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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 1 September 2022, High Fashion Xinchang Property, an indirect wholly-owned subsidiary of the Company, entered into the Main Contractor Construction Contract with Yangguang Construction, pursuant to which Yangguang Construction undertakes to provide the construction works on the Land for the Development Project at the consideration of approximately RMB350,000,000.00 (tax inclusive) (equivalent to approximately HK\$397,600,000.00**), 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 218,571,361 Shares, representing approximately 71.52% 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 23 September 2022 for information purposes only.

MAIN CONTRACTOR CONSTRUCTION CONTRACT

On 1 September 2022, High Fashion Xinchang Property, an indirect wholly-owned subsidiary of the Company, entered into the Main Contractor Construction Contract with Yangguang Construction, pursuant to which Yangguang Construction undertakes to provide the construction works on the Land for the Development Project at the consideration of approximately RMB350,000,000.00 (tax inclusive) (equivalent to approximately HK\$397,600,000.00**), 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

1 September 2022

Parties

Principal (發包人): High Fashion Xinchang Property, an indirect wholly-owned subsidiary of the Company

Main Contractor (總承包商): Yangguang Construction

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Yangguang Construction and its ultimate beneficial owners are third parties independent of the Company and its connected persons, and as at the date of this announcement, Yangguang Construction is owned as to 85% by Wu Qixing (吳啟行) and 15% by Wu Qiying (吳啟瑩).

Subject Matter

Pursuant to the Main Contractor Construction Contract, High Fashion Xinchang Property has agreed to engage Yangguang Construction to, and Yangguang Construction has agreed to, undertake the construction works on the Land for the Development Project, in accordance with the construction blueprints prepared or approved by High Fashion Xinchang Property.

Yangguang Construction shall be responsible for, among others:

- (1) civil construction works within the scope of the construction blueprints, including earthworks, pit enclosure works, aluminium alloy doors and windows works,

construction works of curtain walls, railings, entrance works, stone and painting works of exterior walls, basement flooring and signages, and civil air defence works;

- (2) water and electricity installation works within the scope of the construction blueprints, including fire engineering works, heating and ventilation air conditioning works and the construction of the intelligent security system; and
- (3) off-site and supporting works, including off-site backfilling, rainwater and sewage pipes, roads, green landscaping works, lighting works and outdoor fire engineering works.

The construction works contemplated under the Main Contractor Construction Contract are expected to be completed within 900 calendar days. Under the Main Contractor Construction Contract, the expected commencement date is 13 September 2022 and the expected completion date is 1 March 2025.

Consideration

The consideration payable by High Fashion Xinchang Property to Yangguang Construction for the construction works shall be RMB350,000,000.00 (equivalent to approximately HK\$397,600,000.00**) inclusive of tax and subject to adjustment according to the terms of the Main Contractor Construction Contract (the “**contract sum**”) (合同價款).

Payment Terms

Payment shall be made by High Fashion Xinchang Property to Yangguang Construction in the following manner:

- (1) Yangguang Construction shall report the progress of the construction before the 25th day of each month, and High Fashion Xinchang Property shall make progress payments to Yangguang Construction before the 15th day of the next month upon receipt of the respective invoices;
- (2) on the 15th day of each month after commencement of the construction, High Fashion Xinchang Property shall pay the workers' monthly wages into a specified bank account, the amount of which shall be determined according to the rate specified by the functional departments and deducted from the amount of progress payments payable;
- (3) the special safety fund, amounting to 1.5% of the contract sum, shall be paid in the following manner:
 - (i) 50% of the special safety fund to be paid within one month after commencement of the construction works; and
 - (ii) the remaining 50% to be paid within one week after the foundational structures have been completed,

and such amounts shall be deducted in proportion from the amount of progress payments payable;

- (4) payments representing 60% of the actual value of the construction works in each month as reported by Yangguang Construction will be made during the period of construction of the basement substructure;
- (5) payments representing 15% of the actual value of the completed construction works for the basement will be made upon completion of the structural works for the ceiling of the first 8 storeys of the Building;
- (6) monthly payments representing 75% of the actual value of the completed construction works as reported by Yangguang Construction will be made after completion of the substructural works;
- (7) payments representing 80% of the actual value of the completed construction works will be made after the construction scaffolding has been dismantled;
- (8) payments representing 85% of the actual value of the completed construction works will be made after completion of the construction works;
- (9) payments representing 98.5% of the settlement sum (結算總價) will be made within one month after completion of the settlement procedures; and
- (10) the remaining balance of 1.5% of the settlement sum will be retained as maintenance bond and will be paid in three (3) tranches:
 - (i) 0.5% of the settlement sum will be paid within one week after the first anniversary of the completion of the construction and acceptance by High Fashion Xinchang Property upon inspection (the “**Completion**”);
 - (ii) 0.5% of the settlement sum will be paid within one week after the second anniversary of the Completion; and
 - (iii) the remaining amount will be paid, after deduction of the relevant warranty expenses, within one week after the eighth anniversary of the Completion.

Basis of Consideration

The contract sum was determined after arm’s length negotiations between High Fashion Xinchang Property and Yangguang Construction with reference to the draft construction blueprints, 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

Upon entering into the Main Contractor Construction Contract, Yangguang Construction shall provide a performance guarantee amounting to 5% of the contract sum (being RMB17,500,000.00, equivalent to approximately HK\$19,880,000.00**), to High Fashion Xinchang Property in the form of a demand guarantee.

Out of the amount of performance guarantee provided, 30% serves as guarantee for the quality of construction, 20% serves as guarantee for the duration of construction, 30% serves as guarantee for safe and civilized construction, 10% serves as guarantee for anti-corruption, and 10% serves as guarantee for performance of the project managers.

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 Xinchang Property, a company established in the PRC with limited liability, is principally engaged in property development and the sale of silk products. As at the date of this announcement, High Fashion Xinchang Property is an indirect wholly-owned subsidiary of the Company.

INFORMATION ON YANGGUANG CONSTRUCTION

Yangguang Construction is a company established in the PRC with limited liability. Its principal business activities include building construction contracting, municipal public construction works, ground and foundation construction works, landscaping construction works, sports facilities construction works, road construction works, bridge construction works and earthworks construction.

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

The Group intends to realize value of the Land, increase the scale and profitability of its property business through the Building to be developed on the Land for the Development Project which can also generate revenue and 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, Yangguang Construction has been selected based on its satisfactory performance in previous construction projects of the Group, and is able to provide High Fashion Xinchang Property with related construction services so as to justify the construction requirements of the Building.

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 218,571,361 Shares, representing approximately 71.52% 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	0.59%
Hinton	167,551,620	54.82%
HF Charitable Foundation	49,229,840	16.11%

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 23 September 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
"Building"	the building to be constructed on the Land, with a total construction area of approximately 103,783 square metres, as stated in the relevant blueprints under the Main Contractor Construction Contract

“Closely Allied Group”	a closely allied group of Shareholders, comprising of 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
“connected person”	has the meaning ascribed to it under the Listing Rules
“Development Project”	the development project of Jinli Centre, High Fashion Silk Headquarters*(達利絲綢總部大樓—錦里中心) located in Shaoxing City, Zhejiang Province, the PRC
“Director(s)”	the director(s) of the Company
“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 Xinchang Property”	High Fashion Xinchang Property Co. Ltd.* (新昌達利置業有限公司), 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 Wudu Village (High-Tech Park), Qixing Street, Xinchang County, Shaoxing City, Zhejiang Province, the PRC* (中國浙江省紹興市新昌縣七星街道五都村(高新技術園區))
“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 1 September 2022 entered into between High Fashion Xinchang Property as principal and Yangguang Construction as main contractor in respect of the construction of the Building 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
“Yangguang Construction”	Yangguang Construction Co., Ltd.* (陽光建設工程有限公司), 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, 1 September 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\$1.1360.*