through a tender process, and is able to provide High Fashion China with related construction services for the facade works so as to justify the construction requirements of the new commercial units.

The Board considers that the Facade Works Construction Contract has been entered into on normal commercial terms which are fair and reasonable. The Transaction contemplated thereunder is in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the Main Structure Construction Contract and the Facade Works Construction Contract involve the development of the same commercial properties to be erected on the Land and form a series of transactions conducted within the past 12-month period, the Facade Works Construction Contract is required to be aggregated with the Main Structure Construction Contract pursuant to Rule 14.22 of the Listing Rules.

Upon aggregation of the Main Structure Construction Contract and the Facade Works Construction Contract, one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) exceed 25% but all such percentage ratios are less than 100%. The Facade Works Construction Contract (when considered in aggregate with the Main Structure Construction Contract) therefore constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Since no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Facade Works Construction Contract, a written Shareholders' approval (from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at that general meeting) may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

The Closely Allied Group, holding 206,035,361 Shares in aggregate, representing approximately 67.42% of the total issued Shares and voting rights in the Company at the date of this announcement, has given its written approval for the Facade Works Construction Contract. Accordingly, written approval from the Closely Allied Group will be accepted in lieu of holding a general meeting of the Company for the approval of the Facade Works Construction Contract.

The breakdown of the Closely Allied Group's direct shareholding in the Company is as follows:-

Shareholder	Number of Shares	Approximate % of the Company's issued Share capital
Mr. Lam	1,789,901	0.59%
Hinton	159,093,620	52.06%
HF Charitable Foundation	45,151,840	14.77%

The Closely Allied Group would together be regarded as "acting in concert" for the purposes of the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong, given that Hinton and HF Charitable Foundation are companies controlled by the related trusts of Mr. Lam. Hinton is wholly-owned by the trustee of The Lam Foo Wah 1992 Trust, a discretionary trust of which Mr. Lam is the Founder. HF Charitable Foundation is wholly-owned by the trustee of High Fashion Trust, a discretionary trust of

which Mr. Lam is also the Founder. In addition, Mr. Lam and his sons (Mr. Lam Gee Yu, Will and Mr. Lam Din Yu, Well) are directors of both Hinton and HF Charitable Foundation.

A circular containing, among other matters, further details of the Facade Works Construction Contract and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 29 March 2021.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of Directors
“Closely Allied Group”	collectively Mr. Lam, Hinton and HF Charitable Foundation
“Company”	High Fashion International Limited (Stock Code: 608), a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Directors”	the directors of the Company
“Facade Works Consideration”	the total consideration payable for services to be obtained under the Facade Works Construction Contract
“Facade Works Construction Contract”	the construction contract dated 8 March 2021 entered into between High Fashion China and Tonglu Liyue in relation to the construction of the facade works on the Land
“Founder”	founder as defined under Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Group”	the Company and its subsidiaries (as amended from time to time)
“HF Charitable Foundation”	High Fashion Charitable Foundation Limited, a company incorporated in the British Virgin Islands with limited liability and a Shareholder
“High Fashion China”	達利(中國)有限公司 (High Fashion (China) Co., Ltd.*), an indirect wholly-owned subsidiary of the Company established in the PRC with limited liability

“Hinton”	Hinton Company Limited, a company incorporated in the British Virgin Islands with limited liability and a Shareholder
“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
“Land”	a parcel of land located at the south side to No. 8, Qiannong East Road, Xiaoshan Economic and Technological Development Zone, Hangzhou, Zhejiang Province, the PRC* (中國浙江省杭州市蕭山經濟技術開發區錢農東路8號南側)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Structure Construction Contract”	the construction contract dated 10 August 2020 entered into between High Fashion China and Zhejiang Futai in relation to the construction of the main structure on the Land, details of which are set out in the Company’s announcement dated 10 August 2020 and the supplemental announcement dated 13 August 2020
“Mr. Lam”	Mr. Lam Foo Wah, an executive Director and a Shareholder
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of Shares
“Share(s)”	ordinary share(s) in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tonglu Liyue”	桐廬利越建設有限公司 (Tonglu Liyue Construction Co., Ltd.*), a company established in the PRC with limited liability
“Transaction”	the transaction(s) contemplated under the Facade Works Construction Contract

“Zhejiang Futai”

浙江富泰建設有限公司(Zhejiang Futai Construction Company Limited*), a company established in the PRC with limited liability

“%”

per cent

By Order of the Board
High Fashion International Limited
Lam Gee Yu, Will
Executive Director & Managing Director

Hong Kong, 8 March 2021

As at the date of this announcement, the Board comprises of (1) Executive Directors: Mr. Lam Foo Wah, Mr. Lam Gee Yu, Will, Mr. Lam Din Yu, Well and Ms. So Siu Hang, Patricia; (2) Non-executive Directors: Professor Yeung Kwok Wing and Mr. Hung Ka Hai, Clement; and (3) Independent Non-executive Directors: Mr. Wong Shiu Hoi, Peter, Mr. Leung Hok Lim and Mr. Chung Kwok Pan.

* *for identification purposes only*

** *for the purpose of this announcement, the conversion of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 = HK\$1.1952.*