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High Fashion International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 608)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

CHAIRMAN'S STATEMENT

In 2023, amidst the shifting currents of global trade, geopolitical complexities, as well as fluctuations in exchange rates and interest rates, High Fashion stood firm in its commitment to a prudent yet forward-thinking development philosophy, and a management approach that prioritises continuous improvement. Our focus remained on strengthening our core fashion manufacturing business and introducing innovative products and services to our customers. Through design, production, to supply chain management, we offered timely and efficient solutions tailored to prevailing market trends, steadfastly maintaining our leadership position in the industry and fostering deeper trust among our customers.

Our key results for the year ended 31 December 2023 are as follows:

- Net profit attributable to shareholders at HK\$113.7 million
- Gearing ratio of non-current liabilities to shareholders' fund at 36.9%. Current ratio at 1.1
- Basic earnings per share landed at HK\$0.37
- Net asset value per share amounted to HK\$10.12
- Proposed final dividend per share is HK\$0.12 and the total dividend for the year will be HK\$0.155

“Product innovation” is at the core of High Fashion’s culture. We have upheld our dedication to research and development, focusing on sustainable solutions that employ eco-friendly materials and processes, thus leading a green revolution within the fashion industry. In addition, we established an Environmental, Social, and Governance Committee, which sets five-year goals for the Group in sustainable development, continuously elevating our own standard for carbon neutrality, raw material traceability, and responsible water consumption during production. Our unwavering commitment to sustainability and advocacy for a green fashion industry have contributed significantly to High Fashion’s robust growth.

Looking ahead, apart from product development, High Fashion will persist to explore emerging markets with high-potential and actively promote the digital transformation of fashion manufacturing. These endeavours not only infuse fresh energy into our operations but also strengthen our strategic partnerships with customers, thereby solidifying our

competitive advantage in the market. We are confident in our ability to enhance operational efficiency and responsiveness, as well as to achieve the new quality productive forces. Talent development has always been High Fashion's priority. We will continue to nurture High Fashion elites and attract top talents from diverse fields. Our company will continue to lead fashion trends and make greater contributions to the fashion industry.

On the other hand, the completion of the construction of "WL District" marks a significant milestone for High Fashion. The high-tech industrial platform ensures a stable cash flow for High Fashion and fosters talents and resources, providing a broader platform for the Group's long-term development. It also empowers the core fashion business, enabling us to explore various possibilities in the fashion field, transforming traditional garment manufacturing into a modern, intelligent fashion industry chain, injecting more vitality and dynamism into the Group, and creating greater value for customers.

As we navigate the ever-changing global landscape, High Fashion shall be prudent in its response to challenges and uncertainties, guided by a commitment to risk management, capital utilization, prudent financial stewardship and operational efficiency, and proactive pursuit of new up-trending business opportunities. Our enduring partnerships and collaborative efforts with esteemed stakeholders continue to underpin our success in the market.

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 audited consolidated results of the Company and its subsidiaries (the “Group”) for 2023 together with the comparative figures for 2022 are set out as follows:-

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
REVENUE			
Goods and services		3,189,702	3,416,838
Rental		117,180	98,567
TOTAL REVENUE	3	<u>3,306,882</u>	<u>3,515,405</u>
Cost of sales and services		(2,614,729)	(2,835,038)
Gross profit		692,153	680,367
Other income and expenses, net		33,597	30,494
Other gains and losses, net	4	10,193	77,689
Impairment losses under expected credit loss model, net of reversal		7,804	(5,174)
Administrative expenses		(298,417)	(317,016)
Selling and distribution expenses		(222,379)	(211,987)
Finance costs	5	(80,706)	(44,167)
PROFIT BEFORE TAXATION		<u>142,245</u>	<u>210,206</u>
Income tax expenses	6	(29,415)	(54,811)
PROFIT FOR THE YEAR	7	<u>112,830</u>	<u>155,395</u>
OTHER COMPREHENSIVE (EXPENSE) INCOME			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements to presentation currency		(121,270)	(113,588)
Revaluation on properties upon transfer from property, plant and equipment to investment properties		20,542	-
Income tax relating to items that will not be reclassified to profit or loss		(3,081)	-
Fair value on equity instruments at fair value through other comprehensive income (“FVTOCI”)		(5,800)	-
		<u>(109,609)</u>	<u>(113,588)</u>
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		433	1,045
Other comprehensive expense for the year, net of tax		(109,176)	(112,543)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>3,654</u></u>	<u><u>42,852</u></u>

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

For the year ended 31 December 2023

	<i>Note</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
PROFIT (LOSS) FOR THE YEAR			
ATTRIBUTABLE TO:			
Owners of the Company		113,662	154,043
Non-controlling interests		<u>(832)</u>	<u>1,352</u>
		<u>112,830</u>	<u>155,395</u>
TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR			
ATTRIBUTABLE TO:			
Owners of the Company		4,486	41,500
Non-controlling interests		<u>(832)</u>	<u>1,352</u>
		<u>3,654</u>	<u>42,852</u>
EARNINGS PER SHARE			
Basic	8	<u>HK\$0.37</u>	<u>HK\$0.50</u>
Diluted		<u>HK\$0.37</u>	<u>HK\$0.50</u>

Consolidated Statement of Financial Position

At 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		453,898	461,562
Right-of-use assets		53,717	59,589
Investment properties		3,415,751	3,208,851
Interests in joint ventures		7,557	7,565
Equity instruments at fair value through other comprehensive income ("FVTOCI")		10,616	16,416
Deferred tax assets		3,641	33,380
Other non-current assets	<i>10</i>	67,270	66,924
Long-term bank deposits		40,857	41,578
		<u>4,053,307</u>	<u>3,895,865</u>
CURRENT ASSETS			
Inventories		435,749	436,427
Properties held for sale		159,145	95,470
Trade receivables	<i>11</i>	633,289	551,374
Deposits, prepayments and other receivables		187,403	165,017
Amounts due from joint ventures		5,395	5,395
Derivative financial instruments		280	12,840
Other financial assets at fair value through profit or loss ("FVTPL")		254,118	337,430
Short-term bank deposits and balances		63,550	116,513
Cash and cash equivalents		557,722	611,250
		<u>2,296,651</u>	<u>2,331,716</u>
CURRENT LIABILITIES			
Trade payables	<i>12</i>	695,835	445,876
Other payables and accruals		345,550	325,930
Lease liabilities		4,049	4,025
Amount due to an associate		694	583
Contract liabilities		91,818	90,431
Tax payable		62,147	82,832
Derivative financial instruments		3,195	-
Bank borrowings		900,107	551,368
		<u>2,103,395</u>	<u>1,501,045</u>
NET CURRENT ASSETS		<u>193,256</u>	<u>830,671</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,246,563</u>	<u>4,726,536</u>

Consolidated Statement of Financial Position (Cont'd)*At 31 December 2023*

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	323,731	351,711
Bank borrowings	742,146	1,151,618
Lease liabilities	5,258	8,672
Provision for long service payments	3,074	3,074
Deferred income	6,833	6,976
Other liabilities	71,244	66,492
	<u>1,152,286</u>	<u>1,588,543</u>
NET ASSETS	<u>3,094,277</u>	<u>3,137,993</u>
CAPITAL AND RESERVES		
Share capital	30,562	30,562
Share premium and reserves	<u>3,093,288</u>	<u>3,136,172</u>
Equity attributable to owners of the Company	3,123,850	3,166,734
Non-controlling interests	<u>(29,573)</u>	<u>(28,741)</u>
TOTAL EQUITY	<u>3,094,277</u>	<u>3,137,993</u>

Notes to the Consolidated Financial Statements

1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and by the Hong Kong Companies Ordinance.

2. Principal Accounting Policies

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual periods beginning on 1 January 2023 for the preparation of the 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
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

3. Revenue and Segment Information

Disaggregation of revenue from contracts with customers

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from contracts with customers in respect of sales of garments, fabrics and accessories recognised at a point in time under HKFRS 15	3,189,702	3,416,838
Rental income recognised under HKFRS 16	117,180	98,567
	3,306,882	3,515,405

Geographical markets for revenue from contracts with customers:

China (including Mainland China and Hong Kong)	1,827,828	1,941,617
United States of America (“USA”)	445,973	629,976
Europe	393,077	423,082
Others	522,824	422,163
	3,189,702	3,416,838

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

	Manufacturing and trading of garments <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>
<i>For the year ended 31 December 2023</i>		
Segment revenue	3,189,702	117,180
Less: rental income recognised under HKFRS 16	-	(117,180)
Revenue from contracts with customers	3,189,702	-
 <i>For the year ended 31 December 2022</i>		
Segment revenue	3,416,838	98,567
Less: rental income recognised under HKFRS 16	-	(98,567)
Revenue from contracts with customers	3,416,838	-

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.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Segment revenue		
- Manufacturing and trading of garments	3,189,702	3,416,838
- Property investment and development	117,180	98,567
Revenue – external sales	<u>3,306,882</u>	<u>3,515,405</u>
Segment results		
- Manufacturing and trading of garments	162,492	159,840
- Property investment and development	23,915	23,951
	<u>186,407</u>	<u>183,791</u>
Change in fair value of derivative financial instruments	(12,027)	589
Change in fair value of investment properties	10,449	69,477
Unallocated corporate overhead and other expenses (note)	(42,584)	(43,651)
Profit before taxation	<u>142,245</u>	<u>210,206</u>

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.

3. Revenue and Segment Information (Cont'd)

Other Segment information

For the year ended 31 December 2023

	Manufacturing and trading of garments HK\$'000	Property investment and development HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit or loss:			
Depreciation of property, plant and equipment	59,559	6,934	66,493
Depreciation of right-of-use assets	5,806	196	6,002
Loss on disposal of property, plant and equipment, net	1,396	-	1,396
Impairment losses under expected credit loss model, net of reversal	(7,804)	-	(7,804)
Interest income	(24,362)	(59)	(24,421)
Finance costs	<u>39,767</u>	<u>40,939</u>	<u>80,706</u>
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:			
Fair value loss on derivative financial instruments			12,027
Increase in fair value of investment properties			<u>(10,449)</u>

3. Revenue and Segment Information (Cont'd)

Other segment information (Cont'd)

For the year ended 31 December 2022

	Manufacturing and trading of garments <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss:			
Depreciation of property, plant and equipment	56,454	7,871	64,325
Depreciation of right-of-use assets	6,249	95	6,344
Loss on disposal of property, plant and equipment, net	2,445	-	2,445
Impairment losses under expected credit loss model, net of reversal	5,174	-	5,174
Interest income	(27,771)	(357)	(28,128)
Finance costs	<u>24,982</u>	<u>19,185</u>	<u>44,167</u>
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:			
Fair value gain on derivative financial instruments			(589)
Increase in fair value of investment properties			<u>(69,477)</u>

3. Revenue and Segment Information (Cont'd)

Geographical information

The Group's operations are mainly located in China.

Information about the Group's revenue from continuing operations from external customers is presented based on the location of the customers. Information about the Group's non-current assets (excluding deferred tax assets and financial instruments) is presented based on the geographical location of the assets.

	Revenue		Non-current assets	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
China	1,945,008	2,040,184	3,959,354	3,767,113
USA	445,973	629,976	745	63
Europe	393,077	423,082	-	-
Others	522,824	422,163	4,967	3,603
	<u>3,306,882</u>	<u>3,515,405</u>	<u>3,965,066</u>	<u>3,770,779</u>

Information about major customer

During the years ended 31 December 2023 and 2022, there is no customer from manufacture and trading of garments segment nor property investment and development segment which contributed over 10% of the total revenue of the Group.

4. Other Gains and Losses

	2023 HK\$'000	2022 HK\$'000
Change in fair value of derivative financial instruments	(12,027)	589
Change in fair value of other financial assets at FVTPL	253	1,689
Loss on disposal of property, plant and equipment, net	(1,396)	(2,445)
Net foreign exchange gains	12,914	8,379
Increase in fair value of investment properties	10,449	69,477
	<u>10,193</u>	<u>77,689</u>

5. Finance Costs

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interests on:		
Bank borrowings and overdrafts	85,177	42,714
Leases liabilities	516	686
Borrowings on discounted bills	852	767
Total borrowing costs	<u>86,545</u>	<u>44,167</u>
Less: amounts capitalised in the cost of qualifying assets	(5,839)	-
	<u><u>80,706</u></u>	<u><u>44,167</u></u>

6. Income Tax Expenses

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax charge:		
Hong Kong	16,279	18,027
Mainland China	13,941	9,183
	<u>30,220</u>	<u>27,210</u>
(Over) under provision in prior years:		
Hong Kong	(200)	1,494
Mainland China	(4,541)	(1,672)
Other jurisdictions	40	(16)
	<u>(4,701)</u>	<u>(194)</u>
Withholding tax	11,324	-
Deferred taxation - current year	(7,428)	27,795
	<u><u>29,415</u></u>	<u><u>54,811</u></u>

7. Profit for the Year

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Costs of inventories recognised as expenses (including allowance for inventory obsolescence of HK\$12,806,000 (2022: HK\$17,211,000))	2,461,803	2,690,244
Research expenses (included in cost of sales)	133,473	120,056
Depreciation of property, plant and equipment	66,493	64,325
Depreciation of right-of-use assets	6,002	6,344
Auditor's remuneration	3,300	3,200
Government grants (included in other income)	(641)	(4,110)
Bank interest income (included in other income)	(24,421)	(28,128)
	<u><u>(24,421)</u></u>	<u><u>(28,128)</u></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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Earnings for the purpose of basic and diluted earnings per share attributable to owners of the Company	<u>113,662</u>	<u>154,043</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 years ended 31 December 2023 and 31 December 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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Dividends recognised as distribution and paid during the year:		
Interim dividend – 3.5 HK cents per ordinary share for 2023 (2022: 3 HK cents per ordinary share for 2022)	10,696	9,168
Final dividend - 12 HK cents per ordinary share for 2022 (2022: 6 HK cents per ordinary share for 2021)	<u>36,674</u>	<u>18,337</u>
	<u>47,370</u>	<u>27,505</u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2023 of 12 HK cents (2022: final dividend in respect of the year ended 31 December 2022 of 12 HK cents) per ordinary share, in an aggregate amount of HK\$36,674,000 (2022: HK\$36,674,000) has been proposed by the directors of the Company and is subject to the approval by the Company's shareholders at the forthcoming annual general meeting.

10. Other non-current assets

Included in other non-current assets is a deposit of RMB30,000,000 (equivalent to HK\$33,127,000) (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 consolidated statement of financial position.

11. Trade Receivables

Trade receivables mainly comprise of receivable 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 date at the end of the reporting period, which approximates the respective revenue recognition dates.

	2023 <i>HK\$'000</i>	2022 HK\$'000
Within 90 days	566,279	495,540
91 to 180 days	47,344	26,049
181 to 360 days	14,992	22,977
Over 360 days	4,674	6,808
	<u>633,289</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:

	2023	2022
	<i>HK\$'000</i>	HK\$'000
Within 90 days	333,345	232,134
91 to 180 days	12,298	18,400
181 to 360 days	6,404	21,920
Over 360 days	25,625	18,654
	377,672	291,108
Accrued purchases	318,163	154,768
	695,835	445,876

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

The Group's business faces many challenges, including geopolitical instability, fluctuations in exchange rates and interest rates, and fierce market competition. However, High Fashion's management philosophy seeks progress while maintaining stability and keeping pace with the times. Through fast and flexible business management, the Company aims to create competitive advantages, accurately grasps ever-changing market trends and consumer needs, and makes every effort to expand the Group's customer base and venture into new markets.

At the same time, the Group adheres to "product innovation" as its core strategy and is committed to in-depth research and development of products that incorporate sustainable development. The concept of green and environmentally-friendly fashion will be implemented throughout the entire supply chain management and the Group's comprehensive business operations, using diversified environmentally-friendly materials and processes. To meet the needs of consumers and society for environmentally-friendly products, the Group will move towards the green realm of the fashion industry together with our customers. To enhance the Group's efficiency in implementing various sustainable development policies and projects, the Group has added an Environmental, Social, and Governance Steering Group to its current corporate governance structure. This committee will establish the Group's future medium and long-term sustainable development goals and further strengthen the Company's commitment to being an industry leader and promoter of sustainable development.

Digital management and big data analysis are the directions that the management team continues to promote. These initiatives aim to improve production efficiency and response speed, strengthen internal evaluation and monitoring, and allocate more resources to artificial intelligence technology to fully automate business processes and drive business development.

Additionally, the second phase of the "WL District" Industrial Park provides the Group with stable cash flow while strengthening the expansion of the supply chain platform. This expansion aims to facilitate the introduction of high-tech talents and resources, bringing diversified development opportunities for the Group's overall upgrading and transformation. Looking forward to the future, we will continue to optimize the mix of companies stationed here and provide more high-quality partners for the creation of innovative joint research projects.

The Group will continue to promote digitalization and intelligent manufacturing, continuously reform production processes, and drive the fashion industry towards a sustainable development vision. We will actively seek more business opportunities.

FINANCIAL REVIEW

In 2023, the Group's revenue decreased by 5.9% to HK\$3,307 million (2022: HK\$3,515 million). Gross profit increased by 1.7% to HK\$692.2 million and the gross profit margin increased 1.6% to 20.9% (2022: HK\$680.4 million and 19.4%). 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 2023 was HK\$112.8 million (2022: HK\$155.4 million).

Geographically, the revenue from China in 2023 has decreased by 4.7% to HK\$1,945 million, represented 58.8% of total revenue (2022: HK\$2,040 million, represented 58.0% of total revenue). Sales figures in the United States and European countries have decreased, total revenue amounted to HK\$839 million, accounting for 25.4% of total revenue (2022: total revenue of HK\$1,053 million, accounting for 30.0% of total revenue). The Group's export sales to others, mainly to Southeast Asian countries have increased, accounting for 15.8% of total revenue (2022: 12.0% 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 for the year 2023 was HK\$10.2 million (2022: HK\$77.7 million), which mainly included the fair value gains from investment properties of HK\$10.4 million (2022: HK\$69.5 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.

Administrative expenses as a percentage of total revenue maintain at 9.0% in 2023. Selling and distribution expenses as a percentage of total revenue increase from 6.0% in 2022 to 6.7% in 2023.

As of the end of the 2023 fiscal year, the basic earnings per share was HK\$0.37, decreased by 26.0% compared to HK\$0.50 as of the end of 2022. Net asset value per share decreased slightly from HK\$10.27 as of the end of 2022, to HK\$10.12 as of the end of 2023.

SEGMENT INFORMATION

The segment information for the year ended 31 December 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	3,189,702	3,416,838	162,492	159,840
Property investment and development	117,180	98,567	23,915	23,951
	3,306,882	3,515,405	186,407	183,791
By geographical segments:				
China	1,945,008	2,040,184	129,482	130,233
USA	445,973	629,976	22,575	23,040
Europe	393,077	423,082	17,103	15,709
Others	522,824	422,163	17,247	14,809
	3,306,882	3,515,405	186,407	183,791

Manufacturing and trading of garments

Revenue from manufacturing and trading of garments business in 2023 was HK\$3,190 million, a decrease of HK\$227 million, or 6.6%, compared to revenue of HK\$3,417 million in 2022. Profit in 2023 was HK\$162.5 million, representing a increase of 1.7% compared to the profit of HK\$159.8 million in 2022.

The Group has invested a large number of sustainable development elements in product development and production design, and has been highly recognized by domestic and foreign customers. In addition, we improve operational efficiency through business process optimization and reengineering, allowing employees to focus on key issues, establishing a customer-centered value loop, and continuously improving customer value.

Property investment and development

Revenue from property investment and development business in 2023 was HK\$117.2 million while revenue recorded in 2022 was HK\$98.6 million.

The second phase of WL District in Hangzhou has been completed, and the management will continue to optimize the portfolio of resident companies, 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

Facing increasing global attention on various sustainable development issues, the Group has been actively playing its role as an industry model and demonstrating its commitment to sustainable development to the stakeholders from all sectors of the society. Apart from developing bio-based raw materials and sustainable fabrics utilizing green supply chain from technology to reduce the impacts on the environment, the Group also engages in the extensive use of green energy to reduce carbon emissions and energy consumption, in order to make contribution to global climate change mitigation. The Group fully fulfills its mission as an industry leader in promoting green development in the industry through actively participating in industry summits to share its experience and advanced technologies in driving sustainable fashion with other industry peers.

The Group has been sparing no efforts in creating sustainable fashion over the years and injecting innovative elements and technology into the supply chain. For example, the Group utilizes green techniques to recycle wasted fabric into cellulose fibers for reducing waste emission as well as to reduce carbon emission and water use in the process of dyeing and manufacturing. In addition, in response to the national low- carbon strategy deployment and the goals of “30.60 Innovative Climate Action and Carbon Neutrality Acceleration Initiative by Chinese Fashion Brands” (「中國品牌 3060 氣候創新碳中和加速計劃」), the Group adopts the dual-carbon management system and fully develops clean energy in place of traditional fossil fuels, striving to achieve carbon peak and carbon neutrality. The factories in Hangzhou and Shaoxing were also awarded “National Green Supply Chain Management Enterprise” (「國家綠色供應鏈管理企業」) and “National Green Factory” (「國家綠色工廠」) respectively.

The Group actively fulfills its corporate social responsibility through promoting social inclusion and supporting the need in the society. To enhance the awareness of the disabled on safety and emergency response ability, the Group organized specialized safety education and training activities for them within the year. The Group also provides various female-caring activities to our female employees and summer parent-child activities to promote harmony within the society and family. On the other hand, the Group adheres to the goal of nurturing industry talents through establishing corporate practice training modules for teachers from nationwide vocational colleges for school-enterprise integration and assisting in enhancing the teaching quality in the industry. It also increases the knowledge and understanding of local design students on the future business models and sustainable development in the textile industry through in-depth communication and sharing, cultivating future industry leaders.

The Group has been committed to strengthening the involvement of the Board and the management in sustainable development and climate change issues. To further increase the effectiveness in implementation of various sustainable development policies and projects, the Group has set up the Environmental, Social and Governance Steering Group within its current corporate governance framework. The regional heads lead the respective working groups to draft the goals and execution plans for various projects and regularly report the relevant progress, risks and opportunities to the Environmental, Social and Governance Committee, which enables the Board to timely understand and monitor the latest sustainable development direction and achievements of the Group and thus enhancing the roles of the Board in formulating relevant business strategies. In addition, the Group actively collaborates with external training institutions throughout the year to hold anti-corruption trainings for the Board and employees. The Group also reviewed the anti-corruption policy, whistleblowing policy and relevant measures to enhance the employees’ awareness on business ethics and further elevates the corporate governance and integrity standard of the Group.

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 31 December 2023 was HK\$875.4 million (as at 31 December 2022: HK\$1,065.2 million).

Bank borrowings, mainly denominated in Hong Kong Dollar, have decreased slightly from HK\$1,703 million as at 31 December 2022 to HK\$1,642 million as at 31 December 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 36.9% as at 31 December 2023 (as at 31 December 2022: 50.2%). Current ratio is 1.1 (as at 31 December 2022: 1.6), revealing that the Group has a solid capital base.

Net cash inflow from operating activities for the year 2023 was HK\$276.2 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\$1.90 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\$81.6 million in order to upgrade the manufacturing capabilities and improve the environmental protection facilities during the period. The Group also injects HK\$190.2 million into certain properties construction and development projects during the reporting period.

CAPITAL COMMITMENTS

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\$375.7 million as at 31 December 2023.

CONTINGENT LIABILITIES

Please refer to note 13 to the consolidated financial statements for details of contingent liabilities as at 31 December 2023.

HUMAN RESOURCES

As at 31 December 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.

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") of the Company will be held at 11/F, High Fashion Centre, 1-11 Kwai Hei Street, Kwai Chung, New Territories, Hong Kong on Monday, 3 June 2024 at 11:00 a.m. Notice of AGM will be published on the websites of the Company (www.highfashion.com.hk) and the Stock Exchange (www.hkexnews.hk) and despatched to shareholders of the Company in due course.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of 12 HK cents (2022: 12 HK cents) per share for the year ended 31 December 2023 to shareholders whose names appear on the Register of Members of the Company on Friday, 14 June 2024. The proposed final dividend is subject to the approval of shareholders of the Company at the forthcoming AGM. If being approved, dividend warrants for the final dividend will be dispatched on Friday, 5 July 2024.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Thursday, 30 May 2024 to Monday, 3 June 2024, both days inclusive, during which period no transfer of shares will be registered. In order to determine shareholders who are entitled to attend and vote at the AGM, 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, 29 May 2024.

In addition, the Register of Members will also be closed from Thursday, 13 June 2024 to Friday, 14 June 2024, 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 proposed final 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, 12 June 2024.

CORPORATE GOVERNANCE

The Company has applied all the principles of, and complied throughout the year with, the applicable code provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules throughout the accounting period for the year ended 31 December 2023.

AUDIT COMMITTEE REVIEW

The Audit Committee of the Company was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting, risk management and internal control systems as set out in the terms of reference of the Audit Committee.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2023.

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

During the year, 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 ANNUAL REPORT

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

The 2023 Annual Report will be published and despatched to the shareholders of the Company and available on the above websites by no later than 30 April 2024.

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

Hong Kong, 26 March 2024

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. Chung Kwok Pan, Mr. Tong Hee Keung, Samuel, Mr. Lau Yip Shing and Mr. Wong Chun Sek, Edmund.