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## **INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022**

### **CHAIRMAN'S STATEMENT**

In the first half of 2022, the world was swamped with unfavorable factors undermining global economic development. The economic downturn in the Eurozone, the consumer sentiment suppressed by the Russia-Ukraine situation and energy price, the spiking interest rate and inflation in the United States and the mutation of COVID-19 have pressurized the global economic development and activities. Albeit the global political and economic plight, High Fashion demonstrated a keen sense of crisis. With our rigorous yet flexible marketing layout, innovative spirit of seeking changes and breakthroughs, diversified ingenious product portfolio, comprehensive digitalization and lean management, we have toiled through numerous upheavals in the first six months of the year and steadily progressed.

Our key results for the period ended 30 June 2022 are as follows:

- Net profit attributable to owners at HK\$75.6 million
- Gearing ratio of non-current liabilities to shareholders' fund at 46.9%. Current ratio at 1.4
- Basic earnings per share landed at HK\$0.25
- Net asset value per share amounted to HK\$10.06
- Interim dividend per share is HK\$0.03

As a fashion pioneer, High Fashion has made noticeable progress in sustainable supply chain construction and green product advancement. We have obtained numerous international environmental protection certifications and are eminently committed to promoting R&D projects, leading the Group's green journey with patented technologies. We aim to become the world leader in sustainable and innovative fashion products. In addition, through the constant improvement of resource utilization and comprehensive environmental performance management system, High Fashion provides customers with a full range of green solutions, prompting the cognisance of the importance of sustainable development of the entire industry chain.

Besides, the Group is actively delving into market prospects to further develop our existing market segment and strengthen our deployments in high-potential markets such as ASEAN and the Belt and Road Initiative. Through continuous creation and innovation, the Group has been able to sustain our competitive advantages and adhere to the core corporate culture of "market-orientation", responding quickly to market demands and bringing more added value to our customers. High Fashion as a whole will keep up our craving for newness to create even more remarkable development for the further expansion of our revenue sources and locating more market possibilities. We believe High Fashion is heading for a better future despite all the drastic changes in market.

To ensure sustainable development of the Group, we advocate supply chain digitization and the use of big data and artificial intelligence technology to improve operational efficiency and reduce production costs. Extensive digitalization also has stimulated cross-departmental innovation, driving our management, planning, and decision-making more agile, enabling us to swiftly respond to market changes and enhancing our comprehensive competitiveness in the post-epidemic era.

The property projects in Zhejiang, China, have continued to provide stable cash income to High Fashion. With the strong support of the local government, our in-house technological innovation office space "WL District" has started its phase two construction. This will provide synergy across the whole industry chain within and outside the Group, building a sustainable fashion ecosystem.

Looking ahead, we shall carry on the corporate culture of “advancing with the times”. Every staff of High Fashion is standing in unity. Every one of us will be striving together for our common goal, which is to make High Fashion the innovative fashion center. We are going to fight together, together with our brand customers, to lead the global fashion trend and develop High Fashion’s diversified portfolio. We will nurture an even stronger team of talents for High Fashion’s strategic development. With operational optimization through lean management, operation efficiency and cost control, we believe High Fashion will be primed for any upcoming challenges.

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.

## RESULTS

The Board of Directors (the “Board” or the “Director(s)”) of High Fashion International Limited (the “Company” or “High Fashion”, together with its subsidiaries, the “Group”) is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2022 together with the comparative figures.

### Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
<b>REVENUE</b>			
Goods and services		1,762,803	1,174,914
Rental		43,454	35,263
<b>TOTAL REVENUE</b>	3	<u>1,806,257</u>	<u>1,210,177</u>
Cost of sales		(1,441,530)	(1,020,770)
Gross profit		364,727	189,407
Other income		21,113	24,927
Other gains and losses	4	33,775	83,578
Impairment losses under expected credit loss model, net of reversal		(3,991)	(3,896)
Administrative expenses		(193,567)	(124,756)
Selling and distribution expenses		(113,526)	(72,287)
Other expenses		(6,228)	(3,069)
Finance costs	5	(13,410)	(13,890)
<b>PROFIT BEFORE TAXATION</b>		<u>88,893</u>	<u>80,014</u>
Income tax expenses	6	(12,388)	(18,576)
<b>PROFIT FOR THE PERIOD</b>	7	<u>76,505</u>	<u>61,438</u>
<b>OTHER COMPREHENSIVE (EXPENSE) INCOME</b>			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements to presentation currency		(105,496)	32,761
Gain on revaluation of owner-occupied properties		-	67,374
Income tax relating to items that will not be reclassified to profit or loss		-	(16,843)
		<u>(105,496)</u>	<u>83,292</u>
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		-	(2,081)
Other comprehensive (expense) income for the period, net of tax		<u>(105,496)</u>	<u>81,211</u>
<b>TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD</b>		<u><u>(28,991)</u></u>	<u><u>142,649</u></u>

**Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Cont'd)**

*For the six months ended 30 June 2022*

		<b>Six months ended 30 June</b>	
		<b>2022</b>	2021
		<b>(Unaudited)</b>	(Unaudited)
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>PROFIT FOR THE PERIOD</b>			
<b>ATTRIBUTABLE TO:</b>			
Owners of the Company		<b>75,591</b>	61,319
Non-controlling interests		<b>914</b>	119
		<u><b>76,505</b></u>	<u>61,438</u>
<b>TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD</b>			
<b>ATTRIBUTABLE TO:</b>			
Owners of the Company		<b>(29,905)</b>	142,530
Non-controlling interests		<b>914</b>	119
		<u><b>(28,991)</b></u>	<u>142,649</u>
<b>EARNINGS PER SHARE</b>			
Basic	8	<u><b>24.73 HK cents</b></u>	<u>20.06 HK cents</u>
Diluted		<u><b>24.73 HK cents</b></u>	<u>20.06 HK cents</u>

**Unaudited Condensed Consolidated Statement of Financial Position**  
*At 30 June 2022*

	At <b>30 June 2022</b> (Unaudited) <i>HK\$'000</i>	At 31 December 2021 (Audited) <i>HK\$'000</i>
<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	<b>475,137</b>	474,369
Right-of-use assets	<b>60,101</b>	74,582
Investment properties	<b>3,147,658</b>	3,101,216
Interests in joint ventures	<b>7,565</b>	7,559
Equity instruments at fair value through other comprehensive income	<b>16,416</b>	16,416
Derivative financial instruments	<b>11,858</b>	1,989
Deferred tax assets	<b>46,334</b>	42,865
Other non-current assets	<b>68,712</b>	89,268
Long-term bank deposits	<b>43,422</b>	-
	<b>3,877,203</b>	3,808,264
<b>CURRENT ASSETS</b>		
Inventories	<b>524,908</b>	600,337
Properties held for sale	<b>21,162</b>	22,042
Trade receivables	<b>639,791</b>	517,730
Deposits, prepayments and other receivables	<b>151,079</b>	113,434
Amounts due from joint ventures	<b>5,395</b>	5,395
Derivative financial instruments	<b>-</b>	1,663
Other financial assets at fair value through profit or loss ("FVTPL")	<b>679,716</b>	660,250
Short-term bank deposits	<b>6,380</b>	19,981
Bank balances and cash	<b>375,736</b>	417,527
	<b>2,404,167</b>	2,358,359
<b>CURRENT LIABILITIES</b>		
Trade payables	<b>604,531</b>	581,592
Other payables and accruals	<b>324,260</b>	284,133
Lease liabilities	<b>3,813</b>	6,006
Amount due to an associate	<b>583</b>	583
Contract liabilities	<b>94,235</b>	64,141
Tax payable	<b>60,389</b>	56,422
Derivative financial instruments	<b>644</b>	-
Bank borrowings	<b>662,580</b>	608,246
	<b>1,751,035</b>	1,601,123

## Unaudited Condensed Consolidated Statement of Financial Position (Cont'd)

At 30 June 2022

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
<b>NET CURRENT ASSETS</b>	<u>653,132</u>	<u>757,236</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>4,530,335</u>	<u>4,565,500</u>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	355,418	348,307
Bank borrowings	1,056,028	1,068,833
Lease liabilities	10,509	12,404
Provision for long service payments	233	2,721
Provision	2,347	2,445
Other liabilities	22,756	-
Deferred income	7,726	8,144
	<u>1,455,017</u>	<u>1,442,854</u>
<b>NET ASSETS</b>	<u>3,075,318</u>	<u>3,122,646</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	30,562	30,562
Share premium and reserves	<u>3,073,935</u>	<u>3,122,177</u>
Equity attributable to owners of the Company	3,104,497	3,152,739
Non-controlling interests	<u>(29,179)</u>	<u>(30,093)</u>
<b>TOTAL EQUITY</b>	<u>3,075,318</u>	<u>3,122,646</u>

## Notes to the Condensed Consolidated Financial Statements

### 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 on The Stock Exchange of Hong Kong Limited.

### 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 fair values, as appropriate.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in these condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2021.

#### Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

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.

### 3. Revenue and Segment Information

#### Disaggregation of revenue from contracts with customers

	<b>Six months ended 30 June</b>	
	<b>2022</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>
Recognised at a point in time under HKFRS 15:		
Manufacturing and trading of garments	<b>1,760,385</b>	1,149,467
Sales of brand garments	<b>2,418</b>	9,722
Sales of properties	-	15,725
Revenue from contracts with customers	<b>1,762,803</b>	1,174,914
Rental income recognised under HKFRS 16	<b>43,454</b>	35,263
	<b>1,806,257</b>	1,210,177
Geographical markets:		
China (including Mainland China and Hong Kong)	<b>909,917</b>	708,905
United States of America (“USA”)	<b>348,985</b>	208,158
Europe	<b>243,054</b>	128,052
Others	<b>304,301</b>	165,062
	<b>1,806,257</b>	1,210,177

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 2022 (unaudited)*

	<b>Manufacturing and trading of garments</b> <i>HK\$'000</i>	<b>Brand business</b> <i>HK\$'000</i>	<b>Property investment and development</b> <i>HK\$'000</i>
Segment revenue	<b>1,806,480</b>	<b>2,418</b>	<b>43,454</b>
Less: rental income recognised under HKFRS 16	-	-	<b>(43,454)</b>
Less: inter-segment sales	<b>(46,095)</b>	-	-
Revenue from contracts with customers	<b>1,760,385</b>	<b>2,418</b>	-

### 3. Revenue and Segment Information (Cont'd)

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

*For the six months ended 30 June 2021 (unaudited)*

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

#### Segment information

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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Segment revenue		
- Manufacturing and trading of garments	<b>1,806,480</b>	1,175,714
- Brand business	<b>2,418</b>	9,722
- Property investment and development	<b>43,454</b>	50,988
	<u><b>1,852,352</b></u>	<u>1,236,424</u>
Inter-segment sales eliminate		
- Manufacturing and trading of garments (note i)	<b>(46,095)</b>	(26,247)
Revenue – external sales	<u><b>1,806,257</b></u>	<u>1,210,177</u>
Segment results		
- Manufacturing and trading of garments	<b>68,832</b>	12,921
- Brand business	<b>(1,882)</b>	(1,309)
- Property investment and development	<b>13,548</b>	12,036
	<u><b>80,498</b></u>	<u>23,648</u>
Change in fair value of derivative financial instruments	<b>(1,829)</b>	4,260
Change in fair value of investment properties	<b>25,090</b>	72,285
Unallocated corporate overhead and other expenses (note ii)	<b>(14,866)</b>	(20,179)
Profit before taxation	<u><b>88,893</b></u>	<u>80,014</u>

### 3. Revenue and Segment Information (Cont'd)

#### Segment information (Cont'd)

Notes:

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

Segment profit represents the profit earned by each segment without the allocation of change in fair value of derivative financial instruments and investment properties, certain portion of the 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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Increase in fair value of investment properties	<b>25,090</b>	72,285
Change in fair value of derivative financial instruments	<b>(1,829)</b>	4,260
Net foreign exchange gain	<b>4,983</b>	917
Loss on disposal of property, plant and equipment	<b>(377)</b>	(425)
Change in fair value of other financial assets at FVTPL	<b>5,908</b>	6,541
	<b><u>33,775</u></b>	<b><u>83,578</u></b>

### 5. Finance Costs

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interests on:		
Bank borrowings and overdrafts	<b>12,108</b>	13,168
Leases liabilities	<b>421</b>	538
Borrowings on discounted bills	<b>881</b>	184
Total borrowing costs	<b><u>13,410</u></b>	<b><u>13,890</u></b>

## 6. Income Tax Expenses

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Current tax charge:		
Hong Kong	2,452	1,504
Mainland China	3,678	2,516
Other jurisdictions	6	3
	<u>6,136</u>	<u>4,023</u>
Overprovision in prior periods:		
Mainland China	(2,535)	(139)
Deferred taxation - current period	8,787	14,692
	<u>12,388</u>	<u>18,576</u>

## 7. Profit for the Period

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

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	28,910	28,523
Depreciation of right-of-use assets	3,552	3,750
Net allowance (reversal) for inventory obsolescence (included in cost of sales)	9,311	(5,265)
Interest income	<u>(5,864)</u>	<u>(3,591)</u>

## 8. Earnings Per Share

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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Earnings for the purpose of basic and diluted earnings per share attributable to owners of the Company	<b>75,591</b>	<b>61,319</b>
	<b>Number of shares '000</b>	<b>Number of shares '000</b>
Number of ordinary shares for the purpose of basic and diluted earnings per share	<b>305,616</b>	<b>305,616</b>

The computation of diluted earnings per share for the six months ended 30 June 2021 and 2022 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 2021 of 6 HK cents (six months ended 30 June 2021: final dividend in respect of the year ended 31 December 2020 of 3 HK cents) per ordinary share was declared to the shareholders and has been paid in cash on 15 July 2022.

The Board declared that an interim dividend of 3 HK cents per share for the six months ended 30 June 2022 (six months ended 30 June 2021: 2 HK cents) will be paid to shareholders whose names appear in the register of members on 16 September 2022. 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. Other non-current assets**

Included in other non-current assets is a deposit of RMB30,000,000 (equivalent to HK\$35,207,000) (31 December 2021: RMB30,000,000 (equivalent to HK\$36,670,000)) paid to the customs authority in Shaoxing City of Zhejiang Province in the Mainland China in relation to an ongoing enquiry of customs duty for import of certain machinery parts and apparel accessories for manufacturing by the factories in the Mainland China into China.

In June 2016, a judgment was made by the Intermediate People's Court Shaoxing Zhejiang Province (the "Judgment") 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 Higher People's Court of Zhejiang Province.

After the legal proceedings in 2017 and 2018, management of the Group had sought advice from legal professionals in the Mainland China, who advised that the evidence relied upon by the court is not factually supported, against which the Group has 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 HK\$2,347,000) (31 December 2021: RMB2,000,000 (equivalent to HK\$2,445,000)). The Group has made a provision for penalty for the same amount accordingly since 2018.

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 in the Mainland China, the verification process is a common judicial practice in the Mainland China and it implies a favourable outlook to the Group. As at 30 June 2022, the Group has not yet received the judgment from the court and the external lawyer remains the same view.

## **11. Trade Receivables**

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

At 30 June 2022, total sales invoices amounting to approximately HK\$33,151,000 (31 December 2021: HK\$4,516,000) are held by the Group for future settlement of trade receivables that are pledged by the Group for bank borrowings.

## 11. Trade Receivables (Cont'd)

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

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Within 90 days	591,905	460,373
91 to 180 days	32,209	46,310
181 to 360 days	4,487	3,260
Over 360 days	11,190	7,787
	<u>639,791</u>	<u>517,730</u>

## 12. Trade Payables

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

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Within 90 days	508,076	517,560
91 to 180 days	39,036	12,258
181 to 360 days	25,484	11,671
Over 360 days	9,806	12,908
	<u>582,402</u>	<u>554,397</u>
Accrued purchases	22,129	27,195
	<u>604,531</u>	<u>581,592</u>

## 13. Contingent Liabilities

In addition to the ongoing enquiry of customs duty as disclosed in note 10, the Group has the followings contingent liabilities:

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 aforesaid parties in the action have agreed to generally extend the deadlines of filing various documents with court. In the opinion of directors of the Company, the legal proceeding is still at an early stage and the amount of claim is not yet provided by the counterparty, it is not probable that a material outflow of resources will be required and no provision has been made accordingly.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The COVID-19 epidemic is still not entirely under control in 2022. Although its impact on the global economy has been gradually diminishing, the spiking inflation and interest rate in the United States have disturbed the pace of economic recovery and uncertainties to the world economy remains. Amid the multiple risks and pressures, the Group thrives to strengthen the stability of our business and set the right path for the market development through our diversified product advancements, the combination of green and ingenious production, and quick response strategies. During the first six months of 2022, the Group's manufacturing and trading business recorded significant growth in domestic and overseas markets. The Group aspires to achieve striking goals by seizing market opportunities, advancing with the times, creating more competitive advantages to drive high-yielding performance.

During the epidemic, the management has actively promoted digital management and application of information technology so that employees can work efficiently without environmental constraints. Furthermore, the Group has carried out digitalization reforms based on the need of our business strategies. It has enabled us to respond to the changing market demands swiftly and efficiently. Business processes have gradually moved towards full automation and have become a gear that promotes business development.

To become a green enterprise is our vision. We have implemented the concept of green environmental protection and sustainable development intricately into the entire supply chain and the overall operational management of the Group. Our textile and garment manufacturing facilities have obtained numerous international and domestic certifications to create sustainable and dashing fashions with traceable, environmentally-friendly products and our wide collection innovative fabrics and designs.

Construction of phase II of our property project, WL District, is carrying on as scheduled. It is expected to bring stable income to the Group for our long-term development. This project has not only brought opportunities for High Fashion's overall upgrading and transformation into a diversified business, but also established a global network for fashion and high-tech talents throughout fashion industry.

### FINANCIAL REVIEW

In the first half year of 2022, the Group's revenue increased by 49.3% to HK\$1,806 million (first half year of 2021: HK\$1,210 million). Gross profit increased by 92.6% to HK\$365 million accordingly, and gross profit margin increased 4.5% to 20.2% (first half year of 2021: HK\$189 million and 15.7%). The increase was mainly contributed from more orders in manufacturing and trading of garments segment, as a result of economy recovery. To cope with the increasing cost of sales, the Group adopted standardized management that implemented cost control measures and restructuring initiatives to reduce production costs, we achieved an improved gross profit margin in the garment business. Profit for the period was HK\$76.5 million comparing to the profit in last year same period of HK\$61.4 million.

Geographically, revenue derived from China in the first six months in 2022 has increased by 28.4% to HK\$909.9 million, represented 50.4% of total revenue (for the six months ended 30 June 2021: HK\$708.9 million, represented 58.6% of total revenue). Sales orders in the USA and European countries grew steadily, total revenue amounted to HK\$592.0 million, accounting for 32.8% of total revenue (for the six months ended 30 June 2021: total revenue of HK\$336.2 million, accounting for 27.8% of total revenue). The Group's export sales to others, mainly to Southeast Asian countries also increased, accounting for 16.8% of total revenue (for the six months ended 30 June 2021: 13.6% of total revenue). The Group is diversifying our development focus to different markets and regions in order to expand the sales network and reduce risks.

Other gains and losses for the period was HK\$33.8 million (for the six months ended 30 June 2021: HK\$83.6 million), which mainly included the fair value gain from investment properties of HK\$25.1 million (for the six months ended 30 June 2021: HK\$72.3 million). The difference in fair value gains between the two periods is mainly due to the economic slowdown and the narrowing of the increase in real estate value. As real estate projects are the Group's long-term development projects, the temporary narrowing of the real estate value increase will not affect the Group.

Administrative expenses as a percentage of total revenue increased slightly from 10.3% in the first half year of 2021 to 10.7% in the first half year of 2022. Selling and distribution expenses as a percentage of total revenue increased slightly from 6.0% in the first half year of 2021 to 6.3% in the first half year of 2022.

Basic earnings per share for the period ended 2022 was HK\$0.25, increased by 23% compared to HK\$0.20 for same period ended in 2021. Net asset value per share decreased slightly from HK\$10.22 as of 31 December 2021 to HK\$10.06 as of 30 June 2022.

## SEGMENT INFORMATION

The segment information for the six months ended 30 June 2022 is as follows:

	Revenue		Contribution	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>By principal activities:</b>				
Manufacturing and trading of garments	1,760,385	1,149,467	68,832	12,921
Property investment and development	43,454	50,988	13,548	12,036
Brand business	2,418	9,722	(1,882)	(1,309)
	<b>1,806,257</b>	<b>1,210,177</b>	<b>80,498</b>	<b>23,648</b>
<b>By geographical segments:</b>				
China	909,917	708,905	57,177	23,072
USA	348,985	208,158	7,577	296
Europe	243,054	128,052	8,687	(408)
Others	304,301	165,062	7,057	688
	<b>1,806,257</b>	<b>1,210,177</b>	<b>80,498</b>	<b>23,648</b>

## Manufacturing and trading of garments

Revenue from the garment manufacturing and trading business in the first half year of 2022 was HK\$1,760 million, an increase of HK\$611 million, or 53.1%, compared to revenue of HK\$1,149 million in the same period of 2021. Profit for the first six months of 2022 was HK\$68.8 million, representing a significant increase of 432.7% compared to the profit of HK\$12.9 million in the same period of 2021.

The Group actively promotes diversified product development, providing customers with innovative products and comprehensive services. In the production process, a large number of resources are invested in sustainable development and green enterprises as the axis, which is highly recognized by stakeholders from all walks of life. In addition, through business process optimization and re-engineering to improve operational efficiency, so that employees could focus on key issues to create a competitive reasonable cost, establish a customer-centric value loop, and continue to enhance customer value.

## Property investment and development

Revenue from property investment and development business in the first six months in 2022 was HK\$43.5 million while revenue recorded in same period of 2021 was HK\$51.0 million.

The Group is now vigorously expanding the scale of WL District real estate project in Hangzhou, which project has been affirmed and supported by the local government. We will continue to optimize the combination of enterprises stationed in the districts, and collaborate with more high-quality partners for the creation and innovative co-research projects. The first phase of WL District project under development in Hangzhou has been completed and will gradually reflect the return on investment. The second phase of construction has just started and is expected to be completed within a few years.

The Group's high-quality property investment and development portfolio will continue to provide high-value assets and generate stable revenue for the Group.

## Brand business

As mentioned in the previous Group audited report, the Group will continue to scale down the retail brand business. Sales for the first six months in 2022 mainly attributed to online orders and a small amount of inventory clearance.

## ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

The Group has aggressively adopted the concepts of sustainable development and green production over the years. According to advanced management system, on the basis of continuous technological innovation, we integrated the green concept of environmental protection into all stages along the entire process including product research and development, design, manufacturing, etc. The green concept is embedded into full supply chain, we prioritize the procurement and use of resource-saving products, equipment and facilities as well as vigorously promote recycling and the use of organic raw materials. We established the 2020 5-Year Sustainability Goals which covers green procurement, sustainable products research and development, carbon emission reduction, resources conservation and corporate social responsibility. We live up to our commitment to being an industry leader and promotor of sustainable development.

This year we have the development focus on green supply chain, we are committed to green procurement through selection of suppliers who are using environmentally preferable raw materials. Our sourcing team performs the initial supplier assessments and conducts the annual reassessments. Suppliers who previously committed to environmental protection shall comply with the national textile standards. The Group gives priority to the suppliers who have passed GRS and STeP by OEKO-TEX® and engages in green environmental products with an aim to provide healthy, environmentally-friendly and safe green products to the consumers.

The Group proactively meets the top international standards and obtains various awards and recognition, including the gold label of “Low Carbon Manufacturing Programme” from WWF and STeP by OEKO-TEX® certification. STeP by OEKO-TEX® certification requires effective resource utilization, including wastewater, heat, and surplus materials. We all achieved results far exceeding the industry and global average in the STeP certification assessment. The scope of other certifications covered reduction of carbon emissions, safe production, abandoned use of harmful substances, and concern on social and labour conditions. We also invest resources in the development of more sustainable and innovative products, and continue to organize training and hold different activities for our employees, so that they can contribute to the society in their leisure time.

The Environmental, Social and Governance Committee of the Group is responsible for monitoring and reviewing the implementation of various policies and projects with a high degree of vigilance, providing appropriate risk management advice to the Board and reporting the progress of relevant projects. Going forward, we will take into account both the mission and responsibility, give full play to industrial competitiveness through endless innovation and creation. We will continue to implement sustainable strategy concepts in promoting industrial in-depth growth, and consecutively enhance green, low-carbon and sustainable development. We all are committed to fulfill the social responsibility.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group’s total cash and cash equivalent and current bank deposits was HK\$1,100 million on 30 June 2022 and 31 December 2021.

Bank borrowings, mainly dominated in Hong Kong Dollar have increased slightly from HK\$1,680 million on 31 December 2021 to HK\$1,720 million on 30 June 2022. 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 increased slightly to 46.9% as at 30 June 2022 (31 December 2021: 45.8%). Current ratio is 1.4 (31 December 2021: 1.5), revealing that the Group has a solid capital base.

Net cash inflow from operating activities was HK\$95.9 million, which was mainly attributed from operating profit increase. The Group has sufficient banking facilities provided by its bankers together with the stable income from the owned properties, the Management is confident 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. The Group complies with the policy to monitor foreign currency exchange risk. In the first two quarters of 2022, the value of RMB against the USD fell due to the repeated epidemics and interest rate hikes in the US, the Management took quick response and effectively reduce the exchange loss of buying RMB from USD. As HKD is pegged to the USD, the Group considers that its foreign currency risk in respect of USD is minimal. The management will continue to take prudent measures to reduce risks.

## CHARGES ON ASSETS

Apart from HK\$1,870 million for mortgaged properties (31 December 2021: HK\$1,390 million), the Group has no collateral for other assets.

## CAPITAL EXPENDITURE

The Group has purchased the plant and equipment, leasehold improvement and construction in progress of around HK\$34.8 million in order to upgrade the manufacturing capabilities and improve the environmental protection facilities during the period. The Group also injects HK\$68.1 million into certain properties construction and development projects during the reporting period.

## CAPITAL COMMITMENTS

As at 30 June 2022, the Group is committed to capital expenditure in respect of acquisition of property, plant and equipment and construction work contracted but not provided for amounted to HK\$319.9 million.

## CONTINGENT LIABILITIES

Please refer to note 13 to the condensed consolidated financial statements for details of contingent liabilities as of 30 June 2022.

## HUMAN RESOURCES

As of 30 June 2022, the Group had approximately 5,100 employees (31 December 2021: 4,800). Headcount increased mainly from workers as a result of increased sales orders. Management of the Group emphasizes in staff training to equip the staff with the right knowledge. The Group evaluates its staff based on 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.

## **INTERIM DIVIDEND**

The Board has resolved to declare an interim dividend of 3 HK cents per share for the six months ended 30 June 2022 (six months ended 30 June 2021: 2 HK cents) on the shares in issue amounting to approximately HK\$9,168,000 (six months ended 30 June 2021: HK\$6,112,000), to the shareholders whose names appear on the Register of Members on Friday, 16 September 2022. The dividend will be payable on Friday, 7 October 2022.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from Thursday, 15 September 2022 to Friday, 16 September 2022, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by not later than 4:30 p.m. on Wednesday, 14 September 2022.

## **CORPORATE GOVERNANCE**

The Company has applied the principles of, and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the accounting period for the six months ended 30 June 2022, except for the following deviation as described below:

### **Code provision C.3.3**

Under the code provision C.3.3 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.

## **AUDIT COMMITTEE REVIEW**

The Audit Committee of the Company has reviewed the Group's unaudited condensed consolidated financial information and the interim report of the Company for the six months ended 30 June 2022 (the "2022 Interim Report").

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

During the six months ended 30 June 2022, 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.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This announcement is published on the websites of the Company ([www.highfashion.com.hk](http://www.highfashion.com.hk)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

The 2022 Interim Report will be published and despatched to the shareholders of the Company and available on the above websites by no later than Friday, 30 September 2022.

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

Hong Kong, 18 August 2022

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