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High Fashion International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 608)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023, CHANGE OF INDEPENDENT NON-EXECUTIVE DIRECTOR AND CHANGE OF BOARD COMPOSITION OF BOARD COMMITTEES

CHAIRMAN'S STATEMENT

In 2023, the global economic and political landscape, characterized by uncertainty, is being significantly impacted by heightened China-US competition, geopolitical tensions, and the Russia-Ukraine war. Inflation in Europe and America, the instability of the RMB exchange rate, and the implications of interest rate hikes have further complicated our business environment. In response to these challenging market conditions, High Fashion Group actively and quickly responds to market changes, prioritizing product innovation and digital transformation, as well as supply chain efficiency and flexibility, in our efforts to expand market presence and customer base in pursuit of our goal to become a global leader in the fashion industry.

Our key results for the period ended 30 June 2023 are as follow:

- Net profit attributable to shareholders at HK\$57.9 million
- Gearing ratio of non-current liabilities to shareholders' fund at 39.7%. Current ratio at 1.2
- Basic earnings per share landed at HK\$0.19
- Net asset value per share amounted to HK\$9.83
- Interim dividend per share is HK\$0.035

High Fashion Group continues to make strides in product innovation and sustainable development. We remain committed to the constant innovation of green product development. Numerous international green certifications and R&D patents have recognized these efforts. Additionally, our focus on carbon neutrality and raw material traceability highlights our commitment to sustainable materials. This provides customers with comprehensive green solutions that are convenient and efficient.

High Fashion Group promotes digital transformation, thereby enhancing production and management efficiency while reducing operating costs. Our investment in automation and digital technology has yielded significant improvements in supply chain efficiency, productivity and major competitiveness.

On the other hand, our real estate project WL District in Hangzhou continues to provide a steady stream of rental income for the Group. Following several years of extensive planning, completion of the second phase of the project is imminent. This will not only bolster the Group's fashion business development and transformation, but also serves as a cornerstone for advancements in areas of sustainability, research and development, technological innovation and digitalization – the key factors in strengthening High Fashion's future transformation.

Going forward, we understand that we will be navigating through both opportunities and challenges. High Fashion is fully prepared to strive together as a team with strong determination and collective strength, ready to handle and overcome any market conditions. With concerted efforts, we are fully confident in the future development of 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.

RESULTS

The Board of Directors (the “Board”) of High Fashion International Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2023 together with the comparative figures.

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

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE			
Goods and services		1,555,728	1,762,803
Rental		56,711	43,454
TOTAL REVENUE	3	1,612,439	1,806,257
Cost of sales		(1,273,842)	(1,469,734)
Gross profit		338,597	336,523
Other income		15,411	21,113
Other gains and losses	4	(10,826)	33,775
Impairment losses under expected credit loss model, net of reversal		(204)	(3,991)
Administrative expenses		(148,066)	(165,363)
Selling and distribution expenses		(100,182)	(113,526)
Other expenses		(223)	(6,228)
Finance costs	5	(33,644)	(13,410)
PROFIT BEFORE TAXATION		60,863	88,893
Income tax expenses	6	(2,245)	(12,388)
PROFIT FOR THE PERIOD	7	58,618	76,505
OTHER COMPREHENSIVE EXPENSE			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements to presentation currency		(188,649)	(105,496)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		(2,516)	-
Other comprehensive expense for the period, net of tax		(191,165)	(105,496)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		(132,547)	(28,991)

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

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
<i>Note</i>	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD		
ATTRIBUTABLE TO:		
Owners of the Company	57,899	75,591
Non-controlling interests	719	914
	<u>58,618</u>	<u>76,505</u>
TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD		
ATTRIBUTABLE TO:		
Owners of the Company	(133,266)	(29,905)
Non-controlling interests	719	914
	<u>(132,547)</u>	<u>(28,991)</u>
EARNINGS PER SHARE		
Basic	<u>18.95 HK cents</u>	<u>24.73 HK cents</u>
Diluted	<u>18.95 HK cents</u>	<u>24.73 HK cents</u>

8

Unaudited Condensed Consolidated Statement of Financial Position
At 30 June 2023

	At 30 June 2023 (Unaudited) Notes	At 31 December 2022 (Audited)
	HK\$'000	HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	465,773	461,562
Right-of-use assets	52,027	59,589
Investment properties	3,237,986	3,208,851
Interests in joint ventures	7,581	7,565
Equity instruments at fair value through other comprehensive income ("FVTOCI")	16,416	16,416
Deferred tax assets	31,434	33,380
Other non-current assets	10 66,538	66,924
Long-term bank deposits	40,187	41,578
	<u>3,917,942</u>	<u>3,895,865</u>
CURRENT ASSETS		
Inventories	364,225	436,427
Properties held for sale	112,788	95,470
Trade receivables	11 589,705	551,374
Deposits, prepayments and other receivables	126,924	165,017
Amounts due from joint ventures	5,395	5,395
Derivative financial instruments	5,760	12,840
Other financial assets at fair value through profit or loss ("FVTPL")	182,349	337,430
Short-term bank deposits	215,795	116,513
Cash and cash equivalents	588,702	611,250
	<u>2,191,643</u>	<u>2,331,716</u>
CURRENT LIABILITIES		
Trade payables	12 488,494	445,876
Other payables and accruals	299,596	325,930
Lease liabilities	4,143	4,025
Amount due to an associate	583	583
Contract liabilities	85,571	90,431
Tax payable	74,864	82,832
Bank borrowings	946,919	551,368
	<u>1,900,170</u>	<u>1,501,045</u>

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

At 30 June 2023

	At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
NET CURRENT ASSETS	<u>291,473</u>	<u>830,671</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>4,209,415</u>	<u>4,726,536</u>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	340,610	351,711
Bank borrowings	782,032	1,151,618
Lease liabilities	7,166	8,672
Provision for long service payments	3,074	3,074
Deferred income	6,807	6,976
Other liabilities	<u>64,280</u>	<u>66,492</u>
	<u>1,203,969</u>	<u>1,588,543</u>
NET ASSETS	<u><u>3,005,446</u></u>	<u><u>3,137,993</u></u>
CAPITAL AND RESERVES		
Share capital	30,562	30,562
Share premium and reserves	<u>3,002,906</u>	<u>3,136,172</u>
Equity attributable to owners of the Company	<u>3,033,468</u>	3,166,734
Non-controlling interests	<u>(28,022)</u>	<u>(28,741)</u>
TOTAL EQUITY	<u><u>3,005,446</u></u>	<u><u>3,137,993</u></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 2023 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2022.

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 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The application of the new and 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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue from contracts with customers recognised at a point in time under HKFRS 15:		
Manufacturing and trading of garments	1,555,728	1,762,803
Rental income recognised under HKFRS 16	56,711	43,454
	<u>1,612,439</u>	<u>1,806,257</u>
Geographical markets:		
China (including Mainland China and Hong Kong)	898,756	909,917
United States of America (“USA”)	233,882	348,985
Europe	203,983	243,054
Others	275,818	304,301
	<u>1,612,439</u>	<u>1,806,257</u>

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 2023 (unaudited)

	Manufacturing and trading of garments	Property investment and development
	HK\$'000	HK\$'000
Segment revenue	1,555,728	56,711
Less: rental income recognised under HKFRS 16	-	(56,711)
Revenue from contracts with customers	<u>1,555,728</u>	<u>-</u>

3. Revenue and Segment Information (Cont'd)

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

For the six months ended 30 June 2022 (unaudited)

	Manufacturing and trading of garments <u>HK\$'000</u>	Property investment and development <u>HK\$'000</u>
Segment revenue	1,762,803	43,454
Less: rental income recognised under HKFRS 16	-	(43,454)
Revenue from contracts with customers	<u>1,762,803</u>	<u>-</u>

Segment information

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Segment revenue		
- Manufacturing and trading of garments	1,555,728	1,762,803
- Property investment and development	56,711	43,454
Revenue – external sales	<u>1,612,439</u>	<u>1,806,257</u>
Segment results		
- Manufacturing and trading of garments	66,241	66,950
- Property investment and development	15,187	13,548
	<u>81,428</u>	<u>80,498</u>
Change in fair value of derivative financial instruments	(7,080)	(1,829)
Change in fair value of investment properties	(11,574)	25,090
Unallocated corporate overhead and other expenses (note)	(1,911)	(14,866)
Profit before taxation	<u>60,863</u>	<u>88,893</u>

3. Revenue and Segment Information (Cont'd)

Segment information (Cont'd)

Note: 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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Decrease)/increase in fair value of investment properties	(11,574)	25,090
Change in fair value of derivative financial instruments	(7,080)	(1,829)
Net foreign exchange gain	5,516	4,983
Loss on disposal of property, plant and equipment, net	(748)	(377)
Change in fair value of other financial assets at FVTPL	3,060	5,908
	<u>(10,826)</u>	<u>33,775</u>

5. Finance Costs

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interests on:		
Bank borrowings and overdrafts	32,065	12,108
Leases liabilities	281	421
Borrowings on discounted bills	1,298	881
Total borrowing costs	<u>33,644</u>	<u>13,410</u>

6. Income Tax Expenses

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Current tax charge:		
Hong Kong	6,303	2,452
Mainland China	1,756	3,678
Other jurisdictions	-	6
	<u>8,059</u>	<u>6,136</u>
Overprovision in prior periods:		
Mainland China	(2,894)	(2,535)
Deferred taxation - current period	(2,920)	8,787
	<u>2,245</u>	<u>12,388</u>

7. Profit for the Period

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

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	31,905	28,910
Depreciation of right-of-use assets	2,881	3,552
Net (reversal) allowance for inventory obsolescence (included in cost of sales)	(8,591)	9,311
Interest income	<u>(7,584)</u>	<u>(5,864)</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:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings for the purpose of basic and diluted earnings per share attributable to owners of the Company	<u>57,899</u>	<u>75,591</u>
	Number of shares '000	Number of shares '000
Number of ordinary shares for the purpose of basic and diluted earnings per share	<u>305,616</u>	<u>305,616</u>

The computation of diluted earnings per share for the six months ended 30 June 2023 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 2022 of 12 HK cents (six months ended 30 June 2022: final dividend in respect of the year ended 31 December 2021 of 6 HK cents) per ordinary share was declared to the shareholders and has been paid in cash on 7 July 2023.

The Board declared that an interim dividend of 3.5 HK cents per share for the six months ended 30 June 2023 (six months ended 30 June 2022: 3 HK cents) will be paid to shareholders whose names appear in the register of members on 15 September 2023. 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\$32,583,904) (31 December 2022: RMB30,000,000 (equivalent to HK\$33,712,000)) 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.

On 24 February 2023, the Group received a judgment from the Shaoxing Intermediate People's Court that, following the Higher People's Court of Zhejiang Province issuing the judgment on 14 February 2023 to return the customs proceedings to the Shaoxing Intermediate People's Court for retrial due to unclear fact and insufficient evidence, the People's Procuratorate of the Shaoxing City of Zhejiang Province has withdrawn the charges against a subsidiary of the Company and the Shaoxing Intermediate People's Court granted its approval for such withdrawal.

The management of the Group expects the refund of the deposit would not be settled within the twelve months from the end of the reporting period and therefore the deposit has been presented as a non-current asset (31 December 2022: a non-current asset) in the condensed consolidated statement of financial position.

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.

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 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
Within 90 days	529,569	495,540
91 to 180 days	38,575	26,049
181 to 360 days	15,547	22,977
Over 360 days	6,014	6,808
	<u>589,705</u>	<u>551,374</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 2023 (Unaudited) <i>HK\$'000</i>	At 31 December 2022 (Audited) <i>HK\$'000</i>
Within 90 days	185,602	232,134
91 to 180 days	26,060	18,400
181 to 360 days	19,216	21,920
Over 360 days	17,633	18,654
	<u>248,511</u>	<u>291,108</u>
Accrued purchases	239,983	154,768
	<u>488,494</u>	<u>445,876</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, a joint venture of the Group, 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 amount of claim is not yet provided by the counterparty and 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

In the first half year of 2023, China's economic recovery was slower than expected, and the inflation problem in the Europe and America put pressure on consumer demand. The Group's business faced many challenges under the uncertainties of the global economy and fierce market competition. In order to consolidate its competitive advantage, the Group is committed to expanding the market and customer base through quick response strategies and innovative products, and through the application of information technology and digital management.

The Group implements the concepts of sustainable development and green fashion in the entire supply chain management and the Group's overall business operations. Through carbon-neutral and traceable environmentally-friendly products, with a variety of new materials, new technologies and new processes, it is committed to create sustainable popular fashion to meet the needs of consumers and society for environmentally-friendly products.

At the same time, the management team is committed to promoting digital management and improving accuracy, thereby improving production efficiency, controlling costs, and improving overall management efficiency. We are investing more resources to fully automate business processes and become a key factor driving business development.

In addition, diversified property investment and development projects have always provided the Group with stable rental income. Among them, construction of phase II of our property project, WL District, is about to be completed, which is expected to support more long-term development plans. The phase II project also strengthens the expansion of the Group's supply chain platform, brings opportunities for diversified development to the Group, and at the same time establishes a global network for fashion and high-tech talents in the entire industry.

FINANCIAL REVIEW

In the first half year of 2023, the Group's revenue decreased by 10.73% to HK\$1,612 million (first half year of 2022: HK\$1,806 million). Research and development expenses of HK\$28.2 million presented in administrative expenses in the comparative condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2022 has been reclassified to cost of sales to conform with the current period presentation. Gross profit increased by 0.6% to HK\$339 million and the gross profit margin increased 2.4% to 21.0% (first half year of 2022: HK\$337 million and 18.6%). The revenue mainly comes from the garment manufacturing and trading business. The management team has adopted standardized management, implementing cost control measures and restructuring initiatives to reduce production costs. As a result, the gross profit margin of the garment business has risen. The Group's net profit for the six months ended 30 June 2023 was HK\$58.6 million (six months ended 30 June 2022: HK\$76.5 million).

Geographically, the revenue from China in the first six months in 2023 has decreased by 1.2% to HK\$898.8 million, represented 55.7% of total revenue (six months ended 30 June 2022: HK\$909.9 million, represented 50.4% of total revenue). Under the impact of inflation and interest rate hikes, sales figures in the United States and European countries have declined, total revenue amounted to HK\$437.9 million, accounting for 27.2% of total revenue (six months ended 30 June 2022: total revenue of HK\$592.0 million, accounting for 32.8% of total revenue). The Group's export sales to others, mainly to Southeast Asian countries also decreased, accounting for 17.1% of total revenue (six months ended 30 June 2022: 16.8% 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 six months ended 30 June 2023 was losses of HK\$10.8 million (six months ended 30 June 2022: gains of HK\$33.8 million), which mainly included the fair value losses from investment properties of HK\$11.6 million (six months ended 30 June 2022: gains of HK\$25.1 million). The difference in fair value change between the two periods was mainly attributable to the decline in real estate values due to slower than expected economic recovery in China's overall real estate market. 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.

In order to conform with the current period presentation, research and development expenses of HK\$28.2 million included in administrative expenses in the comparative condensed consolidated statement of profit or loss and other comprehensive income for the first half of 2022 has been reclassified to cost of sales. Administrative expenses as a percentage of total revenue maintain at 9.2% for the first six months of 2023 and for the first six months of 2022. Selling and distribution expenses as a percentage of total revenue decreased slightly from 6.3% in the first six months of 2022 to 6.2% in the first six months of 2023.

Basic earnings per share for the period ended 2023 was HK\$0.19, decreased by 24% compared to HK\$0.25 for same period ended 2022. Net asset value per share decreased slightly from HK\$10.27 as of 31 December 2022 to HK\$9.83 as of 30 June 2023.

SEGMENT INFORMATION

The segment information for the six months ended 30 June 2023 is as follows:

	Revenue		Contribution	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activities:				
Manufacturing and trading of garments	1,555,728	1,762,803	66,241	66,950
Property investment and development	56,711	43,454	15,187	13,548
	1,612,439	1,806,257	81,428	80,498
By geographical segments:				
China	898,756	909,917	58,809	57,177
USA	233,882	348,985	8,781	7,577
Europe	203,983	243,054	7,420	8,687
Others	275,818	304,301	6,418	7,057
	1,612,439	1,806,257	81,428	80,498

Manufacturing and trading of garments

Revenue from manufacturing and trading of garments business in the first half year of 2023 was HK\$1,556 million, a decrease of HK\$207 million, or 11.8%, compared to revenue of HK\$1,763 million in the same period of 2022. Profit for the first half year of 2023 was HK\$66.2 million, representing a decrease of 1.1% compared to the profit of HK\$66.9 million in the same period of 2022.

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 2023 was HK\$56.7 million while revenue recorded in same period of 2022 was HK\$43.5 million.

The Group is now expanding the scale of WL District real estate project in Hangzhou. The second phase of WL District in Hangzhou is about to be completed, and the management will continue to optimize the portfolio of resident companies, provide more high-quality partners for creating innovative joint research projects, and bring inflows of talents and capital to the park. The Group's high-quality property investment and development portfolio will continue to create high-value assets and continue to bring stable income to the Group.

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

As leaders and advocates of sustainable development, our Group has been committed to addressing issues in traditional manufacturing sectors such as high energy consumption and pollution, while actively responding to the increasingly severe climate change. With a mission of a green supply chain, we implement measures such as green procurement, sustainable product development, carbon emissions reduction, resource conservation, and corporate social responsibility to bring carbon-reducing lifestyles as a fashionable choice to our customers and consumers. We integrate sustainable development into our corporate strategy and daily management, driving the digitalization and intelligence of the industry, and striving to establish intelligent factories across the industry. In response to the Central Government's carbon neutrality goals by 2060, we have set five-year sustainable development goals from 2020 to 2024, further strengthening and embodying our commitment as industry leaders and advocates, continuously fulfilling our mission as an industry role model.

Our efforts in sustainable development have gained widespread recognition. Internationally, our factory in Dongguan has achieved STeP by OEKO-TEX® certification. At the national level, our factories in Hangzhou and Shaoxing have been awarded the title of "Pioneer of Innovative Climate Action" by the China National Textile and Apparel Council. These recognitions highlight the effectiveness of our in-depth climate innovation practices and outstanding contributions to promoting green, low-carbon, and sustainable development.

As responsible corporate citizens, we are also dedicated to providing a safe working environment and various support to our employees and society. In order to monitor more effectively, we have established occupational health and safety regulations and implemented preventive measures. Our Hangzhou and Dongguan subsidiaries have successfully obtained ISO 45001 certification.

We emphasize and stress the involvement and participation of our Board and employees at all levels in sustainable development. The Board takes a leadership role in overseeing the formation of environmental, social, and governance goals and policies. The Environmental, Social, and Governance Committee is responsible for monitoring and reviewing the implementation of various policies and projects and providing support to the Board. Workgroups are established in different regions to execute and lead sustainable development efforts in their respective areas, holding regular meetings with the committee to report project progress and discuss challenges and difficulties in project implementation. The Risk Management Committee plays an important role in assessing environmental, social, and governance risks in our business and providing appropriate risk management advice. We firmly believe that a sound environmental, social, and governance system is an indispensable factor in achieving sustainable development.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total amount of cash and cash equivalent, short-term deposit and other financial assets at fair value through profit and loss as at 30 June 2023 was HK\$986.8 million (as at 31 December 2022: HK\$1,065.2 million).

Bank borrowings, mainly denominated in Hong Kong Dollar, have increased slightly from HK\$1,703 million as at 31 December 2022 to HK\$1,729 million as at 30 June 2023. 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 improved to 39.7% as at 30 June 2023 (as at 31 December 2022: 50.2%). Current ratio is 1.2 (as at 31 December 2022: 1.6), revealing that the Group has a solid capital base.

Net cash inflow from operating activities for the six months ended 30 June 2023 was HK\$100.5 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. 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\$1.84 billion of mortgaged properties in Hong Kong and Mainland China for long-term bank borrowings (as at 31 December 2022: HK\$1.84 billion), 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\$48.4 million in order to upgrade the manufacturing capabilities and improve the environmental protection facilities during the period. The Group also injects HK\$101.2 million into certain properties construction and development projects during the reporting period.

CAPITAL COMMITMENTS

As at 30 June 2023, 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\$450.9 million.

CONTINGENT LIABILITIES

Please refer to note 13 to the condensed consolidated financial statements for details of contingent liabilities as at 30 June 2023.

HUMAN RESOURCES

As at 30 June 2023, the Group had approximately 5,000 employees (as at 31 December 2022: approximately 5,000). Management of the Group emphasizes in staff training. We would provide face to face and online training to the employees in order 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 3.5 HK cents per share for the six months ended 30 June 2023 (six months ended 30 June 2022: 3 HK cents) on the shares in issue amounting to approximately HK\$10,697,000 (six months ended 30 June 2022: HK\$9,168,000), to the shareholders whose names appear on the Register of Members on Friday, 15 September 2023. The dividend will be payable on Friday, 6 October 2023.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Thursday, 14 September 2023 to Friday, 15 September 2023, 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, 13 September 2023.

CORPORATE GOVERNANCE

The Company has applied the principles of, and complied with the applicable code provisions of the Corporate Governance 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 2023.

AUDIT COMMITTEE REVIEW

The Audit Committee of the Company (the "Audit Committee") has reviewed the Group's unaudited condensed consolidated financial information and the interim report of the Company for the six months ended 30 June 2023 (the "2023 Interim Report").

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

During the six months ended 30 June 2023, 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) and the Stock Exchange (www.hkexnews.hk).

The 2023 Interim Report will be published and despatched to the shareholders of the Company (the "Shareholders") and available on the above websites by no later than Friday, 29 September 2023.

CHANGE OF INDEPENDENT NON-EXECUTIVE DIRECTOR AND CHANGE OF BOARD COMPOSITION OF BOARD COMMITTEES

The Board hereby announces that Mr. Leung Hok Lim ("Mr. Leung") has resigned as (i) an independent non-executive Director, (ii) the chairman of the Audit Committee; and (iii) a member of the Remuneration Committee, Nomination Committee and Risk Management Committee of the Company, with effect from 1 September 2023 in order to spend more time with his family.

Mr. Leung confirmed that he has no disagreement with the Board and there is no matter relating to his resignation that needs to be brought to the attention of the Stock Exchange and the Shareholders.

The Board would like to express its sincere gratitude to Mr. Leung for his valuable contribution to the Company during his tenure of office.

Following the resignation of Mr. Leung, the Board is pleased to announce that Mr. Wong Chun Sek, Edmund ("Mr. Wong") has been appointed as (i) an independent non-executive Director; (ii) the chairman of the Audit Committee; and (iii) a member of the Remuneration Committee and Risk Management Committee of the Company, with effect from 1 September 2023.

The biographical details of Mr. Wong are set out as follows:

Mr. Wong Chun Sek, Edmund, *FCPA(Practising)*, *FCA(ICAEW)*, *CA ANZ*, *FCCA*, *FCG*, *HKFCG*, *CGP*, aged 38, has been appointed as an independent non-executive Director, the chairman of the Audit Committee, a member of the Remuneration Committee and Risk Management Committee of the Company with effect from 1 September 2023. Mr. Wong has more than 15 years of experience in accounting, taxation and auditing. He joined Deloitte Touche Tohmatsu as an audit associate in September 2007 and left as an audit senior in November 2011. Mr. Wong subsequently joined Patrick Wong C.P.A. Limited as an audit manager in February 2012 and has been its practicing director since March 2013.

Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales, Chartered Accountants in

Australia and New Zealand, the Association of Chartered Certified Accountants of the United Kingdom, The Society of Chinese Accountants and Auditors, The Taxation Institute of Hong Kong, The Hong Kong Independent Non-executive Director Association, The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.

Mr. Wong is an independent non-executive director of China Merchants Land Asset Management Co., Limited which is the manager of China Merchants Commercial Real Estate Investment Trust (the “Trust”), the Trust is listed on the Stock Exchange. He is also an independent non-executive director of Confidence Intelligence Holdings Limited, a company listed on the Stock Exchange. Mr. Wong has also served as an independent non-executive director of Deyun Holding Ltd. (now known as “Star Shine Holdings Group Limited”) from December 2020 to September 2022 and an independent non-executive director of InvesTech Holdings Limited from June 2017 to May 2021, the shares of which are listed on the Stock Exchange. Mr. Wong is currently a member of the Legislative Council, Electronic Committee and Disaster Relief Fund Advisory Committee of Hong Kong.

Mr. Wong obtained his Bachelor’s Degree in Accountancy from Hong Kong Baptist University in November 2007, Master of Science in Applied Accounting and Finance Degree from Hong Kong Baptist University in November 2013, Master of Business Administration Degree from The Open University of Hong Kong (now known as “Hong Kong Metropolitan University”) in October 2016, Master of Corporate Governance Degree from Hong Kong Open University in August 2017 and Master of Professional Accounting from The Hong Kong Polytechnic University in 2021.

Mr. Wong has entered into a letter of appointment with the Company for a term of three years commencing from 1 September 2023, which term will be automatically renewed for consecutive term(s) of three years, subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws of the Company. Such letter of appointment is subject to the termination by either party giving three months’ prior notice to the other. Mr. Wong is entitled to a director’s fee of HK\$200,000 per annum as determined by reference to his duties and responsibilities with the Company, the prevailing market condition as well as the performance of the Company’s results.

Save as disclosed above, Mr. Wong (i) does not have any interests or is not deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance; (ii) does not hold any other positions with the Company or other members of the Group; (iii) does not hold any directorships in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; (iv) does not have any relationship with any Directors, senior management or substantial or controlling Shareholders (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”)) of the Company; (v) there is no information that should be disclosed pursuant to Rule 13.51(2)(h) to (2)(v) of the Listing Rules; and (vi) nor any other matters that need to be brought to the attention of the Shareholders in relation to the appointment.

APPOINTMENT OF MEMBER OF NOMINATION COMMITTEE AND RISK MANAGEMENT COMMITTEE

The Board is pleased to announce that Mr. Lam Din Yu, Well, Managing Director (China) of the Company, has been appointed as a member of the Nomination Committee and Risk Management Committee of the Company, with effect from 1 September 2023.

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

Hong Kong, 22 August 2023

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, Mr. Chung Kwok Pan, Mr. Tong Hee Keung, Samuel and Mr. Lau Yip Shing.