

INTERIM REPORT
2021



High Fashion International limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 608)

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Chairman's Statement

The recovery in the consumer market is gathering pace in the first half of 2021. Following a rebound in the overall global economy, High Fashion has shifted from stabilizing our business to proactively pursuing breakthroughs, with the goal to conquer the market. In the past year, we have continued to consolidate our business, ensuring that our products and services are up to speed and are responsive to market needs. We have adjusted our marketing strategies, including doubling our effort in promoting sustainability and expanding the domestic market in China. With our comprehensive measures in cost optimization and lean management in place, we have been able to enhance the Group's overall development and profit margins. We have developed stronger and more advanced technology-based and platform-based management, which enables us to provide more innovative and all-round services in product development and design for our customers.

Our key results for the period ended 30 June 2021 are as follows:

- Net profit attributable to shareholders at HK\$61.3 million
- Gearing ratio of non-current liabilities to shareholders' fund at 49%. Current ratio at 1.7
- Basic earnings per share landed at HK\$0.2
- Net asset value per share amounted to HK\$9.83
- Interim dividend per share is HK\$0.02

High Fashion has been stepping up its efforts and injecting more resources into the China market. Our remarkable results in the development of eco-friendly fashion products and market expansion have received great attention and recognition from many Chinese domestic brands, especially our accomplishments in fabric development, 3D sampling and green manufacturing. Not only have we maintained our position as the strongest backing of our existing overseas customers, but we have also become the best business partner of the domestic market players. Being a change agent and innovator in the fashion industry, High Fashion will continue to bring newness to our products and strive for excellence in supply chain management, thus increase the competitive advantage in the fashion business.

Chairman's Statement

High Fashion has proven itself a role model of green supply chain of China and takes the promotion of sustainable development as one of our key priorities. We centered our product research and development, manufacturing process re-engineering and production facility upgrades at the theme of "Sustainable Development". We strive to improve the traceability, carbon emission balance and biodegradability of our products, with the aim of becoming the forerunner in sustainability in Asia's fashion industry. In addition, we have fully implemented digitalized, paperless and platformized management, as well as conducted research in artificial intelligence and big data. These initiatives have revamped High Fashion's core fashion business, heightening our agility and flexibility in adapting to new trends in fashion and sustainability.

The Group has built a solid foundation for its real estate business and in-house workspace brand, WL District. Carrying on the momentum from the year before, we have continued to push for new developments and have achieved impressive results in our real estate projects. We are confident that our real estate business will bring a significant and stable income, and will introduce various opportunities to the Group. Not only has WL District attracted numerous talents from the fashion and technology industries to join High Fashion, but it has also forged a global internet network, which has provided strong interdisciplinary support and collaboration opportunities to High Fashion's product development, fashion design, supply chain management and big data analysis. These advantages are indispensable to the Group's successful transformation.

Chairman's Statement

Determined to become a pacesetter and key driver in China's fashion industry, High Fashion is moving towards a more diversified business. We will strive for continuous development and conquer the market. Talents, creativity, technology, and research & development will be the four main pillars of a stronger and greater High Fashion.

I appreciate very much the enormous support and advice constantly received from our shareholders, customers, suppliers, banks and our fellow Directors. I would also like to thank the management team and all staff members of our Group for their dedication and contribution.

LAM FOO WAH

Chairman

Hong Kong, 30 August 2021

Management Discussion and Analysis

BUSINESS REVIEW

The year of 2021 began with hopes that the global economy was set to restart and gradually recover on the back of vaccine rollouts. Despite the volatile period during the past year, High Fashion International Limited (the “Company” or “High Fashion”, together with its subsidiaries, the “Group”) has continued the pursuit of breakthrough in order to conquer the market as our ultimate goal. We were confident that the resumption of business activities in China will lead to recovery of consumer sentiment, the Management had re-designed the market focus then and we are pleased to share that the Group had achieved an encouraging result in the first half year in 2021. Our Management is optimistic about the future development of business and the strategies carrying on at the moment, though, we will perpetually evolve with the rapid changes in market so as to promote or adjust the market strategy.

Our Group is committed to sustainability. Apart from having strong capabilities in developing new fabric, we integrate innovation and sustainability into every aspect of our business. Through extensive application of digitalization, the operation efficiency and effectiveness have been greatly enhanced, minimizing the cost of productions and sales. In addition to cost control, the new technological developments also enable a smoother communication with customers and that we are able to quickly transform their desires into popular products.

The Group’s real estate business WL District inherited the momentum in the first half of the year and has laid a good foundation for future growth. With continuous development and breakthroughs, we are confident that this would not only generate stable income but also provide multiple opportunities for the Group in near future. In addition to attracting a large number of fashion and high-tech talents and potential collaborations, we anticipate WL District would evolve into a fashion and innovation ecosystem and improve our future revenue.

The Group management is positive about the future of our business despite the challenges that the global economy has to face. We will continue in our research and development projects and to create new business opportunities with great persistence.

Management Discussion and Analysis

IMPACT OF COVID-19

COVID-19 has certainly struck the global economy hard in 2020. With Mainland China being the first area showing promising economic rebound from COVID, signs of recoveries are also seen in the Western world with vaccination programmes being rolled out. There was increasing global customer consumption desire for garment and apparel products in the first half of 2021 due to the relaxation of international lockdown and social distancing restrictions. The speed of recovery differs across countries. During the first six months of 2021, Mainland China is the only area achieving a sales volume surpassing pre-pandemic levels.

In response to that, the Group has shifted our strategic focus to China and successfully captured domestic market expansion opportunities. On the other hand, to manage the possible adverse impact in countries other than China, we have been liaising closely with key customers to understand their order requests and monitor the payment schedules in order to tackle any changes.

The Group has continuously stepped up its effort to ensure a safe working environment at all locations. We have provided face masks and disinfectant supplies to all employees, encouraged employees to get vaccinated for the COVID-19, provided training and issued internal notices to employees about the safety rules in accordance with local government's and World Health Organization's recommendations.

Management Discussion and Analysis

FINANCIAL REVIEW

In the first half year of 2021, the global economy shows recovery after the disruptive struck from pandemic in 2020. The Group's revenue increased by 16.6% to HK\$1,210 million (first half year of 2020: HK\$1,038 million) which was mainly contributed from the manufacturing and trading of garments segment, as a result of increased domestic sales in China, newly developed customers and the return orders from overseas buyers. However, due to factors such as increased raw material cost and the appreciation of Renminbi during the period, gross profit margin of garments business was under pressure and diminished. To cope with the soared cost of sales, we have implemented certain cost control measures and restructuring initiatives in order to reduce the selling and administrative expenses. Profit for the period was HK\$61.4 million comparing to the loss in last year same period of HK\$11.7 million. The Group achieved an encouraging result with a positive operation profit and it affirmed the strategy and development we are undertaking.

Geographically, revenue derived from China in the first six months in 2021 has increased by 61.3% to HK\$708.9 million, represented 58.6% of total revenue (first half year of 2020: HK\$439.5 million, represented 42.3% of total revenue). Export sales to South-east Asia countries (included in others) increased while the sales to the USA and European countries have not yet recovered to the pre-pandemic levels.

Other gains and losses for the period was HK\$83.6 million (first half year of 2020: HK\$18.4 million), which mainly included the fair value gain from investment properties of HK\$72.3 million (first half year of 2020: HK\$12.1 million). The gain in both periods were mainly attributed from the booming market price of the property in Hong Kong.

In terms of expenses, both administrative expenses and selling expense decreased in total of HK\$5.3 million, or by 2.6% to HK\$197 million (first half year of 2020: HK\$202 million) despite the 16.6% increase in revenue. The decrease was mainly attributable to lean management and operation enhancement.

Management Discussion and Analysis

The Group recorded income tax expenses of HK\$18.6 million (first half year of 2020: HK\$10.8 million), which comprised of deferred tax incurred related to fair value gain from investment property of HK\$12.9 million (first half year of 2020: HK\$2.1 million).

Basic earnings per share for the period ended 2021 improved to HK\$0.20 as compared to basic loss per share HK\$0.04 for same period ended in 2020. Net asset value per share improved slightly from HK\$9.39 as of 31 December 2020 to HK\$9.83 as of 30 June 2021.

SEGMENT INFORMATION

The segment information for the six months ended 30 June 2021 is as follows:

	Revenue		Contribution	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activities:				
Manufacturing and trading of garments	1,149,467	882,689	12,921	(12,966)
Brand business	9,722	13,445	(1,309)	(15,311)
Property investment and development	50,988	141,924	12,036	29,591
	1,210,177	1,038,058	23,648	1,314
By geographical segments:				
China	708,905	439,467	23,072	17,683
United States of America	208,158	287,015	296	(25,244)
Europe	128,052	141,411	(408)	5,473
Others	165,062	170,165	688	3,402
	1,210,177	1,038,058	23,648	1,314

Management Discussion and Analysis

Manufacturing and trading of garments

The Group's revenue increased by HK\$266.7 million, or 30.22% as compared with the revenue of 2020. This appraised to the Group's agile response to re-design our market focus to China and Asia against the tumultuous and rapidly changing market. This enabled us to rapidly catch up with the budgeted orders from existing and new customers after recovery from the pandemic.

The Group has invested significant resources in sustainable design and development across fashion production processes, and is highly recognized by our customers in China and overseas. We provided our customers with more innovative and comprehensive product development, design and services. Furthermore, with improved lean management, we have been able to lower production costs and to work seamlessly with our supply chain as an ecosystem and optimize the work flows in order to improve operating profitability.

Segment profit from garments manufacturing and trading in the first six months of 2021 was HK\$12.9 million, elevated by 199.65% from loss of HK\$13.0 million in the same period of 2020.

Brand business

As mentioned in the audited report of 2020, the Group will continue to scale down the retail brand business. Sales of HK\$9.7 million and net loss of HK\$1.3 million for the first six months in 2021 mainly attributed to internet orders and few legacy expenses.

Management Discussion and Analysis

Property investment and development

Revenue from property investment and development business in the first six months in 2021 was HK\$51.0 million while revenue recorded in last period in 2020 was HK\$141.9 million.

The Group is now expanding on the project size of WL District, the creative and innovative space, and continues to improve tenant mix by attracting high-quality organizations to our projects. The developing site in WL District in Xiaoshan allows the Group to build advance factory plants and to expand the Group's production capacity, while the rest of the sites will be developed as units for leasing.

The Group's quality property investment and development portfolio will continue to create high value to the Group and will continue to provide stable income for the Group.

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

High Fashion has long recognized the importance of environmental conservation and our corporate social responsibility in building a better world for future generations. Ecologic sustainability and traceability have continued to be one of our prime initiatives. With a decade of continuous effort in sustainability promotion, we also celebrate our traceable accomplishments for the 4-year sustainability goals we started in 2016 on better products, lower impacts and more admirable workplace. Multiple sustainability strategies and sustainable practices were put into action. Passion on fashion sustainability is embedded into our Company's culture and we will carry on to promote sustainability and to become a role model in fashion manufacturing industry.

We committed to the execution of our sustainability initiatives and valued the oversight of the board of directors of the Company (the "Board" or the "Director(s)") and its overall responsibility in the environmental, social and governance ("ESG") strategy and implementation. The set up of a ESG Committee was approved by the Board to formulate the ESG goals, monitor and report the ESG projects to the Risk Management Committee ("RMC"). The RMC mainly comprised of our Independent Non-executive Directors who are responsible to oversee the adequacy and effectiveness of the Group's ESG policies and identify the related risks and opportunities to the Board. We believe that the adoption of a comprehensive Board governance structure framework can ensure the effectiveness in promoting relevant measures in light of the evolving sustainability landscape.

Management Discussion and Analysis

We are honored to receive a number of international certifications in recent years for our efforts in advocating sustainability. In 2020, our office in Dongguan has been awarded the Gold Label of Low Carbon Manufacturing Programme (“LCMP”) Certification by the World Wide Fund for carbon emissions accomplishment. During the first half of 2021, our Hangzhou office has obtained a certification from FSC Certification from SGS S.A. as well as the Sustainable Viscose Chain of Custody Standard Certification from Control Union Certifications B.V. to certify that our raw materials are acquired from well-managed forests and the manufacturing process does not endanger the forests from de-forestation.

Other than the above, to combat with COVID-19, we ensured the health of employees through adopting flexible working arrangements and arranged regular disinfection across all operations and premises. We were awarded the “Fighting COVID-19, Promoting Development, Stabilizing Employment, Discharging Social Responsibilities” Excellent Enterprise by the Hangzhou Municipal Government. Apart from internal stakeholders, we further spread our support to the society through co-operation with different charity organizations by provision of over 9,000 meters of woven fabrics to facilitate the production of more than 50,000 washable masks which were donated to vulnerable members amidst the pandemic.

Following our great success in achieving our 2020 Sustainability Goals, we move a step forward to set the new 2020-2024 5-Year Sustainability Goals with the addition of goals for our community. We aim to apply more sustainable and recyclable materials in our production and reduce further on carbon footprints, fashion waste and hazardous emissions to the environment. We also set both qualitative and quantitative goals to provide a safe and supportive working environment with comprehensive training to our employees, and make positive contribution to our community through volunteering work and nurturing talents in our industry. We have provided more than twenty thousand hours of training to our employees in the past year. We believe that our contribution in sustainability will allow us to be a role model and continue to bring synergistic effect to the industry.

For more details in our ESG work and goals, please refer to our 2020 Environmental, Social and Governance Report.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total cash and cash equivalent and current bank deposits was HK\$1,310 million at 30 June 2021, compared to HK\$1,330 million at 31 December 2020. Bank borrowings, mainly dominated in Hong Kong Dollar has increased slightly from HK\$1,710 million at 31 December 2020 to HK\$1,720 million at 30 June 2021. The bank borrowings were mainly for certain properties construction, development projects and fixed assets investments to develop and upgrade the manufacturing plants in Mainland China. The gearing ratio of non-current liabilities to shareholders' funds was 49% and 48% respectively as of both 30 June 2021 and 31 December 2020. Current ratio improved slightly at 1.7 (31 December 2020: 1.6).

During the period ended 30 June 2021, the Group generates net cash outflow of HK\$1.8 million from operation. Despite of this, there is sufficient banking facilities provided by its bankers. Together with the stable income from the owned properties, the Group is able to maintain a healthy working capital and liquidity to meet operation needs and future growth.

FOREIGN CURRENCY RISK EXPOSURE

Foreign currency risk exposure is primarily related to RMB and USD since a considerable portion of our operating expenses are denominated in RMB while sales are mainly denominated in USD. Short-term foreign currency exchange contracts are used, whereas appropriate, to manage the speculating of rising prices of RMB. However, as HKD is pegged to the USD, the Group considers that its foreign currency risk in respect of USD is minimal.

CHARGES ON ASSETS

Barring the pledge of a property in Hong Kong of HK\$1,347 million (at 31 December 2020: HK\$1,289 million), there were no charges on the Group's assets.

Management Discussion and Analysis

CAPITAL EXPENDITURE

The Group has purchased the plant and equipment, leasehold improvement and construction in progress of around HK\$76.4 million in order to upgrade the manufacturing capabilities and improve the environmental protection facilities during the period. The Group also injects HK\$61.9 million into certain properties construction and development projects during the reporting period.

CONTINGENT LIABILITIES

Please refer to note 19 to the condensed consolidated financial statements for details of contingent liabilities as of 30 June 2021.

HUMAN RESOURCES

As of 30 June 2021, the Group had approximately 5,100 employees (31 December 2020: 5,400). Management of the Group made much account of staff training in order to equip the staff with the right knowledge. Both face-to-face and online staff trainings were held. The Group evaluates its staff according to their performance, qualifications and industry practices. Furthermore, we offer competitive remuneration packages including medical subsidies and retirement scheme contributions to the employees in compensation of their contribution. In addition, discretionary bonuses may also be granted to the eligible employees based on the Group's and individuals' performance.

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	<i>Notes</i>	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue	<i>3</i>		
Goods and services		1,174,914	1,025,093
Rental		35,263	12,965
Total revenue		1,210,177	1,038,058
Cost of sales		(1,020,770)	(851,260)
Gross profit		189,407	186,798
Other income		24,927	22,444
Other gains and losses	<i>4</i>	83,578	18,444
Administrative expenses		(124,756)	(128,041)
Selling and distribution expenses		(72,287)	(74,267)
Other expenses		(3,069)	(1,774)
Net impairment loss recognised on trade receivables		(3,896)	(7,279)
Finance costs	<i>5</i>	(13,890)	(16,364)
Share of losses of joint ventures		–	(926)
Profit (loss) before taxation		80,014	(965)
Income tax expenses	<i>6</i>	(18,576)	(10,767)
Profit (loss) for the period	<i>7</i>	61,438	(11,732)

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont'd)

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Other comprehensive income (expense)		
Items that will not be reclassified to profit or loss:		
Exchange differences on translation of financial statements from functional currency to presentation currency	32,761	(27,429)
Gain on revaluation of owner-occupied properties	67,374	69,566
Income tax relating to items that will not be reclassified to profit or loss	(16,843)	(12,349)
	83,292	29,788
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	(2,081)	7,142
Other comprehensive income for the period, net of tax	81,211	36,930
Total comprehensive income for the period	142,649	25,198

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont'd)

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		61,319	(11,234)
Non-controlling interests		119	(498)
		61,438	(11,732)
Total comprehensive income for the period attributable to:			
Owners of the Company		142,530	25,701
Non-controlling interests		119	(503)
		142,649	25,198
Earnings (loss) per share	<i>8</i>		
Basic		20.06 HK cents	(3.68) HK cents
Diluted		20.06 HK cents	(3.68) HK cents

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	<i>Notes</i>	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		499,177	554,627
Right-of-use assets		79,534	84,035
Investment properties	10	2,896,466	2,630,916
Interests in joint ventures		7,388	7,299
Equity instruments at fair value through other comprehensive income ("FVTOCI")		16,416	16,416
Deferred tax assets		30,821	30,821
Other non-current assets		33,018	32,674
		3,562,820	3,356,788
Current assets			
Inventories		364,740	347,823
Properties held for sale		31,280	40,449
Trade receivables	11	461,853	453,348
Deposits, prepayments and other receivables	12	92,414	128,751
Amounts due from joint ventures		5,396	5,395
Equity investment at FVTOCI	20	9,381	9,381
Derivative financial instruments		1,422	3,091
Structured deposits		599,936	610,389
Short-term bank deposits		52,024	13,988
Bank balances and cash		662,760	710,079
		2,281,206	2,322,694

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

At 30 June 2021

	<i>Notes</i>	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Current liabilities			
Trade payables	13	414,792	414,795
Other payables and accruals		221,569	238,076
Provision		2,400	2,371
Lease liabilities		6,592	7,254
Amount due to an associate		583	583
Contract liabilities		55,146	58,619
Tax payable		58,584	54,982
Derivative financial instruments		1,304	577
Bank borrowings	14	594,892	639,362
		1,355,862	1,416,619
Net current assets			
		925,344	906,075
Total assets less current liabilities			
		4,488,164	4,262,863
Non-current liabilities			
Deferred tax liabilities		339,566	299,691
Derivative financial instruments		781	1,081
Bank borrowings	14	1,125,300	1,070,000
Lease liabilities		15,031	18,162
Provision for long service payments		2,721	2,645
		1,483,399	1,391,579
Net assets			
		3,004,765	2,871,284
Capital and reserves			
Share capital	15	30,562	30,562
Share premium and reserves		3,004,577	2,871,215
Equity attributable to owners of the Company		3,035,139	2,901,777
Non-controlling interests		(30,374)	(30,493)
Total equity			
		3,004,765	2,871,284

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company							Attributable to non-controlling interests		Total HK\$'000			
	Share capital HK\$'000	Share premium HK\$'000	Transition reserve HK\$'000	Reserve funds HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Other reserve HK\$'000		Retained profits HK\$'000	Sub-total HK\$'000	
At 1 January 2021	30,562	287,656	198,643	90,101	392,380	25,247	8,511	1,914	39,653	1,826,910	2,901,777	(30,493)	2,871,284
Profit for the period	-	-	-	-	-	-	-	-	-	61,319	61,319	119	61,438
Other comprehensive income for the period	-	-	30,680	-	50,331	-	-	-	-	-	81,211	-	81,211
Total comprehensive income for the period	-	-	30,680	-	50,331	-	-	-	-	61,319	142,530	119	142,649
Dividends (note 9)	-	-	-	-	-	-	-	-	-	(9,168)	(9,168)	-	(9,168)
Recognition of equity-settled Share-based payments At 30 June 2021 (unaudited)	30,562	287,656	229,323	90,101	442,311	25,247	8,511	1,914	39,653	1,879,061	3,085,139	(30,374)	3,004,765
At 1 January 2020	30,562	287,656	37,502	89,542	306,631	18,009	8,511	1,037	39,653	1,691,462	2,510,765	(81,135)	2,479,630
Loss for the period	-	-	-	-	-	-	-	-	-	(11,234)	(11,234)	(498)	(11,732)
Other comprehensive (expense) income for the period	-	-	(20,282)	-	57,217	-	-	-	-	-	36,935	(5)	36,930
Total comprehensive (expense) income for the period	-	-	(20,282)	-	57,217	-	-	-	-	(11,234)	25,701	600	25,198
Dividends (note 9)	-	-	-	-	-	-	-	-	-	-	-	-	-
Recognition of equity-settled Share-based payments At 30 June 2020 (unaudited)	30,562	287,656	17,220	89,542	363,848	18,009	8,511	479	39,653	1,680,228	2,536,945	(81,638)	2,505,307

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Net cash (used in) generated from operating activities		(1,852)	141,235
INVESTING ACTIVITIES			
Withdrawal of restricted bank balances		96,035	152,656
Interests received		3,591	4,992
New short-term bank deposits placed		(58,310)	(98,652)
Additions to investment properties		(50,199)	(36,808)
Purchases of property, plant and equipment		(31,086)	(23,075)
Other investing cash flows		187	(1,939)
Net cash used in investing activities		(39,782)	(2,826)
FINANCING ACTIVITIES			
New bank borrowings raised	14	132,049	190,065
Repayment of bank borrowings	14	(120,562)	(132,825)
Interests paid		(12,630)	(21,235)
Dividends paid	9	(9,168)	–
Net cash (used in) generated from financing activities		(10,311)	36,005
Net (decrease) increase in cash and cash equivalents		(51,945)	174,414
Cash and cash equivalents at beginning of the period		710,079	359,583
Effect of foreign exchange rate changes, net		4,626	(1,677)
Cash and cash equivalents at end of the period		662,760	532,320
Analysis of balances of cash and cash equivalents			
Bank balances and cash		662,760	532,320

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – phase 2

The application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

The Group has not applied any new and amendments to HKFRS that been issued but not yet effective for the current accounting period.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2021

3. Revenue and Segment Information

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Recognised at a point in time under HKFRS 15:		
Manufacturing and trading of garments	1,149,467	882,689
Sales of brand garments	9,722	13,445
Sales of properties	15,725	128,959
Revenue from contracts with customers	1,174,914	1,025,093
Rental income recognised under HKFRS 16	35,263	12,965
	1,210,177	1,038,058
Geographical markets		
China	708,905	439,467
United States of America	208,158	287,015
Europe	128,052	141,411
Others	165,062	170,165
	1,210,177	1,038,058

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2021

3. Revenue and Segment Information (Cont'd)

Disaggregation of revenue from contracts with customers (Cont'd)

Set out below is the reconciliation of revenue from contracts with customers with the amounts disclosed in segment information:

For the six months ended 30 June 2021 (unaudited)

	Manufacturing and trading of garments HK\$'000	Brand business HK\$'000	Property investment and development HK\$'000
Segment revenue	1,175,714	9,722	50,988
Less: rental income recognised under HKFRS 16	-	-	(35,263)
Less: inter-segment sales	(26,247)	-	-
Revenue from contracts with customers	1,149,467	9,722	15,725

For the six months ended 30 June 2020 (unaudited)

	Manufacturing and trading of garments HK\$'000	Brand business HK\$'000	Property investment and development HK\$'000
Segment revenue	893,185	13,445	141,924
Less: rental income recognised under HKFRS 16	-	-	(12,965)
Less: inter-segment sales	(10,496)	-	-
Revenue from contracts with customers	882,689	13,445	128,959

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2021

3. Revenue and Segment Information (Cont'd)

Segment information

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the six months ended 30 June 2021 (unaudited)

	Manufacturing and trading of garments HK\$'000	Brand business HK\$'000	Property investment and development HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE						
External sales	1,149,467	9,722	50,988	1,210,177	-	1,210,177
Inter-segment sales (<i>note i</i>)	26,247	-	-	26,247	(26,247)	-
Segment revenue	1,175,714	9,722	50,988	1,236,424	(26,247)	1,210,177
RESULTS						
Segment profit (loss)	12,921	(1,309)	12,036	23,648	-	23,648
Change in fair value of derivative financial instruments						4,260
Change in fair value of investment properties						72,285
Finance costs						(6,469)
Corporate overhead (<i>note ii</i>)						(9,022)
Other expenses						(3,069)
Unallocated items						(1,619)
Profit before taxation						80,014

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2021

3. Revenue and Segment Information (Cont'd)

Segment information (Cont'd)

For the six months ended 30 June 2020 (unaudited)

	Manufacturing and trading of garments HK\$'000	Brand business HK\$'000	Property investment and development HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE						
External sales	882,689	13,445	141,924	1,038,058	-	1,038,058
Inter-segment sales <i>(note i)</i>	10,496	-	-	10,496	(10,496)	-
Segment revenue	893,185	13,445	141,924	1,048,554	(10,496)	1,038,058
RESULTS						
Segment (loss) profit	(12,966)	(15,311)	29,591	1,314	-	1,314
Change in fair value of derivative financial instruments						(2,347)
Change in fair value of investment properties						12,108
Finance costs						(3,544)
Corporate overhead <i>(note ii)</i>						(5,305)
Other expenses						(1,774)
Unallocated items						(1,417)
Loss before taxation						(965)

Notes:

- (i) Inter-segment sales are charged at agreed terms set out in the subcontracting agreement entered into between group companies.
- (ii) Corporate overhead are apportioned between segments and corporate and allocated to the respective segments according to scale of the segment revenue in the respective reporting periods.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2021

3. Revenue and Segment Information (Cont'd)

Segment information (Cont'd)

Segment profit (loss) represents the profit (loss) earned (incurred) by each segment without the allocation of change in fair value of derivative financial instruments and investment properties, certain portion of finance costs, central administration costs and other expenses. This is the measure reported to the Group's executive directors, being the chief operating decision maker ("CODM"), for the purposes of resources allocation and performance assessment. Furthermore, as the assets and liabilities for operating segments are not provided to the CODM for the purposes of resources allocation and performance assessment, no segment assets and liabilities is presented accordingly.

4. Other Gains and Losses

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Increase in fair value of investment properties	72,285	12,108
Change in fair value of derivative financial instruments	4,260	(2,347)
Net foreign exchange gain	917	736
Loss on disposal of property, plant and equipment	(425)	(1,351)
Change in fair value of financial assets at fair value through profit or loss	6,541	8,968
Gain on deregistration of subsidiaries	–	330
	83,578	18,444

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2021

5. Finance Costs

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Interests on:		
Bank borrowings and overdrafts	13,168	19,557
Leases liabilities	538	460
Bank charges on discounted bills	184	1,678
Total borrowing costs	13,890	21,695
Less: Amount capitalised in investment properties that is arisen from specific borrowings	–	(5,331)
	13,890	16,364

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2021

6. Income Tax Expenses

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Current tax charge:		
Hong Kong	1,504	1,398
Mainland China	2,516	7,988
Other jurisdictions	3	12
	4,023	9,398
Overprovision in prior periods:		
Mainland China	(139)	(1,091)
Deferred taxation – current period	14,692	2,460
	18,576	10,767

Deferred tax

Included in tax charge for the period is approximately HK\$12,900,000 (six months ended 30 June 2020: HK\$2,140,000) deferred tax charged on increase in fair value of investment properties.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2021

7. Profit (Loss) for the Period

Profit (loss) for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Depreciation of property, plant and equipment	28,523	22,399
Depreciation of right-of-use assets	3,750	6,072
Net (reversal) allowance for inventory obsolescence (included in cost of sales)	(5,265)	9,631
Bank interest income	(3,591)	(4,992)

8. Earnings (Loss) Per Share

The calculation of basic and diluted earnings (loss) per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Earnings (loss) for the purpose of basic and diluted earnings per share attributable to owners of the Company	61,319	(11,234)
	Number of shares '000	Number of shares '000
Number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	305,616	305,616

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2021

8. Earnings (Loss) Per Share (Cont'd)

The computation of diluted earnings (loss) per share for the six months ended 30 June 2020 and 2021 does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares.

9. Dividends

During the current interim period, a final dividend in respect of the year ended 31 December 2020 of 3 HK cents (six months ended 30 June 2020: final dividend in respect of the year ended 31 December 2019 of 3 HK cents) per ordinary share was declared to the shareholders and has been paid in cash.

The Board declared that an interim dividend of 2 HK cents per share for the six months ended 30 June 2021 (six months ended 30 June 2020: nil) in an aggregate amount of approximately HK\$6,112,000 (six months ended 30 June 2020: nil) which will be paid to shareholders whose names appear in the register of members on 24 September 2021. This dividend was declared after the end of the reporting period, and therefore it has not been included as a liability in the condensed consolidated statement of financial position.

10. Movements in Investment Properties

All investment properties held by the Group are determined using fair value model. The fair value of the Group's investment properties as at 30 June 2021 and 31 December 2020 has been arrived at on the basis of the valuation carried out by Centaline Surveyors Limited and 新昌信安達資產評估有限公司, which are independent qualified professional valuers not connected with the Group. An increase in fair value of investment properties of approximately HK\$72,285,000 (six months ended 30 June 2020: HK\$12,108,000) has been recognised directly in the profit or loss for the six months ended 30 June 2021.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2021

11. Trade Receivables

Trade receivables mainly comprise receivables from sales of garments and renting of properties. Credit period granted to the customers for garment trading are mainly ranges from 30 to 90 days. Rentals are payable by tenants upon presentation of demand notes. No credit is granted to tenants.

At 30 June 2021, total bills received amounting to approximately HK\$3,287,000 (31 December 2020: HK\$39,024,000) are held by the Group for further settlement of trade receivables, of which certain bills are further discounted by the Group. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills received by the Group are with a maturity period of less than one year.

The aged analysis of the Group's trade receivables net of allowance for credit loss is presented based on the invoice dates at the end of the reporting period, which approximates the respective revenue recognition dates.

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Within 90 days	382,962	352,223
91 to 180 days	19,279	27,436
181 to 360 days	11,181	66,843
Over 360 days	48,431	6,846
	461,853	453,348

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2021

12. Deposits, Prepayments and Other Receivables

Included in deposits, prepayments and other receivables is a deposit of RMB30,000,000 (equivalent to approximately HK\$35,997,000) (31 December 2020: RMB30,000,000, equivalent to approximately HK\$35,562,000) paid to the customs authority in Shaoxing City of Zhejiang Province in China in relation to an ongoing enquiry of customs duty for import of certain machinery parts and apparel accessories for manufacturing by the factories into China.

In June 2016, a judgment was made by the Intermediate People's Court Shaoxing, Zhejiang Province which stated that the Group had convicted an offence of illicit transportation of common goods or articles without paying customs duty and was required to pay a penalty of approximately RMB28,000,000 and unpaid customs of approximately RMB27,000,000, out of which the RMB30,000,000 deposit previously paid would be confiscated by the Customs Authority and used to offset the amount payable. In July 2016, the Group appealed against the Judgment to the High People's Court of Zhejiang Province.

After the legal proceedings in 2017 and 2018, management of the Group had sought advice from legal professionals, who advised that the evidence relied upon by the court is not factually supported, against which the Group had strong grounds to refute. Nevertheless, the Group may still be subject to a penalty for not complying the processing trade requirement, which is estimated to be approximately RMB2,000,000 (equivalent to approximately HK\$2,400,000).

In May 2019, a court hearing was held by the Higher People's Court of Zhejiang Province to hear the defense opinion from the Group. In July 2019, the Zhejiang People's Procuratorate (浙江省人民檢察院) visited the Group's office in Hangzhou and performed various verification of defense evidence. According to the external lawyer, the verification process is a common judicial practice in Mainland China and it implies a favourable outlook to the Group.

As at 30 June 2021, the Group has not yet received the judgment from the Court and the external lawyer upholds his view that the final judgement will be favourable to the Group.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2021

13. Trade Payables

The following is an aged analysis of the trade payables presented based on the invoice dates at the end of the reporting period:

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Within 90 days	299,772	235,287
91 to 180 days	10,731	19,252
181 to 360 days	13,197	4,975
Over 360 days	8,592	10,737
	332,292	270,251
Accrued purchases	82,500	144,544
	414,792	414,795

The average credit period on purchases of goods is around 90 days. At 30 June 2021, total bills amounting to approximately HK\$31,540,000 (31 December 2020: HK\$68,211,000) was included in trade payables aged within 90 days.

Accrued purchases represent the purchase of goods of which the invoices have not been received by the Group. The purchase invoices will normally be received within one month from the receipt of the goods purchased.

14. Bank Borrowings

During the current interim period, the Group obtained new bank borrowings totalling HK\$132,049,000 (six months ended 30 June 2020: HK\$190,065,000) and repaid HK\$120,562,000 (six months ended 30 June 2020: HK\$132,825,000). The loans carry interest at market rates ranging from 0.89% to 2.15% (31 December 2020: 1.24% to 3.21%) per annum.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2021

15. Share Capital

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2020 (audited), 30 June 2020 (unaudited), 1 January 2021 (audited) and 30 June 2021 (unaudited)	1,000,000	100,000
Issued and fully paid:		
At 1 January 2020 (audited), 30 June 2020 (unaudited), 1 January 2021 (audited) and 30 June 2021 (unaudited)	305,616	30,562

16. Capital Commitments

At 30 June 2021, the Group is committed to capital expenditure in respect of acquisition of property, plant and equipment and investment properties contracted but not provided for amounted to approximately HK\$189,900,000 (31 December 2020: HK\$164,469,000).

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2021

17. Related Party Transactions

Apart from the amounts due from joint venture and amount due to an associate as stated in the condensed consolidated statement of financial position, the Group had the following transactions with related parties during the period:

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Purchases of raw materials and finished goods from joint ventures	–	1
Key management personnel compensation (<i>note</i>)	9,709	9,080

Note: The remuneration of Directors who are the key management personnel, during the period are determined by the remuneration committee having regard to the performance of individuals and market trends.

18. Share-Based Payments

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed on 30 May 2012 for the primary purpose of providing incentives to Directors and eligible employees. Unless otherwise terminated or amended, the Share Option Scheme will remain in force for 10 years ending 29 May 2022. Under the Share Option Scheme, the Board may grant options to eligible employees, including the Directors and that of its subsidiaries, to subscribe for shares in the Company.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2021

18. Share-Based Payments (Cont'd)

At 31 December 2020 and 30 June 2021, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 5,000,000 (31 December 2020: 5,000,000), which if exercised in full representing 1.64% (31 December 2020: 1.64%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

50% of the options granted are exercisable from 3 December 2019 to 2 December 2028, while the remaining 50% of the options granted are exercisable from 3 December 2020 to 2 December 2028. The exercise price is determined by the Directors, and will not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of option; (ii) the average closing price of the shares in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of option; and (iii) the nominal value of the Company's share.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2021

18. Share-Based Payments (Cont'd)

Details of options granted during the period are as follows:

Number of share options	Date of grant	Exercise period	Exercise price	Fair value
			per share HK\$	at grant date HK\$
5,000,000	3 December 2018	3 December 2019 to 2 December 2028	1.76	0.3828

There is no movement of the Company's share options granted during the year ended 31 December 2020 and six months ended 30 June 2021.

The Group recognised an expense of nil (31 December 2020: HK\$877,000) for the six months ended 30 June 2021 in relation to share options granted by the Company.

19. Contingent Liabilities

In addition to the pending legal case as disclosed in note 12, the Group notes the followings:

There were disputes amongst the Group, Besthope International Limited ("Besthope") and Ms. Leong Ma Li, the beneficial owner of Besthope. Certain legal proceedings are taking place in relation to Besthope's claims for damages of breaching a cooperation agreement. As advised by the external lawyer, the claims set out by Besthope are lack of evidence and the Group has strong basis to defend against its allegations. In the opinion of the Directors, the court case is not yet finalised and the Group concurs with the same view as the external lawyer, this is not probable that a material outflow of resources will be required and no provision has been made accordingly.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2021

20. Fair Value Measurements of Financial Instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The Group's structured deposits, investment component of a life insurance contract, equity investments at fair value through other comprehensive income and derivative financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

For valuation technique using discounted cash flows, the discount rates used take into consideration the credit risk of the relevant counterparties of the Group, as appropriate.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2021

20. Fair Value Measurements of Financial Instruments (Cont'd)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Cont'd)

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2021 (unaudited)	31 December 2020 (audited)		
Foreign exchange forward contracts	Assets – HK\$1,422,000	Assets – HK\$3,091,000	Level 2	Valuation technique: Discounted cash flow.
	Liabilities – HK\$736,000			Key inputs: Forward exchange rates, contracted exchange rates and discount rates.
Interest rate swap	Liabilities – HK\$1,349,000	Liabilities – HK\$1,658,000	Level 2	Valuation technique: Discounted cash flow. Key inputs: Forward interest rates, forward exchange rates, contracted interest rates, discount rate and HSBC Dynamic Term Premium Index 10 as published on Bloomberg Screen and its volatility.
Structured deposits	Assets – HK\$599,936,000	Assets – HK\$610,389,000	Level 2	Valuation techniques: Discounted cash flow. Key inputs: Forward interest rates, forward exchange rates, contracted interest rates, contracted exchange rates and volatility of exchange rates.
Investment component of a life insurance contract (note i)	Assets – HK\$33,018,000	Assets – HK\$32,183,000	Level 3	Valuation technique: Account value quoted by insurer.
Equity instruments at FVTOCI (note ii)	Assets – HK\$25,797,000	Assets – HK\$25,797,000	Level 3	Valuation technique: Recent transaction. Key inputs: Recent transaction price.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2021

20. Fair Value Measurements of Financial Instruments (Cont'd)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Cont'd)

Notes:

- (i) The return of the investment is at the discretion of the insurer and the surrender charge is for termination of both the insurance and investment components. Accordingly, the Directors consider the account value quoted by insurer as at 30 June 2021 as an appropriate estimate of fair value. Fair value gain of approximately HK\$344,000 is recognised in profit or loss for the six months ended 30 June 2021.
- (ii) The Group's investment in equity interest in a private entity located in the British Virgin Islands was classified as equity instruments at FVTOCI. The fair value of the investments is measured by reference to recent transaction for the year ended 31 December 2020. No fair value gain or loss is recognised in other comprehensive income for the six months ended 30 June 2021.

There is no transfer amongst level 1, 2 and 3 for the year ended 31 December 2020 and six months ended 30 June 2021.

The Directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2021

21. Financial Assets and Financial Liabilities Subject to Enforceable Master Netting Arrangements

The Group has entered into certain derivative transactions that are covered by the International Swaps and Derivatives Association Master Netting Agreements (“ISDA Agreements”) signed with various banks. These derivative instruments are not offset in the condensed consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts.

Financial assets of the Group subject to ISDA Agreements by counterparty:

	Carrying amounts of financial assets in the condensed consolidated statement of financial position – bank balances HK\$'000	Related amounts not set off in the condensed consolidated statement of financial position – financial liabilities HK\$'000	Net amount HK\$'000
At 30 June 2021			
Bank A	818	(818)	-
Bank C	346	-	346
Total	1,164	(818)	346

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2021

21. Financial Assets and Financial Liabilities Subject to Enforceable Master Netting Arrangements (Cont'd)

Financial liabilities of the Group subject to ISDA Agreements by counterparty:

	Carrying amounts of financial liabilities presented as "Derivative financial instruments" in the condensed consolidated statement of financial position HK\$'000	Related amounts not set off in the condensed consolidated statement of financial position – financial assets HK\$'000	Net amount HK\$'000
At 30 June 2021			
Bank A	(1,658)	818	(840)
Bank B	(244)	-	(244)
Total	(1,902)	818	(1,084)

The gross amounts of the recognised financial assets and financial liabilities disclosed in the above tables, which are subject to enforceable master netting arrangements, are measured at as follows:

- Derivative financial instruments – fair value

Other Information

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 2 HK cents per share for the six months ended 30 June 2021 (six months ended 30 June 2020: nil) on the shares in issue amounting to approximately HK\$6,112,000 (six months ended 30 June 2020: nil), to the shareholders whose names appear on the Register of Members on Friday, 24 September 2021. The dividend will be payable on Friday, 15 October 2021.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Thursday, 23 September 2021 to Friday, 24 September 2021, both days inclusive, during which period no transfer of shares will be registered. In order to determine shareholders who are entitled to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by not later than 4:30 p.m. on Tuesday, 21 September 2021.

Other Information

CORPORATE GOVERNANCE

The Company has applied the principles of, and complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 14 to the Listing Rules throughout the accounting period for the six months ended 30 June 2021, except for the following deviations as described below:

Code provision A.4.1

Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election.

The current Non-executive Directors and Independent Non-executive Directors were not appointed for a specific term. However, as all Directors are eligible for re-election and subject to retirement by rotation at the annual general meetings of the Company in accordance with Bye-law 87 of the Company’s Bye-laws and code provision A.4.2 of the CG Code, the Board considers that sufficient resources have been taken to ensure that the Company’s corporate governance practices are no less than exacting than those in the CG Code.

Code provision D.1.4

Under the code provision D.1.4 of the CG Code, directors should clearly understand delegation arrangements in place and listed companies should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

The Board considers that though there are no formal letters of appointment entered into between the Company and the Directors, the current arrangement has been adopted for years and proved to be effective, more appropriate and flexible for the business operation of the Company. The Directors also have a clear understanding of the terms and conditions of their appointment with close communication with the Company and their awareness on the relevant rights and duties pursuant to the applicable laws and regulations.

Other Information

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions.

Specific enquiry has been made of all Directors and they have complied with the required standard set out in the Model Code during the six months ended 30 June 2021.

The Company has established the written guidelines on no less exacting terms than the Model Code relating to securities transactions for the relevant employees.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2021, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold any of the Company’s listed securities.

AUDIT COMMITTEE REVIEW

The Audit Committee of the Company has reviewed the Group’s unaudited condensed consolidated financial information and interim report of the Company for the six months ended 30 June 2021.

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, the interests and short positions of the Directors, chief executives of the Company (the "Chief Executives") and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been 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 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 contained in the Listing Rules, were as follows:

(i) Long Positions in the Shares and Underlying Shares of the Company

(a) Ordinary shares of the Company

Name of Directors	Notes	Capacity	Nature of interests	Number of ordinary shares held	Percentage of the Company's issued share capital (Note 4)
Lam Foo Wah		Beneficial owner	Personal	1,789,901	0.59%
	1, 2	Other interests	Other	211,521,460	69.21%
So Siu Hang, Patricia		Beneficial owner	Personal	2,963,207	0.97%

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

(i) Long Positions in the Shares and Underlying Shares of the Company (Cont'd)

(b) Share options granted by the Company

Name of Directors	Capacity	Number of underlying shares held pursuant to share options <i>(Note 3)</i>	Percentage of the Company's issued share capital <i>(Note 4)</i>
Lam Gee Yu, Will	Beneficial owner	2,500,000	0.82%
Lam Din Yu, Well	Beneficial owner	2,500,000	0.82%

(ii) Long Position in Ordinary Shares of Associated Corporation

Name of Director	<i>Note</i>	Name of associated corporation	Relationship with the Company	Capacity	Number of ordinary shares held	Percentage of the associated corporation's issued share capital <i>(Note 6)</i>
Lam Foo Wah	5	High Fashion Knitters Limited	Subsidiary	Interest of controlled corporations	5,339,431	35.60%

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

(ii) Long Position in Ordinary Shares of Associated Corporation (Cont'd)

Notes:

1. Mr. Lam Foo Wah is deemed to have interests in 164,777,620 ordinary shares which are beneficially owned by Hinton Company Limited, 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 46,743,840 ordinary shares which are beneficially owned by High Fashion Charitable Foundation Limited, the entire issued share capital of which is held under High Fashion Trust. Mr. Lam is regarded as a founder of the trust.
3. Particulars of these share options and their movements as at 30 June 2021 are set out in the "Share Option Scheme" section below.
4. The issued share capital of the Company is 305,615,420 shares as at 30 June 2021.
5. These shares are held through three companies beneficially owned by Mr. Lam Foo Wah.
6. The issued share capital of High Fashion Knitters Limited is 15,000,000 shares as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, none of the Directors, Chief Executives nor their associates had or was deemed to have any interest or short positions in the shares, underlying shares and 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.

Furthermore, save as disclosed in the "Share Option Scheme" section below, at no time during the six months ended 30 June 2021 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Other Information

SHARE OPTION SCHEME

The Company passed a resolution at the annual general meeting to adopt a new share option scheme on 30 May 2012 (the “Scheme”) for a period of 10 years commencing on the adoption date following the expiry of the old share option scheme for the continuation of providing recognition to the contributions or services of employees, executives and Non-executive Directors.

The movements in the Company’s share options during the six months ended 30 June 2021 are disclosed as follows:

Name of grantees	Date of grant	Exercise price per share HK\$	Exercise period	Number of share options				
				As at 1 January 2021	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	As at 30 June 2021
<i>Directors</i>								
Lam Gee Yu, Will	3 December 2018	1.76	3 December 2019 to 2 December 2028	1,250,000	-	-	-	1,250,000
			3 December 2020 to 2 December 2028	1,250,000	-	-	-	1,250,000
				2,500,000	-	-	-	2,500,000
Lam Din Yu, Well	3 December 2018	1.76	3 December 2019 to 2 December 2028	1,250,000	-	-	-	1,250,000
			3 December 2020 to 2 December 2028	1,250,000	-	-	-	1,250,000
				2,500,000	-	-	-	2,500,000
			Total	5,000,000	-	-	-	5,000,000

Note:

The vesting period of the share options is from the date of grant until the commencement of the exercise period.

Other Information

SHARE OPTION SCHEME (Cont'd)

Save as disclosed above, no share options of the Company was granted, exercised, lapsed or cancelled during the period.

Apart from the Scheme, during the six months ended 30 June 2021, no rights were granted to the Directors, Chief Executives or those of the Company's subsidiaries, or any of their spouses or children under 18 years of age to subscribe for equity or debt securities of the Company or its subsidiaries.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, the following substantial shareholders, other than Directors and Chief Executives, had the interests and short positions in the shares and underlying shares of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, have been recorded in the register kept by the Company pursuant to Section 336 of SFO:

Long Positions in the Ordinary Shares of the Company:

Name of Shareholders	Notes	Capacity	Number of ordinary shares held	Percentage of the Company's issued share capital <i>(Note 3)</i>
Leung Shuk Bing	1	Interest of spouse	213,311,361	69.80%
Hinton Company Limited	2	Beneficial owner	164,777,620	53.92%
High Fashion Charitable Foundation Limited	2	Beneficial owner	46,743,840	15.29%

Other Information

SUBSTANTIAL SHAREHOLDERS (Cont'd)

Notes:

1. Ms. Leung Shuk Bing is spouse of Mr. Lam Foo Wah and is deemed to have interests in 213,311,361 ordinary shares.
2. Such interests have been disclosed as interests of Mr. Lam Foo Wah in the "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.
3. The issued share capital of the Company is 305,615,420 shares as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, no person, other than the Directors or Chief Executives, whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered a long or short position in the shares, underlying shares and debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Other Information

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information required to be disclosed by the Directors since the publication of the Company's 2020 Annual Report are set out below:

Name of Directors	Details of Changes
Mr. Lam Gee Yu, Will	Appointed as the chairman of Risk Management Committee of the Company with effect from the conclusion of the annual general meeting of the Company held on 4 June 2021.
Mr. Hung Ka Hai, Clement	Retired as an independent non-executive director of Tibet Water Resources Ltd. which is a company listed on the Stock Exchange (stock code: 1115) with effect from the conclusion of its annual general meeting held on 30 June 2021. Appointed as an independent non-executive director of Hong Kong Aerospace Technology Group Limited which is a company listed on the Stock Exchange (stock code: 1725) with effect from 16 July 2021.
Mr. Leung Hok Lim	Retired as an independent non-executive director of S E A Holdings Limited which is a company listed on the Stock Exchange (stock code: 251) with effect from the conclusion of its annual general meeting held on 28 May 2021.
Mr. Chung Kwok Pan	Appointed as the chairman of Remuneration Committee of the Company with effect from the conclusion of the annual general meeting of the Company held on 4 June 2021. Appointed as an independent non-executive director of Legendary Group Limited (formerly known as L&A International Holdings Limited) which is a company listed on the Stock Exchange (stock code: 8195) with effect from 2 June 2021.

Corporate Information

High Fashion International Limited is a company incorporated in Bermuda with limited liability.

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Hung Ka Hai, Clement

Independent Non-executive Directors

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

AUDIT COMMITTEE

Mr. Leung Hok Lim (*Chairman*)
Mr. Hung Ka Hai, Clement
Professor Yeung Kwok Wing
Mr. Chung Kwok Pan

REMUNERATION COMMITTEE

Mr. Chung Kwok Pan (*Chairman*)
Mr. Lam Gee Yu, Will
Professor Yeung Kwok Wing
Mr. Leung Hok Lim

NOMINATION COMMITTEE

Mr. Lam Foo Wah (*Chairman*)
Professor Yeung Kwok Wing
Mr. Leung Hok Lim
Mr. Chung Kwok Pan

RISK MANAGEMENT COMMITTEE

Mr. Lam Gee Yu, Will (*Chairman*)
Professor Yeung Kwok Wing
Mr. Leung Hok Lim
Mr. Chung Kwok Pan

COMPANY SECRETARY

Ms. Yung Pik Man

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

Corporate Information

REGISTERED OFFICE

Clarendon House, 2 Church Street,
Hamilton HM11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House, 2 Church Street,
Hamilton HM11, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 54, Hopewell Centre,
183 Queen's Road East, Hong Kong

COMPANY WEBSITE

www.highfashion.com.hk