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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 2024

CHAIRMAN'S STATEMENT

In the first half of 2024, the global economy continued to be volatile and weak, with ongoing geopolitical instability. The U.S. interest rate hike cycle continued, affecting interest rates and exchange rate fluctuations, while market consumer sentiment remained under pressure. In this complex and ever-changing economic environment, High Fashion continues to deploy the development of its core fashion manufacturing business with a macro-prudent attitude, actively expanding into emerging markets and creating innovative product developments to achieve the goal of becoming a global leader in the fashion industry.

Our key results for the period ended 30 June 2024 are as follows:

- Net profit attributable to shareholders at HK\$53.3 million
- Gearing ratio of non-current liabilities to shareholders' fund at 43.2%. Current ratio at 1.1
- Basic earnings per share landed at HK\$0.17
- Net asset value per share amounted to HK\$10.02
- Interim dividend per share is HK\$0.035

“Product innovation, excellence, and market leadership” are the development goals that the Group adheres to. We continue to make breakthroughs in green product research and development as well as in processes. Looking ahead, the Group recognizes the importance of sustainable development and integrates environmental protection, social responsibility, and corporate governance (ESG) into its corporate development strategy. By adopting energy-efficient and environmentally-friendly production equipment, promoting the circular economy, and enhancing employee training, we continuously enhance the Company's sense of social responsibility and its ability for sustainable development. By optimizing production processes and strengthening supply chain management, we have achieved a dual enhancement in production capacity and quality, establishing the Group's competitive advantage in the market.

At the same time, the Group is strengthening the culture of “people-oriented, joyful mind”, nurturing a more robust and elite team of High Fashion. We continuously attracting professional talents from various fields to join, driving the growth of the Group and the entire team together, in preparation for the Group's future goal of becoming a leader in the world's fashion trends.

“WL District” ensures stable cash flow for High Fashion and fosters technology talents and resources, and offering a broader platform for the Group’s development. By effectively integrating the industrial park with our core fashion business, the Group will be well-positioned to create a more comprehensive development environment for the future, particularly in the areas of green environmental protection, innovation, intellectualization.

In an environment filled with challenges and opportunities, High Fashion will diligently conduct risk assessments and management, optimize capital allocation, and ensure financial stability and operational efficiency. Simultaneously, with unity and dedication, all of us will strive with full force, harnessing the power of unity to continuously break new ground. We will actively expand in the markets in China, Europe, America, and Asia-Pacific region, to further solidify and enhance our market competitiveness and strength.

I appreciate very much the full support and advice constantly received from our shareholders, customers, suppliers, banks and our fellow Directors. I would like to thank the management team and all staff members of our Group for their relentless efforts and collaborative spirit.

RESULTS

The Board of Directors (the “Board”) of High Fashion International Limited (the “Company”, 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 2024 together with the comparative figures.

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

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE			
Goods and services		1,577,545	1,555,728
Rental		65,500	56,711
TOTAL REVENUE	3	1,643,045	1,612,439
Cost of sales		(1,305,062)	(1,273,842)
Gross profit		337,983	338,597
Other income		12,738	15,411
Other gains and losses	4	2,582	(10,826)
Impairment losses under expected credit loss model, net of reversal		(373)	(204)
Administrative expenses		(141,389)	(148,066)
Selling and distribution expenses		(102,739)	(100,182)
Other expenses		-	(223)
Finance costs	5	(41,454)	(33,644)
PROFIT BEFORE TAXATION		67,348	60,863
Income tax expenses	6	(14,267)	(2,245)
PROFIT FOR THE PERIOD	7	53,081	58,618
OTHER COMPREHENSIVE (EXPENSE) INCOME			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements to presentation currency		(84,138)	(188,649)
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		420	(2,516)
Other comprehensive expense for the period, net of tax		(83,718)	(191,165)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		(30,637)	(132,547)

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Cont'd)
For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
<i>Note</i>	HK\$'000	HK\$'000
PROFIT (LOSS) FOR THE PERIOD		
ATTRIBUTABLE TO:		
Owners of the Company	53,305	57,899
Non-controlling interests	<u>(224)</u>	<u>719</u>
	<u>53,081</u>	<u>58,618</u>
TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD		
ATTRIBUTABLE TO:		
Owners of the Company	(30,413)	(133,266)
Non-controlling interests	<u>(224)</u>	<u>719</u>
	<u>(30,637)</u>	<u>(132,547)</u>
EARNINGS PER SHARE		
Basic	8 <u>17.44 HK cents</u>	<u>18.95 HK cents</u>
Diluted	<u>17.44 HK cents</u>	<u>18.95 HK cents</u>

Unaudited Condensed Consolidated Statement of Financial Position
At 30 June 2024

	At 30 June 2024 (Unaudited) <i>Notes</i> <i>HK\$'000</i>	At 31 December 2023 (Audited) <i>HK\$'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	502,748	453,898
Right-of-use assets	50,523	53,717
Investment properties	3,406,270	3,415,751
Interests in joint ventures	7,557	7,557
Equity instruments at fair value through other comprehensive income ("FVTOCI")	10,616	10,616
Deferred tax assets	66,778	3,641
Other non-current assets	10 67,899	67,270
Long-term bank deposits	-	40,857
	<u>4,112,391</u>	<u>4,053,307</u>
CURRENT ASSETS		
Inventories	491,351	435,749
Properties held for sale	184,044	159,145
Trade receivables	11 648,309	633,289
Deposits, prepayments and other receivables	208,179	187,403
Amounts due from joint ventures	5,395	5,395
Derivative financial instruments	-	280
Other financial assets at fair value through profit or loss ("FVTPL")	230,736	254,118
Short-term bank deposits	110,074	63,550
Cash and cash equivalents	634,850	557,722
	<u>2,512,938</u>	<u>2,296,651</u>
CURRENT LIABILITIES		
Trade payables	12 680,488	695,835
Other payables and accruals	315,315	345,550
Lease liabilities	3,967	4,049
Amount due to an associate	691	694
Contract liabilities	98,851	91,818
Tax payable	62,985	62,147
Derivative financial instruments	3,213	3,195
Bank borrowings	1,058,422	900,107
	<u>2,223,932</u>	<u>2,103,395</u>

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

At 30 June 2024

	At 30 June 2024 (Unaudited) HK\$'000	At 31 December 2023 (Audited) HK\$'000
NET CURRENT ASSETS	<u>289,006</u>	<u>193,256</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>4,401,397</u>	<u>4,246,563</u>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	382,171	323,731
Bank borrowings	871,578	742,146
Lease liabilities	3,254	5,258
Provision for long service payments	3,074	3,074
Deferred income	6,694	6,833
Other liabilities	<u>70,986</u>	<u>71,244</u>
	<u>1,337,757</u>	<u>1,152,286</u>
NET ASSETS	<u><u>3,063,640</u></u>	<u><u>3,094,277</u></u>
CAPITAL AND RESERVES		
Share capital	30,562	30,562
Share premium and reserves	<u>3,062,875</u>	<u>3,093,288</u>
Equity attributable to owners of the Company	3,093,437	3,123,850
Non-controlling interests	<u>(29,797)</u>	<u>(29,573)</u>
TOTAL EQUITY	<u><u>3,063,640</u></u>	<u><u>3,094,277</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 D2 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 2024 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2023.

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 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue from contracts with customers in respect of sales of garments, fabrics and accessories recognised at a point in time under HKFRS 15	1,577,545	1,555,728
Rental income recognised under HKFRS 16	65,500	56,711
	<u>1,643,045</u>	<u>1,612,439</u>
Geographical markets for revenue from contracts with customers:		
China (including Mainland China and Hong Kong)	955,137	898,756
United States of America (“USA”)	213,707	233,882
Europe	195,125	203,983
Others	279,076	275,818
	<u>1,643,045</u>	<u>1,612,439</u>

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

For the six months ended 30 June 2024 (unaudited)

	Manufacturing and trading of garments	Property investment and development
	HK\$'000	HK\$'000
Segment revenue	1,577,545	65,500
Less: rental income recognised under HKFRS 16	-	(65,500)
Revenue from contracts with customers	<u>1,577,545</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 2023 (unaudited)

	Manufacturing and trading of garments <u>HK\$'000</u>	Property investment and development <u>HK\$'000</u>
Segment revenue	1,555,728	56,711
Less: rental income recognised under HKFRS 16	<u>-</u>	<u>(56,711)</u>
Revenue from contracts with customers	<u><u>1,555,728</u></u>	<u><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	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Segment revenue		
- Manufacturing and trading of garments	1,577,545	1,555,728
- Property investment and development	65,500	56,711
Revenue – external sales	<u>1,643,045</u>	<u>1,612,439</u>
Segment results		
- Manufacturing and trading of garments	73,467	66,241
- Property investment and development	13,772	15,187
	<u>87,239</u>	<u>81,428</u>
Change in fair value of derivative financial instruments	(1,261)	(7,080)
Change in fair value of investment properties	3,436	(11,574)
Unallocated corporate overhead and other expenses	(22,066)	(1,911)
Profit before taxation	<u>67,348</u>	<u>60,863</u>

3. Revenue and Segment Information (Cont'd)

Segment information (Cont'd)

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	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Change in fair value of investment properties	3,436	(11,574)
Change in fair value of derivative financial instruments	(1,261)	(7,080)
Net foreign exchange gain	1,028	5,516
Loss on disposal of property, plant and equipment, net	(811)	(748)
Change in fair value of other financial assets at FVTPL	190	3,060
	<u>2,582</u>	<u>(10,826)</u>

5. Finance Costs

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Interests on:		
Bank borrowings and overdrafts	40,528	32,065
Leases liabilities	191	281
Borrowings on discounted bills	735	1,298
Total borrowing costs	<u>41,454</u>	<u>33,644</u>

6. Income Tax Expenses

	Six months ended 30 June	
	2024 (Unaudited) <i>HK\$'000</i>	2023 (Unaudited) <i>HK\$'000</i>
Current tax charge:		
Hong Kong	5,566	6,303
Mainland China	12,975	1,756
	<u>18,541</u>	<u>8,059</u>
Under (over)provision in prior periods:		
Mainland China	27	(2,894)
Other jurisdictions	(700)	-
	<u>(673)</u>	<u>(2,894)</u>
Deferred taxation - current period	(3,601)	(2,920)
	<u>14,267</u>	<u>2,245</u>

7. Profit for the Period

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

	Six months ended 30 June	
	2024 (Unaudited) <i>HK\$'000</i>	2023 (Unaudited) <i>HK\$'000</i>
Depreciation of property, plant and equipment	28,528	31,905
Depreciation of right-of-use assets	2,832	2,881
Net reversal of allowance for inventory obsolescence (included in cost of sales)	(10,701)	(8,591)
Interest income	<u>(9,769)</u>	<u>(7,584)</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	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings for the purpose of basic and diluted earnings per share attributable to owners of the Company	53,305	57,899
	Number of shares '000	Number of shares '000
Number of ordinary shares for the purpose of basic and diluted earnings per share	305,616	305,616

The computation of diluted earnings per share for the six months ended 30 June 2024 and 2023 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 2023 of 12 HK cents (six months ended 30 June 2023: final dividend in respect of the year ended 31 December 2022 of 12 HK cents) per ordinary share was declared to the shareholders and has been paid in cash on 5 July 2024.

The Board declared that an interim dividend of 3.5 HK cents per share for the six months ended 30 June 2024 (six months ended 30 June 2023: 3.5 HK cents) will be paid to shareholders whose names appear in the register of members on 13 September 2024. 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\$32,873,110) (31 December 2023: RMB30,000,000 (equivalent to HK\$33,127,000)) 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 2023: 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 date at the end of the reporting period, which approximates the respective revenue recognition dates.

	At 30 June 2024 (Unaudited) HK\$'000	At 31 December 2023 (Audited) HK\$'000
Within 90 days	552,382	566,279
91 to 180 days	68,232	47,344
181 to 360 days	22,219	14,992
Over 360 days	5,476	4,674
	<u>648,309</u>	<u>633,289</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 2024 (Unaudited) HK\$'000	At 31 December 2023 (Audited) HK\$'000
Within 90 days	258,989	333,345
91 to 180 days	47,075	12,298
181 to 360 days	5,839	6,404
Over 360 days	16,403	25,625
	<u>328,306</u>	<u>377,672</u>
Accrued purchases	352,182	318,163
	<u><u>680,488</u></u>	<u><u>695,835</u></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:

One of the Group's subsidiaries is currently involved in a dispute with a supplier regarding the interpretation of contract terms for a claim amounting to RMB7,000,000. Court hearings have taken place at the Hai An County People's Court in May 2024 and August 2024 and the next Court hearing is scheduled to be held on 4 September 2024. According to the opinion of the Group's external legal counsel, the Group has strong defense on the claims, as such, no provision is necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2024, amid a turbulent international situation and slowing economic growth, along with adverse conditions such as fluctuations in exchange rates and interest rates, the Group adhered to a management philosophy of seeking progress while maintaining stability and keeping up with the times. We accurately grasped market trends and consumer demands, continuously optimized management measures, expanded our customer base, and explored emerging markets, striving to enhance market competitiveness and risk resilience.

The Group has continued to deepen its sustainable development strategy, focusing on carbon neutrality and traceable eco-friendly products. We are consistently innovating in green product development and integrating the concept of environmental sustainability into our supply chain management. At the same time, we are accelerating supply chain localization, continuously reducing carbon emissions, and enhancing our environmental performance. By combining diverse new materials, technologies, and processes, we are committed to creating more sustainable fashion products to meet the growing environmental demands of consumers and society. We collaborate closely with our clients to promote the green transformation of the fashion industry and contribute to building a more environmentally-friendly fashion ecosystem.

The management team continues to promote digital management and big data analytics to enhance production efficiency and response speed, strengthen internal assessment and monitoring, and achieve greater flexibility and cost control. Additionally, the Group actively employs big data analysis to gain insights into customer needs, developing sustainable and environmentally-friendly fashion that better meets market expectations. We are allocating more resources to artificial intelligence technology, moving towards full automation of business processes, which is becoming a key driver of business development.

At the same time, with the completion of second phase of the “WL District” Industrial Park, management will continue to optimize the mix of companies, providing more quality partners for innovative joint research projects, attracting diverse top-tier high-tech talent. This synergy will bring talent to the Park and provide the Group with a stable flow of funds.

Looking forward, the Group has successfully enhanced its core competitiveness through digital transformation, sustainability, and products innovation. Meanwhile, the Group has also strengthened its team building and talent cultivation, laying a solid foundation for the long-term development of the Group.

FINANCIAL REVIEW

In the first half of 2024, the Group’s revenue increased by 1.9% to HK\$1,643.0 million (first half year of 2023: HK\$1,612.4 million). Gross profit decreased by 0.2% to HK\$338.0 million, with a gross profit margin down by 0.4% to 20.6% (first half year of 2023: HK\$338.6 million and 21.0%). Revenue primarily came from the garment manufacturing and trading business. The management team implemented standardized management practices, cost control measures, and project restructuring to reduce production costs, contributing to an improved gross profit margin in the garment sector. The Group’s profit for the first half of 2024 was HK\$53.1 million (first six months of 2023: HK\$58.6 million).

Geographically, in the first six months of 2024, revenue from China was HK\$955.1 million, representing 58.1% of total revenue, and a 6.3% increase (first six months of 2023: HK\$898.8 million and 55.7%). Sales in the United States and European countries declined, with total revenue of HK\$408.8 million, accounting for 24.9% of total revenue (first six months of 2023: HK\$437.9 million and 27.2%). Export sales from other Southeast Asian countries showed a slight increase, accounting for 17.0% of total revenue (first six months of 2023: 17.1%). The Group will continue to explore different market regions to expand its sales network and reduce risk.

In the first six months of 2024, other net gain was HK\$2.6 million (first six months of 2023: other net loss of HK\$10.8 million), primarily including a fair value increase of HK\$3.4 million from investment properties (first six months of 2023: decrease of HK\$11.6 million). Over the past two years, the changes in fair value of investment properties were mainly due to the slower-than-expected economic recovery of China's overall real estate market, resulting in a decline in property values. However, since real estate projects are part of the Group's long-term development plan, the temporary narrowing of increases will not affect the Group.

The proportion of administrative expenses to total revenue decreased from 9.2% in the first six months of 2023 to 8.6% in the first six months of 2024. Sales and distribution expenses slightly increased as a percentage of total revenue from 6.2% in the first six months of 2023 to 6.3% in the first six months of 2024.

For the first six months period ended in 2024, the basic earnings per share was HK\$0.17, a decrease of 10.5% compared to HK\$0.19 for the first six months period ended in 2023. As of 30 June 2024, the net asset value per share decreased from HK\$10.12 as of 31 December 2023 to HK\$10.02.

SEGMENT INFORMATION

The segment information for the six months ended 30 June 2024 is as follows:

	Revenue		Segment results	
	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activities:				
Manufacturing and trading of garments	1,577,545	1,555,728	73,467	66,241
Property investment and development	65,500	56,711	13,772	15,187
	1,643,045	1,612,439	87,239	81,428
By geographical segments:				
China	955,137	898,756	61,763	58,809
USA	213,707	233,882	10,494	8,781
Europe	195,125	203,983	7,958	7,420
Others	279,076	275,818	7,024	6,418
	1,643,045	1,612,439	87,239	81,428

Manufacturing and trading of garments

In the first half of 2024, revenue from manufacturing and trading of garments business was HK\$1,578 million, an increase of HK\$22 million, or 1.4%, compared to HK\$1,556 million in the same period of 2023. The profit for the first half of 2024 was HK\$73.5 million, increased 11% from HK\$66.2 million in the same period of 2023.

The Group is actively integrating the concept of sustainable development into its business, introducing the environment-friendly concept into the production cycle, adopting advanced environment protection technology to achieve green production and reducing carbon emission in order to support sustainable fashion development. We enhance operational efficiency by optimizing and reshaping business processes, allowing employees to focus on core issues and establishing a customer-centric value chain that continuously improves customer value.

Property investment and development

In the first half of 2024, revenue from property investment and development business was HK\$65.5 million, compared to HK\$56.7 million in the same period of 2023.

The Group is continuously expanding the scale of the WL District real estate project located in Hangzhou. The second phase of WL District in Hangzhou has been completed, and management will continue to optimize the mix of resident enterprises, aiming to attract diverse top-tier high-tech talent to promote innovative joint research projects. This synergy will bring talent to the Park and provide the Group with a stable flow of funds.

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

Given the increasingly severe impacts of climate change and rising global temperatures, stakeholders across society are paying close attention to the significant effects of climate change on the environment and humanity, demanding a commitment to sustainable development from all enterprises. The Group has long served as a role model in the industry, showcasing various advanced carbon reduction and water conservation technologies across the supply chain. We are dedicated to continuously optimizing green supply chain technologies through corporate collaborations, creating a closed-loop and traceable sustainable fashion cycle that minimizes waste, and driving transformation in the textile industry through the development of high-value products. Additionally, the Group participates in domestic and international fashion summits and exhibitions to explore different markets and demonstrate our sustainable development achievements to clients and stakeholders, fostering in-depth exchanges within the industry.

The Group is committed to fulfilling its sustainable development goals by incorporating more sustainable and recyclable materials into new products. This includes developing innovative green fabrics such as the natural green wood-based fiber, WISE∞COSE[®], and inventing novel green raw materials, including biodegradable regenerated fibers and yarns. To reduce the consumption of natural resources and pollution emissions, the Group has established an energy management system and adopted dual-carbon management practices to optimize factory layouts and designs, enhance green production capacity, expand solar panel configurations, and purchase renewable energy certificates. This effort aims to significantly increase the Group's usage of renewable energy, in alignment with national policies and industry trends.

The Group upholds the corporate culture of “People-oriented and Joyful Mind”, “Put the Needs of Others before Your Own” and “One Heart One Power”. We firmly believe that employees are an indispensable factor in the success of the enterprise. Therefore, we are dedicated to focusing on employees' personal health and family development. Regular sports competitions and safety production training are held in various regions to promote a culture of safety. We also organize summer childcare programs for employees' families, ensuring that employees' children receive quality education while enjoying a happy and safe holiday. To enhance employee skills, the Group holds skill competitions, providing opportunities for practical skill development, and fostering teamwork and personal growth through healthy competition. Additionally, participation in tree-planting activities in the value chain not only reflects our commitment and support for environmental protection but also raises employees' environmental awareness.

The Group adheres to integrity and honest business practices, maintaining a zero-tolerance policy towards corruption and fraud. Regular reviews of the “Code of Conduct on Integrity” and anti-corruption training sessions are conducted, requiring employees to declare interests and prevent conflicts of interest. We establish and promote a culture of anti-corruption among suppliers, enhancing awareness of corruption within the Group. Through reporting policies and complaint mechanisms, we strengthen transparency within the Group. The Group respects customer privacy and complies with laws and regulations regarding customer privacy protection. Various measures are implemented to safeguard intellectual property, confidentiality agreements are signed with relevant stakeholders, and training is provided to employees to enhance their understanding of the Company's latest measures.

LIQUIDITY AND FINANCIAL RESOURCES

As of 30 June 2024, the Group's total cash and cash equivalent, short-term deposit and other financial assets at fair value through profit or loss was HK\$975.7 million (as at 31 December 2023: HK\$875.4 million).

Bank borrowings, mainly denominated in Hong Kong Dollar, increased from HK\$1,642 million as at 31 December 2023 to HK\$1,930 million as at 30 June 2024. 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 to 43.2% as at 30 June 2024 (as at 31 December 2023: 36.9%). The current ratio is maintained at 1.1, revealing that the Group has a solid capital base.

Net cash used in operating activities for the six months ended 30 June 2024 was HK\$45.2 million. Nevertheless, the Group still has sufficient bank financing and stable income from its owned properties. Management is confident in maintaining healthy operating funds and liquidity in the future to meet business needs and drive 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\$1.9 billion of mortgaged properties in Hong Kong and Mainland China for long-term bank borrowings (as at 31 December 2023: HK\$1.9 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\$47.7 million in order to upgrade the manufacturing capabilities and improve the environmental protection facilities during the period. The Group also injects HK\$36.8 million into certain properties construction and development projects during the reporting period.

CAPITAL COMMITMENTS

As at 30 June 2024, 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\$267.6 million.

CONTINGENT LIABILITIES

Please refer to note 13 to the condensed consolidated financial statements for details of contingent liabilities as at 30 June 2024.

HUMAN RESOURCES

As at 30 June 2024, the Group had approximately 5,000 employees (as at 31 December 2023: 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 2024 (six months ended 30 June 2023: 3.5 HK cents) on the shares in issue amounting to approximately HK\$10,697,000 (six months ended 30 June 2023: HK\$10,697,000), to the shareholders whose names appear on the Register of Members on Friday, 13 September 2024. The dividend will be payable on Friday, 4 October 2024.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Thursday, 12 September 2024 to Friday, 13 September 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 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, 11 September 2024.

CORPORATE GOVERNANCE

The Company has applied the principles of, and complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period for the six months ended 30 June 2024.

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 2024 (the "2024 Interim Report").

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

During the six months ended 30 June 2024, 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 2024 Interim Report will be published and despatched to the shareholders of the Company and available on the above websites by no later than Monday, 30 September 2024.

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

Hong Kong, 23 August 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.