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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

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**High Fashion International Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 608)**

**MAJOR TRANSACTION  
IN RELATION TO THE BUILDING CONTRACT**

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following words and expressions have the following meanings:*

“Architect”	Associated Architects Limited, the architect in connection with the Building Works
“Board”	the board of Directors
“Building Contract”	the binding contract entered into between Super Topping and the Contractor on 20 June 2018 in respect of the Building Works, constituted by the provisions contained in (amongst others) the General Conditions, the tender booklet issued by Super Topping in March 2018 (including the conditions of tender, the special conditions of contract, specifications and drawings therein), the signed form of tender and schedule of rates submitted by the Contractor, post-tender correspondence between the parties and the letter of acceptance signed by Super Topping and the Contractor
“Building Works”	the building works to be carried out pursuant to the Building Contract involving alteration and addition works at the Site
“Closely Allied Group”	collectively Mr. Lam, Hinton and HF Charitable Foundation
“Commencement Date”	the commencement date of the Building Works, which shall be the date of the Building Contract
“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
“Contract Sum”	the total contract sum payable by Super Topping to the Contractor under the Building Contract
“Contractor”	Milestone Builder Engineering Limited, a company incorporated in Hong Kong with limited liability
“Defects Liability Period”	12 calendar months commencing from and including the date of substantial completion of the whole of the Building Works
“Directors”	the directors of the Company
“Founder”	founder as defined under Part XV of the SFO

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## DEFINITIONS

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“General Conditions”	the “Agreement and Schedule of Conditions of Building Contract for use in the Hong Kong Special Administrative Region, Private Edition (Without Quantities), First HKIS Edition 2006” together with its Appendix and Schedules, published by the Hong Kong Institute of Architects, the Hong Kong Institute of Surveyors and the Hong Kong Institute of Construction Managers
“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
“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 PRC
“Latest Practicable Date”	8 August 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lam”	Mr. Lam Foo Wah, an executive Director and a Shareholder
“PRC”	The People’s Republic of China
“Retention”	the sum retained by Super Topping from the gross valuation of the Contractor’s work in progress in accordance with the Building Contract
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of Shares
“Share(s)”	ordinary share(s) in the Company
“Site”	the industrial building known as High Fashion Centre situated at Nos. 1-11 Kwai Hei Street, Kwai Chung, New Territories
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Super Topping”	Super Topping Limited, an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability
“Transaction”	the transaction(s) contemplated under the Building Contract
“%”	per cent

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## LETTER FROM THE BOARD

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### **High Fashion International Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 608)**

*Executive Directors:*

Mr. Lam Foo Wah (*Chairman & Managing Director*)  
Ms. So Siu Hang, Patricia  
Mr. Lam Gee Yu, Will  
Mr. Lam Din Yu, Well

*Non-executive Directors:*

Professor Yeung Kwok Wing  
Mr. Hung Ka Hai, Clement

*Independent Non-executive Directors:*

Mr. Woo King Wai  
Mr. Wong Shiu Hoi, Peter  
Mr. Leung Hok Lim

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Principal Place of Business*

*in Hong Kong:*  
22/F., CITIC Telecom Tower  
93 Kwai Fuk Road  
Kwai Chung, New Territories  
Hong Kong

10 August 2018

*To the Shareholders*

Dear Sir or Madam,

### **MAJOR TRANSACTION IN RELATION TO THE BUILDING CONTRACT**

#### **INTRODUCTION**

Reference is made to the announcement issued by the Company dated 20 June 2018 (“**Announcement**”). On 20 June 2018, Super Topping and the Contractor entered into the Building Contract, pursuant to which the Contractor shall undertake the Building Works at the Site at the Contract Sum of HK\$194,122,400.

The purpose of this circular is to provide you with, among other things, further information of the major transaction relating to the Building Contract and other information as required under the Listing Rules.

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## LETTER FROM THE BOARD

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### THE BUILDING CONTRACT

#### Date

20 June 2018

#### Parties

- (1) Super Topping; and
- (2) Contractor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Contractor and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

#### Scope of Building Works

Pursuant to the Building Contract, the Contractor shall organize, manage, plan, supervise, co-ordinate the carrying out of the Building Works, comprising the provision of all materials, labour, plants, tackle, tools, implements, supervision and other items required for the carrying out of, timely and satisfactory completion of the Building Works. The scope of the Building Works include demolition of existing fittings and fixtures, alteration and addition works to suit the new layout, fitting out works, electrical installation, installation of mechanical ventilation, air-conditioning and fire equipment, drainage works, installation of new lifts, and design, supply and installation of windows, louvres and curtain wall system.

#### Completion

The Contractor shall complete section one of the Building Works within 180 calendar days from and including the Commencement Date and section two of the Building Works within 390 calendar days from and including the Commencement Date.

The Contractor shall rectify all defects, shrinkages or other faults of the Building Works which are identified during the Defects Liability Period and are attributable to certain specified causes. The Architect shall issue the defects rectification certificate when the Defects Liability Period has expired, the Contractor has satisfactorily completed all uncompleted items of work and all defects required to be rectified have been satisfactorily rectified.

#### Consideration

The Contract Sum shall be HK\$194,122,400, subject to upward or downward adjustments specified in the Building Contract.

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## LETTER FROM THE BOARD

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The purpose of certain adjustments are to reflect the amounts payable for the services or goods provided by nominated sub-contractors or nominated suppliers (as the case may be) and to reflect the valuation by a quantity surveyor on actual work done in connection with provisional sums, provisional items and provisional quantities provided in the Building Contract.

According to the previous experience of the Group for entering into similar transactions, the adjustments to the Contract Sum specified in the Building Contract are unlikely to be substantial. The Board does not expect the upward adjustment to exceed 10% of HK\$194,122,400. As such, the Building Contract will likely constitute a major transaction for the Company notwithstanding such adjustments. If the upward adjustment is in excess of the expected amount, the Company will consider what steps it needs to take to comply with the Listing Rules and the requirements of the Stock Exchange. In any event, the Company will monitor the amount of such adjustment and where necessary, comply with the requirements under Chapter 14 of the Listing Rules. In particular, if the adjustment would result in the Transaction falling within a higher classification of notifiable transaction, the Company would despatch a supplementary circular to the Shareholders to provide information on such reclassification and would convene a general meeting to consider and, if thought fit, to approve the Building Contract.

The Contract Sum was arrived at after arm's length discussions and negotiations with the Contractor in respect of its tender sum. It was agreed that the tender sum shall be adjusted downwards to the Contract Sum by the offering of discounts by the Contractor and the adoption of cost-cutting proposals.

A quantitative surveyor, being a third party independent of the Company and its connected persons, was engaged for the tender invitation process. Tenderers were invited to submit tender for the Building Works based on their minimum company size, years of qualified experience and qualifications. Tenders were received from six tenderers. The Building Contract was awarded to the Contractor after a selective tendering process and an objective evaluation by Super Topping of the experience and competency of the Contractor, the expected scope and complexity of the Building Works, 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 Architect shall issue an interim certificate at the end of each calendar month, commencing not later than 45 days after the Commencement Date. The interim certificate shall state the amount due to the Contractor from Super Topping.

Super Topping shall pay the amount stated on each interim certificate to the Contractor, less any monies deductible by Super Topping under the Building Contract, within 30 calendar days from the date of the interim certificate.

There will be a Retention on the payment for the Contractor's work in progress, which shall be 10% of the estimated gross valuation of the work in progress as certified in an interim certificate, exclusive of certain specified amounts. However, the Retention shall not exceed 5% of the Contract Sum excluding prime cost sums for nominated sub-contractor's works plus retention funds held in respect of nominated sub-contractors. The Architect shall issue an interim certificate for the payment of one-half of the Retention



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## **LETTER FROM THE BOARD**

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within 14 days after its issue of the substantial completion certificate in respect of the Building Works. The Architect shall issue an interim certificate for payment of all remaining Retention within 14 days after the issue of the defects rectification certificate for the Building Works.

The Architect shall issue a final certificate as soon as practicable after the issue of the defects rectification certificate, stating the Contract Sum as adjusted, the sum of the amounts already stated as due in each interim certificate, and difference between the two sums expressed as a balance. Subject to deductions authorised by the Building Contract and set-off permitted at law, the balance shall be a debt payable within 60 days after the issue of the final certificate.

The Contract Sum will be settled in cash by way of utilizing 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, as well as property investment and development.

Super Topping is principally engaged in (among others) the provision of management services.

### **INFORMATION ON THE CONTRACTOR**

The Contractor is principally engaged in provision of general building works and specialist building works in Hong Kong.

### **REASONS FOR AND BENEFITS OF THE TRANSACTION**

The Site is now vacant and has been passed to the Contractor for the Building Works. Prior to the commencement of the Building Works, part of the Site was used as the Group's headquarters with the remaining areas leased to independent third parties for commercial use.

After completion of the Building Works, the Group intends to resume the use of certain floors at the Site as the headquarters of the Group and the remaining floors could be leased to independent third parties for commercial and retail use, with the Group expecting a higher level of rental income than before.

The Building Works are consistent with the Group's strategy to own a quality portfolio of property projects and will serve as additional growth driver for the Group with continuous enhancement in long-term Shareholders' value. The Board believes that the Building Works could (i) improve the Site and thus the image of the Group; (ii) increase the value of the Site; and (iii) enhance the earnings of the Group.

In view of the foregoing, the Board considers that the terms of the Building Contract are fair and reasonable and in the interests of the Company and Shareholders as a whole.

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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS

Since one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Building Contract exceed 25% but all such percentage ratios are less than 100%, the Building Contract constitutes a major transaction of the Company and is therefore subject to the notification, announcement 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 Building 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 176,765,228 Shares in aggregate representing approximately 57.84% of the total issued Shares and voting rights in the Company as at the date of the Announcement (increased to 198,387,361 Shares in aggregate representing approximately 64.91% of the same as at the Latest Practicable Date), has given its written approval for the Building 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 Building Contract.

The breakdown of the Closely Allied Group's direct shareholding in the Company as at the Latest Practicable Date was as follows:-

Name of Shareholders	Number of Shares	% of the Company's issued share capital
Mr. Lam	1,789,901	0.59%
Hinton	153,519,620	50.23%
HF Charitable Foundation	43,077,840	14.10%

Please refer to the Announcement for the breakdown of the Closely Allied Group's direct shareholding in the Company as at the date of the Announcement.

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.

### FINANCIAL EFFECTS OF ENTERING INTO THE BUILDING CONTRACT

As mentioned above, the Contract Sum will be settled in cash by way of utilizing bank borrowings of the Group. Following the completion of the Building Contract and without taking into account of any appreciation of the Group's investment properties, the total of the fixed assets and investment properties of the Group is expected to increase by approximately the same amount as the Contract Sum. On the other

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## LETTER FROM THE BOARD

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hand, the Building Contract is financed by new bank borrowing and thus the Building Contract has the effect of increasing the total liabilities of the Group by an amount equal to the Contract Sum. As a result, the net asset value of the Group is expected to remain unchanged as the increase in the total of fixed assets and investment properties will be offset by the decrease in bank balances and cash and increase in bank borrowings. Other than the revaluation impact of the Site, the Group does not expect the Building Contract to have any immediate material impact upon the earnings of the Group.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully  
On behalf of the Board of  
**High Fashion International Limited**  
**Yau Oi Kwan Angela**  
*Company Secretary*

## 1. THREE-YEAR FINANCIAL INFORMATION

Financial information of the Group for each of the three years ended 31 December 2015, 2016 and 2017 is disclosed in the annual reports of the Company for the three years ended 31 December 2015, 2016 and 2017 respectively, and are incorporated by reference into this circular. All of the abovementioned annual reports are available on the Company's website at <http://www.highfashion.com.hk> and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The following is the hyperlink to the 2015 annual report of the Company published on 28 April 2016 with its audited consolidated financial statements for the year ended 31 December 2015 on pages 39 to 127:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0428/LTN20160428303.pdf>

The following is the hyperlink to the 2016 annual report of the Company published on 27 April 2017 with its audited consolidated financial statements for the year ended 31 December 2016 on pages 43 to 133:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0427/LTN201704271492.pdf>

The following is the hyperlink to the 2017 annual report of the Company published on 26 April 2018 with its audited consolidated financial statements for the year ended 31 December 2017 on pages 43 to 140:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0426/LTN201804261744.pdf>

## 2. INDEBTEDNESS

As at the close of business on 30 June 2018, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had the following bank and other borrowings:

	<i>HK\$'000</i>
Secured and guaranteed bank borrowings	796,909
Unsecured and guaranteed bank borrowings	647,772
Secured finance lease liabilities	<u>57</u>
	<u>1,444,738</u>
Unsecured amount due to an associate	<u>583</u>

The Group's bank and other borrowings amounting to approximately HK\$787,500,000 were secured by the pledge of certain of the Group's property, plant and equipment and investment properties.

The Group is required to maintain certain short-term bank deposits in respect of bank borrowing of HK\$475,000,000.

**Contingent liabilities**

- (a) The Inland Revenue Department of the Government of Hong Kong has initiated a tax audit on certain group companies for the year of assessment from 1999/2000 onwards in relation to the taxability on certain offshore income. Details on such tax audit are disclosed on page 87 of the 2017 annual report for the year ended 31 December 2017.
- (b) High Fashion (China) Co., Ltd. (“**High Fashion China**”), a subsidiary of the Company, has been involved in the customs proceedings in relation to the import of certain machinery parts and apparel accessories into China. Details on such customs proceedings are disclosed on page 109 of the 2017 annual report for the year ended 31 December 2017 and in the Company’s announcements dated 25 April 2018 and 3 May 2018.

In April 2018, the Company had received a judgment for the retrial of the aforesaid custom proceedings (the “**Judgment**”) made by the Shaoxing Intermediate People’s Court to the effect that, amongst others:

- (i) High Fashion China had committed the offence of illicit transportation of common goods or articles without paying customs duty and was fined RMB28 million (the “**Fine**”), which was required to be paid within ten days from the date when the Judgment takes effect (see below); and
- (ii) RMB27,114,781.43 out of the amount of RMB30 million which had been detained by the customs authority in Shaoxing City, Zhejiang Province, China (the “**Customs Authority**”) would be confiscated by the Customs Authority and used to offset the relevant customs and tax payable, with the remaining balance being used to offset the Fine.

The Judgment has not yet taken effect. The Company understands from its legal adviser in the PRC that the Judgment will not take effect if an appeal is made by High Fashion China within ten days after the date of receipt of the Judgment. After seeking advice from legal and other professional advisers, High Fashion China has decided to appeal against the Judgment. High Fashion China has submitted an appeal application (the “**Appeal**”) to the Higher People’s Court of Zhejiang Province.

The customs proceedings are currently subject to the outcome of the Appeal, and therefore, payment for the Fine is not yet required. The management of the Group had sought advice from the Group’s PRC legal advisers who advised that the facts set out in the claims were unclear and without merit against which the Group had strong grounds to defend.

- (c) There are disputes amongst the Group, Hansen International Limited (“**Hansen**”), Ms. Leong Ma Li Mary (being the beneficial owner of Hansen), and certain directors of the Company and several legal proceedings are taking place in connection with such disputes. Given that the proceedings are still at an early stage, in the opinion of Directors, the ultimate outcome is unable to be determined and no provision has been made accordingly.

Save as otherwise disclosed above, and apart from intra-group liabilities, as at the close of business on 30 June 2018, the Group did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, any term loans, any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, any mortgages or charges or any other contingent liabilities or guarantees.

### **3. WORKING CAPITAL STATEMENT**

The Directors, having made due and careful enquiry, are of the opinion that taking into account the Building Contract and the Group's available financial resources, including internally generated revenue and funds, banking facilities, successful renewal of existing banking facilities upon expiry, and cash on hand, the Group has sufficient working capital for its requirements for at least 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances.

### **4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the published audited consolidated financial statements of the Group were made up.

### **5. FINANCIAL AND OPERATIONAL PROSPECTS OF THE GROUP**

As disclosed in the Company's annual report for the year ended 31 December 2017, contributed by the progressive ramp up of the e-commerce business, positive profitability enhancement continues to be realized in our multi-brand, multi-channel brand business through sharpened operating models with refreshed market positioning; enriched product offer as well as re-engineered cost structure. Full potential of the Group's brand business is yet to be unlocked, and business growth is expected to be driven by dedicated strategies and initiatives leveraging the Group's smart technologies, superb product quality & innovation coupled with strong value chain capabilities which can tremendously broaden the customer base of the Group by tapping into a wide population of new customer segments, especially in the PRC.

With a quality portfolio of property projects at different stage of investment and development, the property business of the Group has started generating sales proceeds in addition to the recurring rental income stream as well as the year-over-year progressive value appreciation.

Strategically located with easy access to other key central business districts, airport and the border to the PRC, the revitalization of the Site has started and the Site will be converted to an iconic commercial & retail hub in the region in 2019. With the attainment of development milestones of each project, the property business will serve as additional growth driver for the Group with continuous enhancement in long-term Shareholders' value.

## 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 Group. 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) Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) 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 (including interests and short positions which any of them was taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which 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 ("Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

#### *Long Positions in Shares*

Name of Directors	Capacity	Nature of interests	Number of Shares held	% of the Company's issued share capital (Note 3)
Mr. Lam	Beneficial owner	Personal	1,789,901	0.59%
	Other interest (Notes 1 and 2)	Other	196,597,460	64.33%
		Total:	<u>198,387,361</u>	<u>64.91%</u>
Ms. So Siu Hang, Patricia	Beneficial owner	Personal	2,963,207	0.97%

*Long positions in shares of associated corporation*

Name of Director	Name of associated corporation	Relationship with the Company	Capacity	Number of ordinary shares held	% of the associated corporation's issued share capital
Mr. Lam	High Fashion Knitters Limited	Subsidiary	Interest of controlled corporations (Note 4)	5,339,431	35.60%

*Notes:*

- (1) Mr. Lam is deemed to have interests in 153,519,620 Shares which are beneficially owned by Hinton, the entire issued share capital of which is held under The Lam Foo Wah 1992 Trust, a related discretionary trust. Mr. Lam is regarded as a founder of the trust.
- (2) Mr. Lam is deemed to have interests in 43,077,840 Shares which are beneficially owned by HF Charitable Foundation, the entire issued share capital of which is held under High Fashion Trust, a related discretionary trust. Mr. Lam is regarded as a founder of the trust.
- (3) The issued share capital of the Company is 305,615,420 Shares as at the Latest Practicable Date.
- (4) These shares are held through three companies beneficially owned by Mr. Lam.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had or was deemed to have any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they had taken or were deemed to have taken under such provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be recorded in the register referred to therein; or (iii) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

**(b) Substantial Shareholders' interests and short positions in Shares and underlying Shares**

As at the Latest Practicable Date, the following substantial Shareholders (other than Directors and chief executives of the Company) had, or were deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and which were recorded in the register required to be kept by the Company under section 336 of the SFO:



*Long positions in Shares*

Name of Shareholders	Capacity	Number of Shares	% of the Company's issued share capital (Note 3)
Ms. Leung Shuk Bing	Interest of spouse	198,387,361 (Note 1)	64.91%
Hinton	Beneficial owner	153,519,620 (Note 2)	50.23%
HF Charitable Foundation	Beneficial owner	43,077,840 (Note 2)	14.10%

*Notes:*

- (1) Ms. Leung Shuk Bing is the spouse of Mr. Lam and is deemed to have interests in 198,387,361 Shares.
- (2) Such interests have been disclosed as Mr. Lam's interests in the "Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures of the Company and its associated corporations" above.
- (3) The issued share capital of the Company is 305,615,420 Shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, no person (other than Directors and chief executives of the Company) had any interests or short positions in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Mr. Lam, Mr. Lam Gee Yu, Will and Mr. Lam Din Yu, Well are directors of both Hinton and HF Charitable Foundation, which have interests in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### 3. INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to 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 does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

#### 5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as was known to the Directors, none of the Directors or their respective close associates (as defined under the Listing Rules) had interests in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

#### 6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by the members of the Group within two years immediately preceding the issue of this circular, and which are or may be material:

- (a) contract(s) for the transfer of land use right of a parcel of state-owned construction land (國有建設用地使用權出讓合同) in respect of the land use right of a parcel of land located at Yingchun South Road and 320 National Road, Tonglu County, Zhejiang Province, PRC (land lot no.4)\* (中國浙江省桐廬縣城迎春南路與320國道交叉口東南側4號地塊) entered into between 桐廬縣國土資源局 (Tonglu County Bureau of Land and Resources\*) and Kenco Assets Limited on 19 August 2016 for a consideration of RMB46.25 million;
- (b) the construction contract entered into between 杭州健康富譽置業有限公司 (Hangzhou Fortune Property Co. Ltd.\*) and 浙江中鷹建築有限公司 (Zhejiang Zhongying Construction Company Limited\*) (“**Zhejiang Zhongying**”) on 12 September 2017 for the consideration of RMB90.78 million, under which Zhejiang Zhongying shall provide construction services;
- (c) the construction contract entered into between 浙江達利文化創意有限公司 (Zhejiang High Fashion Culture Creativity Co., Ltd.\*) (“**HF Culture Creativity**”) and Zhejiang Zhongying on 6 April 2018 for the consideration of approximately RMB48.31 million, under which Zhejiang Zhongying shall provide construction services;
- (d) the construction contract entered into between HF Culture Creativity and 浙江宏興建設有限公司 (Zhejiang Hongxing Construction Company Limited\*) (“**Zhejiang Hongxing**”) on 6 April 2018 for the consideration of RMB51.96 million, under which Zhejiang Hongxing shall provide construction services; and

- (e) the Building Contract.

\* *for identification purposes only*

## **7. LITIGATION**

The following are the litigation or claims of material importance pending or threatened against the members of the Group:

- (a) As disclosed in the statement of indebtedness in appendix I above, High Fashion China received the Judgment made by the Shaoxing Intermediate People's Court for retrial of certain customs proceedings and High Fashion China has submitted the Appeal to the Higher People's Court of Zhejiang Province. Please refer to page I-2 for further details.
- (b) As disclosed in the statement of indebtedness in appendix I above, there are disputes amongst the Group, Hansen, Ms. Leong Ma Li Mary, and certain directors of the Company. Please refer to page I-2 for further details.

Save as disclosed above, as at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

## **8. MISCELLANEOUS**

- (a) The secretary of the Company is Ms. Yau Oi Kwan Angela. She is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (c) The principal place of business of the Company is 22/F., CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited situated at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) from 10:00 a.m. to 12:30 p.m. and from 2:00 p.m. to 5:00 p.m. at the principal place of business of the Company in Hong Kong at 22/F., CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong, for 14 days from the date of this circular:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the published annual reports of the Company for each of the three financial years ended 31 December 2015, 2016 and 2017;
- (c) the material contracts referred to in the section headed “Material Contracts” in this appendix;  
and
- (d) this circular.