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High Fashion International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 608)

ANNOUNCEMENT

DISCLOSEABLE TRANSACTION

ENTERING INTO CONSTRUCTION CONTRACT

The Board is pleased to announce that on 10 August 2020, High Fashion China (an indirect wholly-owned subsidiary of the Company) and Zhejiang Futai entered into the Construction Contract, pursuant to which Zhejiang Futai will provide certain construction services to High Fashion China.

As one or more of the applicable percentage ratios under Rule 14.07 of Chapter 14 of the Listing Rules exceed 5% but all of the applicable percentage ratios are less than 25%, the Transaction constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE CONSTRUCTION CONTRACT

Date: 10 August 2020

Parties:

1. 達利(中國)有限公司 (High Fashion (China) Co., Ltd.*), an indirect wholly-owned subsidiary of the Company; and
2. 浙江富泰建設有限公司 (Zhejiang Futai Construction Company Limited*)

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

Scope of construction: All construction and installation works in relation to the development of commercial properties to be erected on a piece of land of the Group located at the south side to No. 8, Qiannong East Road, Xiaoshan Economic and Technological Development Zone, Hangzhou, Zhejiang Province, the PRC* (中國浙江省杭州市蕭山經濟技術開發區錢農東路8號南側) as stated in the relevant blueprints, including but not limited to excavation for the bearing platform, construction of the main structure below and above the ground, waterproof construction and the necessary monitoring, inspection and testing for the satisfactory completion of the works under the Construction Contract.

The construction work is expected to be completed within 730 days from the date of commencement of the construction work.

Consideration: The Consideration payable by High Fashion China pursuant to the Construction Contract is approximately RMB84,416,000 (tax inclusive) (equivalent to approximately HK\$93,879,000**), subject to adjustment based on the actual work undertaken.

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

Payment terms: The Consideration of approximately RMB84,416,000 (tax inclusive) (equivalent to approximately HK\$93,879,000**), subject to adjustment based on the actual work undertaken, shall be settled by High Fashion China in the following manner:

- (1) High Fashion China shall pay a deposit to Zhejiang Futai, being 6% of the Consideration in accordance with the Construction Contract upon its receipt of a performance guarantee letter amounting to 6% of the Consideration as issued jointly by Zhejiang Futai and a bank in the PRC;
- (2) in the course of the construction works, High Fashion China shall pay Zhejiang Futai monthly based on 76% of the assessed value of the construction works completed in that month;
- (3) up to 90% of the assessed value of the construction works will be paid upon completion and satisfactory inspection of the construction works;

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

The Consideration will be settled from internal resources of the Group.

INFORMATION OF THE GROUP

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

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

INFORMATION OF ZHEJIANG FUTAI

Zhejiang Futai is a company established in the PRC with limited liability. Its principal business activities include construction contracting, municipal public construction contracting, curtain wall construction works, construction decoration works, foundation works and urban road lighting system constructions.

REASONS FOR AND BENEFITS OF THE TRANSACTION

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

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

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

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of Chapter 14 of the Listing Rules exceed 5% but all of the applicable percentage ratios are less than 25%, the Transaction constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“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
“Consideration”	the total consideration payable for services to be obtained under the Construction Contract
“Construction Contract”	the construction contract entered into between High Fashion China and Zhejiang Futai (as the contractor) on 10 August 2020 for provision of the construction service under the terms thereof
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries (as amended from time to time)
“High Fashion China”	達利(中國)有限公司 (High Fashion (China) Co., Ltd.*), an indirect wholly-owned subsidiary of the Company established in the PRC with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land”	a parcel of land located at the south side to No. 8, Qiannong East Road, Xiaoshan Economic and Technological Development Zone, Hangzhou, Zhejiang Province, the PRC* (中國浙江省杭州市蕭山經濟技術開發區錢農東路8號南側)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the transaction(s) contemplated under the Construction Contract
“Zhejiang Futai”	浙江富泰建設有限公司 (Zhejiang Futai Construction Company Limited*), a company established in the PRC with limited liability
“%”	per cent

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

Hong Kong, 10 August 2020

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

* *for identification purposes only*

** *for the purpose of this announcement, the conversion of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 = HK\$1.1121.*