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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
MAIN CONTRACTOR CONSTRUCTION CONTRACT**

All capitalised terms used in this circular have the meanings set out in the section headed “*Definitions*” of this circular.

A letter from the Board is set out on pages 5 to 13 of this circular.

The Company has obtained written approval for the Transaction in accordance with Rule 14.44 of the Listing Rules from the Closely Allied Group in lieu of a general meeting of the Company. Accordingly, no general meeting will be convened for the purpose of approving the Transaction. This circular is being despatched to the Shareholders for information only.



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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 1 September 2022 in relation to the Main Contractor Construction Contract
“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(s)”	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
“Façade 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 façade works on premises 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) at a consideration of approximately RMB39,973,000 (tax inclusive) (equivalent to approximately HK\$47,775,700) (subject to adjustment based on the actual work undertaken), the details of which are set out in the Company’s announcement dated 8 March 2021

DEFINITIONS

“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 as at the Latest Practicable Date
“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
“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 Latest Practicable Date
“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))
“Latest Practicable Date”	19 September 2022, 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 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, the details of which are set out in this circular

DEFINITIONS

“Mr. Lam”	Mr. Lam Foo Wah, an executive Director and a Shareholder as at the Latest Practicable Date
“PRC”	the People’s Republic of China and, for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region 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
“Tonglu Liyue”	Tonglu Liyue Construction Co., Ltd.* (桐廬利越建設有限公司), a company established in the PRC with limited liability
“Transaction”	the entering into of the Main Contractor Construction Contract and the transaction(s) contemplated thereunder
“Xiaoshan Factory Premises 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 factory premises 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) at a consideration of approximately RMB185,853,739.00 (tax inclusive) (equivalent to approximately HK\$217,969,265.10) (subject to adjustment based on the contract terms), the details of which are set out in the Company’s announcement dated 27 June 2022
“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

DEFINITIONS

“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

“%” per cent.

* *For identification purposes only*

** *For the purpose of this circular, the conversion of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 = HK\$1.1360.*

LETTER FROM THE BOARD



High Fashion International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 608)

Executive Directors:

Mr. Lam Foo Wah (*Chairman*)
Mr. Lam Gee Yu, Will (*Managing Director*)
Mr. Lam Din Yu, Well (*Managing Director (China)*)

Non-executive Director:

Mr. Hung Ka Hai, Clement

Independent Non-executive Directors:

Professor Yeung Kwok Wing
Mr. Leung Hok Lim
Mr. Chung Kwok Pan

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Principal Place of Business in
Hong Kong:*

11/F., High Fashion Centre
1-11 Kwai Hei Street
Kwai Chung, New Territories
Hong Kong

23 September 2022

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION MAIN CONTRACTOR CONSTRUCTION CONTRACT

INTRODUCTION

Reference is made to the Announcement in relation to the Main Contractor Construction Contract and the transactions contemplated thereunder.

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 purpose of this circular is to provide you with, among other matters, further details of the major transaction relating to the Main Contractor Construction Contract and other information as required under the Listing Rules.

LETTER FROM THE BOARD

MAIN CONTRACTOR CONSTRUCTION CONTRACT

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 Latest Practicable Date, Yangguang Construction is owned as to 85% by Wu Qixing (吳啟行) and 15% by Wu Qiyong (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.

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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). The contract sum may be adjusted when there are changes in design which affect the volume of construction work required to be carried out. The adjustment in contract sum would be determined based on the revised construction drawings and project verification.

The Company considers that the adjustment terms in the Main Contractor Construction Contract are customary in construction contract of a similar nature. The contract sum was concluded by the Company and Yangguang Construction after due evaluation of the prevailing raw material prices, labour costs, and potential future market changes. As such, based on information currently available, the Board does not expect that there will be any material adjustments to the contract sum and any such adjustment would not materially affect the calculation of the classification of the transaction contemplated under the Main Contractor Construction Contract under Chapter 14 of the Listing Rules.

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;

LETTER FROM THE BOARD

- (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, the prevailing market prices for carrying out construction works of comparable scale and complexity, the programming and coordination required for the works and expected quality of the Development Project, and as a discount from the relevant pricing catalogues published by the relevant authorities in the PRC.

LETTER FROM THE BOARD

The contract sum is inclusive of all costs of labour, workmanship, materials, goods and other related costs for carrying out and completing the works prescribed in accordance with the Main Contractor Construction Contract by Yangguang Construction as the main contractor of the Development Project.

In determining the contract sum under the Main Contractor Construction Contract, High Fashion Xinchang Property took into account the following matters (among others things):

- (1) the prices and quantities of construction materials prescribed under “Zhejiang Province Housing Construction and Decoration Project Budget Quotas (2018 Edition)*” (《浙江省房屋建築與裝飾工程預算定額(2018版)》), “Zhejiang Province Municipal Engineering Budget Quota (2018 Edition)*” (《浙江省市政工程預算定額(2018版)》), “Zhejiang Province Gardening and Antique Construction Project Budget Quota (2018 Edition)*” (《浙江省園林綠化及仿古建築工程預算定額(2018版)》), “Zhejiang Province General Installation Project Budget Quota (2018 Edition)*” (《浙江省通用安裝工程預算定額(2018版)》), “Zhejiang Province Construction Project Pricing Rules (2018 Edition)*” (《浙江省建設工程計價規則(2018版)》), “Zhejiang Province Construction Machinery Bench Cost Quota (2018 Edition)*” (《浙江省建設工程施工機械台班費用定額(2018版)》), and other relevant documents, notably, a 10% discount was applied over the average of relevant prescribed price rates for the Development Project;
- (2) tax rate of at 9% in accordance with Zhejiang Jianjianfa [2019] circular No. 92* (浙建建發[2019]92號文);
- (3) the amount of concrete formwork required for the Development Project (calculated based on the contact area of such concrete form);
- (4) the amount of foundation works required, which was estimated jointly by the contractor, supervisor and contractor (or a third party commissioned to conduct the assessment) before excavation by surveying the natural ground elevation as a starting point, against the slope, working surface and pit size of the relevant drawing approved by the contractor;
- (5) the expected steel and commercial concrete materials prices based on the average price of “Shaoxing Construction Project Cost Management Information (formal publication)*” (《紹興市建設工程造價管理信息》(正刊)) during the actual construction period from the beginning of the foundation works to the end of the construction of the Building; and
- (6) in respect of other construction material and labour costs, the expected price/costs based on the “Shaoxing Construction Project Cost Management Information (formal publication)*” (《紹興市建設工程造價管理信息》(正刊)) and “Zhejiang Costing Information*” (《浙江造價信息》).

LETTER FROM THE BOARD

In selecting Yangguang Construction, High Fashion Xinchang Property took into account the relevant qualifications, credentials and experience of Yangguang Construction. Yangguang Construction holds Grade A qualification in General Construction Contracting Work* (建築工程施工總承包一級資質) issued by the Department of Construction* (建設部) of the PRC. On the other hand, High Fashion Xinchang Property has commissioned an independent consultant to conduct a desktop due diligence exercise on Yangguang Construction to assess its suitability and standing. Furthermore, High Fashion Xinchang Property has engaged a qualified surveyor in PRC to, among other things, monitor the construction progress and provide expert consultancy advice in property construction for the Development Project.

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.

The performance guarantee will be provided by Yangguang Construction to High Fashion Xinchang Property after signing of the Main Contractor Construction Contract.

Condition Precedent

The Main Contractor Construction Contract is conditional upon the obtaining of written approval from the Shareholders. As written approval has been obtained from the Closely Allied Group as disclosed in the section headed “*Listing Rules Implications*” below, such condition precedent has been fulfilled.

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 Latest Practicable Date, High Fashion Xinchang Property is an indirect wholly-owned subsidiary of the Company.

LETTER FROM THE BOARD

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, including Silk World* (絲綢世界) and the Silk World Factory Outlet* (絲綢世界購物中心).

Through the Development Project, the Group aims to exploit the 40 years of land use rights in respect of the Land, which has a plot ratio of 7.5. Once developed, the Group plans move its main offices in Xinchang to the Building, and repurpose the present main office premises in Xinchang into production space for the Group's manufacturing business.

In addition to premises that will be occupied by the Group, High Fashion Xinchang Property expects to generate value from the Development Project given the Building is expected to enjoy a reasonable amount of traffic as the Land is situated near the main traffic artery between Shengzhou (嵯州) and Xinchang (新昌) to its west, located approximately 1 km from the nearest high-speed rail station, and surrounded by other established businesses. The Group expects this to allow considerable flexibility in utilising the property and floor space from the Development Project in the future. The Building is also expected to benefit from the latest redevelopment and revitalisation efforts in the vicinity of the Building by both the public and private sectors, which are expected to bring about prospects to the value and commercialisation of the Land and the Building.

The Transaction and the Development Project as a whole are 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.

LETTER FROM THE BOARD

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

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 and their respective close associates 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 218,985,361 Shares, representing approximately 71.65% of the entire issued shares of the Company as at the Latest Practicable Date, as set out in the following table:

Shareholder	Number of Shares held	Approximate percentage of shareholding <i>(Note)</i>
Mr. Lam	1,789,901	0.59%
Hinton	167,965,620	54.96%
HF Charitable Foundation	49,229,840	16.11%

Note: The issued share capital of the Company is 305,615,420 Shares as at the Latest Practicable Date. All percentages are rounded to two decimal places.

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

LETTER FROM THE BOARD

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.

FINANCIAL EFFECTS OF ENTERING INTO THE MAIN CONTRACTOR CONSTRUCTION CONTRACT

The contract sum is 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 for the Development Project. The settlement terms of the contract sum are set out under the section headed “*Payment Terms*” in this letter from the Board.

When the construction costs under the Main Contractor Construction Contract (being the contract sum) are incurred, the relevant portion of the contract sum will be capitalised to “construction in progress” under the consolidated balance sheet of the Group, with corresponding increase in the balance of “trade payables”. The assets and the liabilities of the Group will be increased accordingly. The payment of the contract sum, and the payments and expenses incurred and to be incurred in connection with the Development Project would result in a decrease in “trade payables”, “cash and cash equivalents” and/or “bank borrowings”. It is expected that completion of the Development Project will have no impact on the net asset value of the Group because the contract sum will be settled by internal resources and/or borrowings of the Group.

The Company considers that there will not be any material effect on the earnings of the Group immediately due to the execution of the Main Contractor Construction Contract. Since the contract sum is expected to be funded by internal resources and/or borrowings of the Group, after the payment of the contract sum, the cash and cash equivalents of the Group will decrease by 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, and as a result, the bank interest income of the Group will be reduced and the finance costs from interest-bearing loans will increase.

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
Lam Gee Yu, Will
Executive Director and Managing Director

1. THREE-YEAR FINANCIAL INFORMATION

Financial information of the Group for each of the three years ended 31 December 2019, 2020 and 2021 is disclosed in the annual reports of the Company for the three years ended 31 December 2019, 2020 and 2021 of the Company, 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 <http://www.hkexnews.hk>.

The following is the hyperlink to the 2019 annual report of the Company published on 28 April 2020 with its audited consolidated financial statements for the year ended 31 December 2019 on pages 49 to 160:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042802669.pdf>

The following is the hyperlink to the 2020 annual report of the Company published on 29 April 2021 with its audited consolidated financial statements for the year ended 31 December 2020 on pages 48 to 160:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042900951.pdf>

The following is the hyperlink to the 2021 annual report of the Company published on 28 April 2022 with its audited consolidated financial statements for the year ended 31 December 2021 on pages 47 to 156:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042803903.pdf>

2. INDEBTEDNESS

As at the close of business on 31 July 2022, 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	1,159,802
Unsecured and guaranteed bank borrowings	536,503
Secured finance lease liabilities	13,893
	<u>1,710,198</u>
Unsecured amount due to an associate	<u>583</u>

The Group's bank and other borrowings amounting to approximately HK\$1,158,628 were secured by the pledge of certain of the Group's property, plant and equipment and investment properties.

Save as aforesaid or otherwise disclosed herein, as at the Latest Practicable Date, the Group did not have any debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, bank overdrafts, other borrowings or other similar indebtedness, liabilities under acceptances or acceptance credits (other than normal trade bills), debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities, whether guaranteed, unguaranteed, secured or unsecured.

3. WORKING CAPITAL STATEMENT

The Directors, having made due and careful enquiry, are of the opinion that taking into account the Main Contractor Construction 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.

4. MATERIAL ADVERSE CHANGE

The Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021 (being the date to which the published audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date.

5. FINANCIAL AND OPERATIONAL PROSPECTS OF THE GROUP

As disclosed in the Company's annual results for the year ended 31 December 2021, the Group has been able to deliver an improving and decent result despite the undesirable market environment. Through the Group's successful breakthroughs in the sustainability, green and smart manufacturing and supply chain reforms, the Group answers to dynamic market needs proactively. The Group will continue to provide high quality offerings for its clientele, and to build a stronger competitive advantage.

Sustainability has been integrated into the Group's product development, supply chain reform and the Group constantly challenges itself into higher sustainability standard on peak emission, carbon neutrality, water footprints and material traceability. On green production development, the Group has partnered with world renowned research institutes on diversified fabric studies, including bio-based fabric, recycled fabric and upcycling. With scientific advancement and sustainability, the Group is making remarkable progress on the journey to sustainable fashion.

Digitalization is now the Group's core management doctrine. The Group is currently using big data to forecast market trends and digital marketing to create greater advantages for its future growth. A comprehensive and complete digitalization has ensured an objective and scientific management approach, optimized operating cost and built a solid foundation for constructing the Group's global supply chain network.

The Group's projects in Mainland China and Hong Kong have continued to generate stable cashflow. The Group expects that the full potential of the property projects completed in 2021 will be realised in the near future. The Group is dedicated to creating a fashion eco-system, facilitating communications and collaborations among businesses, creating alliances and providing opportunities for cross-industry synergies to develop.

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 such director or chief executive 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 (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules, were as follows:

Long positions in Shares of the Company

(i) Ordinary Shares of the Company

Name of Directors	Capacity	Nature of interests	Number of ordinary shares held	Approximate percentage of the Company's issued share capital (Note 3)
Lam Foo Wah	Beneficial owner	Personal	1,789,901	0.59%
	Other interest (Notes 1 and 2)	Other	217,195,460	71.06%
		Total:	<u>218,985,361</u>	<u>71.65%</u>

(ii) Share options granted by the Company

Name of Directors	Capacity	Number of underlying shares held pursuant to share options	Approximate percentage of the Company's issued share capital (Note 3)
Lam Gee Yu, Will	Beneficial owner	2,500,000	0.82%
Lam Din Yu, Well	Beneficial owner	2,500,000	0.82%

Notes:

- (1) Mr. Lam Foo Wah is deemed to have interests in 167,965,620 Shares which are beneficially owned by Hinton, the entire issued share capital of which is held under The Lam Foo Wah 1992 Trust. Mr. Lam is regarded as a founder of the trust.
- (2) Mr. Lam Foo Wah is deemed to have interests in 49,229,840 Shares which are beneficially owned by HF Charitable Foundation, the entire issued share capital of which is held under High Fashion 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. All percentages are rounded to two decimal places.

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 or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which have been recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which have been notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

Mr. Lam Foo Wah, 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.

(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, the interests in the Shares which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO which have been recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Long positions in Shares of the Company

Name of Shareholders	Capacity	Number of Shares	Approximate percentage of the Company's issued share capital (Note 3)
Leung Shuk Bing	Interest of spouse	218,985,361 (Note 1)	71.65%
Hinton	Beneficial owner	167,965,620 (Note 2)	54.96%
HF Charitable Foundation	Beneficial owner	49,229,840 (Note 2)	16.11%

Notes:

- (1) Ms. Leung Shuk Bing is the spouse of Mr. Lam Foo Wah and is deemed to have interests in 218,985,361 Shares which Mr. Lam Foo Wah is interested in. For further information, please refer to the section headed "(a) Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures of the Company and its associated corporations" above.
- (2) Such interests have been disclosed as the interests of Mr. Lam Foo Wah in the section headed "(a) 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. All percentages are rounded to two decimal places.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any other persons (other than Directors and chief executives of the Company) or corporation who had 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 or which were recorded in the register required to be kept by the Company pursuant to section 336 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 2021 (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 is not expiring or 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) the Façade Works Construction Contract;
- (b) the Xiaoshan Factory Premises Main Contractor Construction Contract; and
- (c) the Main Contractor Construction Contract.

7. LITIGATION

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

- (a) Reference to the legal proceedings started from June 2016 in respect of the customs investigation, a court hearing was held by the High People's Court of Zhejiang Province in May 2019. In July 2019, the Zhejiang People's Procuratorate (浙江省人民檢察院) visited High Fashion China in Hangzhou and performed various verification of defence evidence. We have not yet received any response from the Court.
- (b) There were disputes amongst the Group, Transpac World Trade Services Holding Limited ("**Transpac**", previously called "Tai Ding Century Limited"), Ms. Leong Ma Li, the beneficial owner of Transpac, and certain directors of the Company. Several legal proceedings are taking place in relation to court orders over bank accounts of Longford Information & Technology Co., Limited and the claim for damages for breaching the cooperation agreement. The Group is still at an early stage of these legal proceedings and the quantum is yet to be ascertained.

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. MATERIAL ACQUISITION

Since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, no member of the Group had acquired, or agreed to acquire, or is proposing to acquire a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the auditors' report or next published consolidated financial statements of the Group.

9. MISCELLANEOUS

- (a) The secretary of the Company is Ms. Yung Pik Man. She is a member of 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 in Hong Kong of the Company is 11/F., High Fashion Centre, 1-11 Kwai Hei Street, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS ON DISPLAY

A copy of the Main Contractor Construction Contract will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.highfashion.com.hk>) from the date of this circular up to 14 days thereafter.