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High Fashion International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 608)

MAJOR TRANSACTION

MAIN CONTRACTOR CONSTRUCTION CONTRACT

MAIN CONTRACTOR CONSTRUCTION CONTRACT

The Board is pleased to announce that on 27 June 2022, High Fashion China, an indirect wholly-owned subsidiary of the Company, entered into the Main Contractor Construction Contract with Zhejiang Hongxing, pursuant to which Zhejiang Hongxing undertakes to provide the construction works on the Land for the Development Project at the consideration of approximately RMB185,853,739.00 (tax inclusive) (equivalent to approximately HK\$217,969,265.10**), subject to adjustment according to the terms of the Main Contractor Construction Contract.

LISTING RULES IMPLICATIONS

As 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 Transaction constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, written Shareholders' approval may be accepted in lieu of holding a general meeting if: (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Transaction; and (b) written approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at that general meeting to approve the Transaction.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, none of the Shareholders has any material interest in the Transaction and no Shareholder is required to abstain from voting if a general meeting were to be convened for the approval of the Transaction.

The Company has obtained written approval for the Transaction in accordance with Rule 14.44 of the Listing Rules from the Closely Allied Group, which is beneficially

interested in an aggregate of 218,301,361 Shares, representing approximately 71.4% of the entire issued shares of the Company as at the date of this announcement. Accordingly, no general meeting will be convened for the purpose of approving the Transaction.

A circular containing, among other things, further details of the Transaction and other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 19 July 2022 for information purposes only.

MAIN CONTRACTOR CONSTRUCTION CONTRACT

On 27 June 2022, High Fashion China, an indirect wholly-owned subsidiary of the Company, entered into the Main Contractor Construction Contract with Zhejiang Hongxing, pursuant to which Zhejiang Hongxing undertakes to provide the construction works on the Land for the Development Project at the consideration of approximately RMB185,853,739.00 (tax inclusive) (equivalent to approximately HK\$217,969,265.10**), subject to adjustment according to the terms of the Main Contractor Construction Contract.

The principal terms of the Main Contractor Construction Contract are as follows:

Date

27 June 2022

Parties

Principal (發包方): High Fashion China, an indirect wholly-owned subsidiary of the Company

Main Contractor (總承包方): Zhejiang Hongxing

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Zhejiang Hongxing and its ultimate beneficial owners are third parties independent of the Company and its connected persons, and as at the date of this announcement, Zhejiang Hongxing is owned as to 70% by Mr. Yu Liangjun (余良軍先生) and 30% by Ms. Wu Jianping (吳建萍女士).

Subject matter

Pursuant to the Main Contractor Construction Contract, Zhejiang Hongxing has accepted the appointment by High Fashion China to provide the construction works on the Land for the Development Project, in accordance with the building design plan and specifications of construction materials contained therein.

Zhejiang Hongxing shall be responsible for, among others, the following works of the Factory Premises:

- (1) construction and engineering works, including piling, masonry, renovation, roofing and superstructure structural works;

- (2) waterproofing construction works;
- (3) metallic paint finishing works for external walls; and
- (4) electromechanical works, including the installation of embedded pipes, sleeves and lightning protection grounding.

The construction works contemplated under the Main Contractor Construction Contract are expected to be completed within 560 calendar days from the date of commencement of the construction as stated in the Commencement Report, which shall include any period of suspension of not more than 90 calendar days during which construction work may be ordered by the government of the PRC to be suspended due to the Hangzhou 2022 Asian Games. If the suspension period is more than 90 calendar days, the expected completion date will be postponed accordingly, but Zhejiang Hongxing will not receive any compensation for such delay.

Consideration

The consideration payable by High Fashion China to Zhejiang Hongxing for the construction works shall be RMB185,853,739.00 (equivalent to approximately HK\$217,969,265.10**) inclusive of tax and subject to adjustment according to the terms of the Main Contractor Construction Contract (the “**contract sum**”) (合同總價).

Payment Terms

Payment shall be made by High Fashion China to Zhejiang Hongxing in the following manner:

- (1) upon signing of the Main Contractor Construction Contract and the receipt by High Fashion China of a performance guarantee letter amounting to 10% of the contract sum (being RMB18,585,373.90, equivalent to approximately HK\$21,796,926.51**) from Zhejiang Hongxing, High Fashion China shall pay a prepayment equivalent to 6% of the contract sum to Zhejiang Hongxing (inclusive of the migrant workers deposit (農民工保證金) of 1%);
- (2) during the course of the construction works, High Fashion China shall make monthly payments to Zhejiang Hongxing representing 82% of the assessed value of the completed construction works (including the prepayment under (1) above);
- (3) payments representing 90% of the estimated value of the completed construction works will be made upon completion and satisfactory inspection of the construction works;
- (4) payments representing 97% of the settlement sum (結算總價) will be made after completion of the settlement procedures, provided that the cumulative amount of the invoices submitted by Zhejiang Hongxing to its local tax office shall correspond with the settlement sum (including the amount of the performance guarantee), and High Fashion China will provide proof that the remaining balance of the settlement sum, being 3% of the settlement sum, remains to be outstanding; and
- (5) the remaining balance of 3% of the settlement sum will be retained as maintenance bond and will be paid after expiry of the warranty period, being two years from the completion of construction.

Basis of consideration

The consideration was arrived at from a tender process whereby invitation to bid for the construction of the Factory Premises on the Land was solicited by High Fashion China and the tender submitted by Zhejiang Hongxing was considered the most appropriate after an objective evaluation by High Fashion China of the experience and competency of Zhejiang Hongxing, 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. Accordingly, the Board considers that the consideration is fair and reasonable. The consideration will be satisfied by the internal resources and/or bank borrowings of the Group.

Performance Guarantee

Zhejiang Hongxing shall provide a performance guarantee to High Fashion China in the following manner:

- (1) within 14 days after Zhejiang Hongxing's receipt of the written notice of its appointment from High Fashion China, Zhejiang Hongxing shall provide to High Fashion China a performance guarantee in the form of an irrevocable performance guarantee letter amounting to 10% of the contract sum (being RMB18,585,373.90, equivalent to approximately HK\$21,796,926.51**), under which Zhejiang Hongxing and the guarantor bank jointly and severally guarantee Zhejiang Hongxing's due performance of its obligations under the Main Contractor Construction Contract; or
- (2) Zhejiang Hongxing may directly pay an equivalent amount of performance deposit to High Fashion China.

Any payment to be made by High Fashion China to Zhejiang Hongxing under the Main Contractor Construction Contract shall be paid either after Zhejiang Hongxing has submitted a performance guarantee letter or after deduction of the outstanding amount of the performance deposit payable by Zhejiang Hongxing.

The performance guarantee shall be released upon the issuance of the certificate of completion of construction works or when the cumulative amount of claims made by High Fashion China against Zhejiang Hongxing under the Main Contractor Construction Contract has reached the amount of the performance deposit.

The performance guarantee will be provided by Zhejiang Hongxing to High Fashion China after signing of the Main Contractor Construction Contract.

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 ZHEJIANG HONGXING

Zhejiang Hongxing 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 engineering design and construction works, curtain wall engineering design and construction works, landscaping construction works and electromechanical installation works.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MAIN CONTRACTOR CONSTRUCTION CONTRACT AND THE TRANSACTION(S) CONTEMPLATED THEREUNDER

The Group intends to increase the scale and profitability of its property business through the Factory Premises to be developed on the Land for the Development Project which can also generate synergies with other existing properties of the Group adjacent to the Land. The Main Contractor Construction Contract 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, Zhejiang Hongxing has been selected through a tender process, and is able to provide High Fashion China with related construction services so as to justify the construction requirements of the Factory Premises.

The Board considers that the Main Contractor Construction Contract and the terms thereof are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

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Pursuant to Rule 14.44 of the Listing Rules, written Shareholders' approval may be accepted in lieu of holding a general meeting if: (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Transaction; and (b) written approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at that general meeting to approve the Transaction.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, none of the Shareholders has any material interest in the Transaction and no Shareholder is required to abstain from voting if a general meeting was to be convened for the approval of the Transaction.

The Company has obtained written approval for the Transaction in accordance with Rule 14.44 of the Listing Rules from the Closely Allied Group, which is beneficially interested in an aggregate of 218,301,361 Shares, representing approximately 71.4% of the entire issued shares of the Company as at the date of this announcement, as set out in the following table:

Shareholder	Number of Shares held	Approximate percentage of shareholding
Mr. Lam	1,789,901	0.6%
Hinton	167,281,620	54.7%
HF Charitable Foundation	49,229,840	16.1%

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.

Accordingly, no general meeting will be convened for the purpose of approving the Transaction. A circular containing, among other things, further details of the Transaction and other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 19 July 2022 for information purposes only.

DEFINITIONS

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

“Board”	the board of Directors
“Closely Allied Group”	a closely allied group of Shareholders, comprising of Mr. Lam, Hinton and HF Charitable Foundation
“Commencement Report”	the report to be issued by High Fashion China to Zhejiang Hongxing on commencement of the construction works for the Development Project, after signing of the Main Contractor Construction Contract and the issuance of the construction permit
“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
“connected person”	has the meaning ascribed to it under the Listing Rules
“Development Project”	the development project of High Fashion Qianjiang International Science and Technology Industrial Park (Phase 2)* (達利錢江國際科技產業園(二期)) located in Hangzhou, Zhejiang Province, the PRC

“Director(s)”	the director(s) of the Company
“Factory Premises”	the factory premises to be constructed on the Land, with a total construction area of 87,765.54 square metres and comprising 8 factory buildings, as stated in the relevant blueprints under the Main Contractor Construction Contract
“Group”	the Company and its subsidiaries
“HF Charitable Foundation”	High Fashion Charitable Foundation Limited, a company incorporated in the British Virgin Islands with limited liability and a Shareholder as at the date of this announcement
“High Fashion China”	High Fashion (China) Co., Ltd.* (達利(中國)有限公司), 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 as at the date of this announcement
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Land”	a parcel of land located at the south side of 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 of Hong Kong Limited
“Main Contractor Construction Contract”	the Main Contractor Construction Contract dated 27 June 2022 entered into between High Fashion China as principal and Zhejiang Hongxing as main contractor in respect of the construction of the Factory Premises on the Land under the Development Project
“Mr. Lam”	Mr. Lam Foo Wah, an executive Director and a Shareholder
“PRC”	the People’s Republic of China and, for the purposes of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the Company

“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the entering into of the Main Contractor Construction Contract and the transaction(s) contemplated thereunder
“Zhejiang Hongxing”	Zhejiang Hongxing Construction Co., Ltd.* (浙江宏興建設有限公司), a company established in the PRC with limited liability and the main contractor under the Main Contractor Construction Contract
“%”	per cent.

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

Hong Kong, 27 June 2022

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

* *For identification purpose only.*

** *For the purpose of this announcement, the conversion of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 = HK\$1.1728.*