



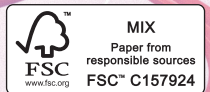
High Fashion International Limited

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



2023

Interim Report



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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.

Chairman's Statement

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.

LAM FOO WAH

Chairman

Hong Kong, 22 August 2023

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 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

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 19 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.

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	NOTES	Six months ended 30 June	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
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

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Other comprehensive expense		
Item that will not be reclassified to profit or loss:		
Exchange differences on translation of financial statements to presentation currency	(188,649)	(105,496)
Item 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)
Profit for the period attributable to:		
Owners of the Company	57,899	75,591
Non-controlling interests	719	914
	58,618	76,505

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
	<i>NOTES</i>		
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(133,266)	(29,905)
Non-controlling interests		719	914
		(132,547)	(28,991)
Earnings per share			
Basic	8	18.95 HK cents	24.73 HK cents
Diluted		18.95 HK cents	24.73 HK cents

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	NOTES	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		465,773	461,562
Right-of-use assets		52,027	59,589
Investment properties	10	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	11	66,538	66,924
Long-term bank deposits		40,187	41,578
		3,917,942	3,895,865
Current assets			
Inventories		364,225	436,427
Properties held for sale		112,788	95,470
Trade receivables	12	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
		2,191,643	2,331,716

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2023

	<i>NOTES</i>	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Current liabilities			
Trade payables	13	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	14	946,919	551,368
		1,900,170	1,501,045
Net current assets		291,473	830,671
Total assets less current liabilities		4,209,415	4,726,536
Non-current liabilities			
Deferred tax liabilities		340,610	351,711
Bank borrowings	14	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		64,280	66,492
		1,203,969	1,588,543
Net assets		3,005,446	3,137,993

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2023

	<i>NOTE</i>	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Capital and reserves			
Share capital	15	30,562	30,562
Share premium and reserves		3,002,906	3,136,172
Equity attributable to owners of the Company		3,033,468	3,166,734
Non-controlling interests		(28,022)	(28,741)
Total equity		3,005,446	3,137,993

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the Company										Total HK\$'000		
	Share capital HK\$'000	Share premium HK\$'000	Share Translation reserve HK\$'000	Reserve funds HK\$'000	Property revaluation reserve HK\$'000	FVOCI revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Share options reserve HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000		Sub-total HK\$'000	Attributable to non- controlling interests HK\$'000
At 1 January 2023	30,562	287,656	176,573	102,870	420,935	15,893	8,511	1,914	39,853	2,081,967	3,166,734	(28,741)	3,137,993
Profit for the period	-	-	-	-	-	-	-	-	-	57,899	57,899	719	58,618
Other comprehensive expense for the period	-	-	(191,165)	-	-	-	-	-	-	-	(191,165)	-	(191,165)
Total comprehensive (expense) income for the period	-	-	(191,165)	-	-	-	-	-	-	57,899	(133,266)	719	(132,547)
Transfer to reserve funds	-	-	-	10,511	-	-	-	-	-	(10,511)	-	-	-
At 30 June 2023 (unaudited)	30,562	287,656	(14,592)	113,381	420,935	15,893	8,511	1,914	39,853	2,129,555	3,033,468	(28,022)	3,005,446
At 1 January 2022	30,562	287,656	289,116	91,145	420,935	15,893	8,511	1,914	39,853	1,967,154	3,152,739	(30,093)	3,122,646
Profit for the period	-	-	-	-	-	-	-	-	-	75,591	75,591	914	76,505
Other comprehensive expense for the period	-	-	(105,496)	-	-	-	-	-	-	-	(105,496)	-	(105,496)
Total comprehensive (expense) income for the period	-	-	(105,496)	-	-	-	-	-	-	75,591	(29,905)	914	(28,991)
Dividends (note 9)	-	-	-	-	-	-	-	-	-	(18,337)	(18,337)	-	(18,337)
At 30 June 2022 (unaudited)	30,562	287,656	183,620	91,145	420,935	15,893	8,511	1,914	39,853	2,024,408	3,104,497	(29,179)	3,075,318

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	NOTE	Six months ended 30 June	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Net cash generated from operating activities		100,507	95,901
INVESTING ACTIVITIES			
Interests received		7,584	5,864
Withdrawal of short-term bank deposits		43,445	16,837
New long-term and short-term bank deposits placed		(146,628)	(47,455)
Purchases of other financial assets at FVTPL		–	(154,672)
Redemption of other financial assets at FVTPL		143,682	113,563
Additions to investment properties		(101,232)	(68,101)
Purchases of property, plant and equipment		(48,431)	(34,794)
Other investing cash flows		–	(9,305)
Net cash used in investing activities		(101,580)	(178,063)
FINANCING ACTIVITIES			
New bank borrowings raised	14	425,865	127,039
Repayment of bank borrowings	14	(388,460)	(85,510)
Interests paid		(33,644)	(13,410)
Repayment of lease liabilities		(2,131)	(3,214)
Net cash generated from financing activities		1,630	24,905

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Net increase (decrease) in cash and cash equivalents	557	(57,257)
Cash and cash equivalents at beginning of the period	611,250	417,527
Effect of foreign exchange rate changes, net	(23,105)	15,466
Cash and cash equivalents at end of the period	588,702	375,736
Analysis of balances of cash and cash equivalents		
Bank balances and cash	588,702	375,736

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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 (the “Stock Exchange”).

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at 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.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

3. Revenue and Segment Information

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
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
	1,612,439	1,806,257
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
	1,612,439	1,806,257

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

3. Revenue and Segment Information (Continued)

Disaggregation of revenue from contracts with customers (Continued)

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 HK\$'000	Property investment and development HK\$'000
Segment revenue	1,555,728	56,711
Less: rental income recognised under HKFRS 16	–	(56,711)
Revenue from contracts with customers	1,555,728	–

For the six months ended 30 June 2022 (unaudited)

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

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

3. Revenue and Segment Information (Continued)

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 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Segment revenue		
— Manufacturing and trading of garments	1,555,728	1,762,803
— Property investment and development	56,711	43,454
Revenue — external sales	1,612,439	1,806,257
Segment results		
— Manufacturing and trading of garments	66,241	66,950
— Property investment and development	15,187	13,548
	81,428	80,498
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	60,863	88,893

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 Company'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.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

4. Other Gains and Losses

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
(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
	(10,826)	33,775

5. Finance Costs

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

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

6. Income Tax Expenses

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

Deferred tax

Included in deferred taxation for the period is approximately HK\$4,253,000 (six months ended 30 June 2022: charge of HK\$3,910,000) deferred tax credited on decrease in fair value of investment properties.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

7. Profit for the Period

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

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
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	(7,584)	(5,864)

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

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 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Earnings for the purpose of basic and diluted earnings per share attributable to owners of the Company	57,899	75,591
	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 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.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

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. Investment Properties

All investment properties held by the Group are determined using fair value model. The fair value of the Group's major investment properties as at 30 June 2023 has been arrived at on the basis of the valuation carried out by Centaline Surveyors Limited (31 December 2022: Centaline Surveyors Limited and 新昌信安達資產評估有限公司), which is independent qualified professional valuer not connected with the Group. A decrease in fair value of investment properties of approximately HK\$11,574,000 (six months ended 30 June 2022: increase in fair value of HK\$25,090,000) has been recognised directly in the profit or loss for the six months ended 30 June 2023.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

11. 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.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

12. 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 ranges 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 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
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
	589,705	551,374

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

13. 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 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
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
	248,511	291,108
Accrued purchases	239,983	154,768
	488,494	445,876

The average credit period on purchases of goods is around 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

13. Trade Payables (Continued)

The Group's trade payables included trade payables under supplier finance arrangements in which the Group has issued bills with the carrying amount of HK\$25,641,000 as at 30 June 2023 (31 December 2022: HK\$28,856,000) to the relevant suppliers for future settlement and continues to recognise trade payables as the relevant banks are obliged to make payments only on due dates of the bills, under the same conditions as agreed with the suppliers without further extension.

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

14. Bank Borrowings

During the current interim period, the Group obtained new bank borrowings totalling HK\$425.8 million (six months ended 30 June 2022: HK\$127.0 million) and repaid HK\$388.4 million (six months ended 30 June 2022: HK\$85.5 million). The loans carry interest at market rates ranging from 3.25% to 6.58% (31 December 2022: 3.25% to 6.49%) per annum.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

15. Share Capital

	Number of shares	Amount
	'000	HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2022 (audited),		
30 June 2022 (unaudited),		
1 January 2023 (audited) and		
30 June 2023 (unaudited)	1,000,000	100,000
Issued and fully paid:		
At 1 January 2022 (audited),		
30 June 2022 (unaudited),		
1 January 2023 (audited) and		
30 June 2023 (unaudited)	305,616	30,562

16. Capital Commitments

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 approximately HK\$450,914,000 (31 December 2022: HK\$554,398,000).

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

17. Related Party Transactions

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

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Key management personnel compensation (note)	11,218	10,564

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

18. Share-Based Payments

The Company passed an ordinary resolution at the annual general meeting to adopt a share option scheme on 30 May 2012 (the "2012 Share Option Scheme") for a period of 10 years commencing on the adoption date. The 2012 Share Option Scheme expired on 29 May 2022 and no further option could thereafter be granted. Notwithstanding the expiry of the 2012 Share Option Scheme, the share options which had been granted and not exercised nor lapsed at the date of expiry shall remain valid and exercisable in accordance with the 2012 Share Option Scheme and in all other respects, the provisions of the 2012 Share Option Scheme shall remain in full force and effect.

Following the expiry of the 2012 Share Option Scheme, the Company passed a resolution at the 2022 annual general meeting held on 14 June 2022 to adopt the 2022 Share Option Scheme (the "2022 Share Option Scheme") for the continuation of providing recognition to the contributions or services of executive directors, non-executive directors and eligible employees of the Group. Unless otherwise terminated or amended, the 2022 Share Option Scheme will remain in force for 10 years.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

18. Share-Based Payments (Continued)

At 30 June 2023, the number of shares in respect of which options had been granted and remained outstanding under the 2012 Share Option Scheme was 5,000,000 (31 December 2022: 5,000,000), which if exercised in full representing 1.64% (31 December 2022: 1.64%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the 2022 Share Option Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. In addition, any share options to a substantial shareholder of the Company or any of their respective associates that would result in the total number of shares issued and to be issued upon exercise of all options granted and to be granted (including options exercised, cancelled and outstanding) to such person in any 12-month period up to and including the date of such grant exceeding 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares on the date of grant) in excess of HK\$5 million is subject to shareholders' approval in a general meeting.

No consideration is payable by the Grantee in respect of the offer of the grant, the acceptance of the offer of grant or the grant of the Option. The exercise period of the share options granted is determinable by the directors of the Company, but no later than 10 years from the date of the offer. The minimum period for which an option must be held before it can be exercised is to be determined by the directors of the Company after taking into account a wide range of factors including but not limited to the responsibilities and years of services of each eligible participant, business development and other areas concerning the operation and sustainable development of the Group.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

18. Share-Based Payments (Continued)

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

Details of options granted are as follows:

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

There is no movement of the Company's share options granted during the six months ended 30 June 2023 and the year ended 31 December 2022.

The Group did not recognise any expense for the six months ended 30 June 2023 (year ended 31 December 2022: nil) in relation to share options granted by the Company.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

19. Contingent Liabilities

In addition to the ongoing enquiry of customs duty as disclosed in note 11, the Group has the following 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.

20. Fair Value Measurements of Financial Instruments

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

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

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

20. Fair Value Measurements of Financial Instruments (Continued)

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

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

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

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

20. Fair Value Measurements of Financial Instruments (Continued)

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2023 (unaudited)	31 December 2022 (audited)		
Interest rate swap contract	Assets – HK\$5,760,000	Assets – HK\$12,840,000	Level 2	Valuation technique: Discounted cash flow. Key inputs: Forward interest rates, forward exchange rates, contracted interest rates, discount rate and HSBC Dynamic Term Premium Index 10 as published on Bloomberg Screen and its volatility.
Structured deposits	Assets – HK\$161,580,000	Assets – HK\$165,187,000	Level 2	Valuation techniques: Discounted cash flow. Key inputs: Forward interest rates, forward exchange rates, contracted interest rates, contracted exchange rates and volatility of exchange rates.
Unlisted funds	Assets – HK\$20,769,000	Assets – HK\$172,243,000	Level 2	Valuation techniques: Discounted cash flow Key inputs: Forward interest rates, forward exchange rates, contracted interest rates, contracted exchange rates and volatility of exchange rates.
Investment component of a life insurance contract (note i)	Assets – HK\$33,954,000	Assets – HK\$33,212,000	Level 3	Valuation technique: Account value quoted by insurer.
Equity instruments at FVTOCI (note ii)	Assets – HK\$16,416,000	Assets – HK\$16,416,000	Level 3	Valuation technique: Recent transaction. Key inputs: Recent transaction price.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

20. Fair Value Measurements of Financial Instruments (Continued)

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

Notes:

- (i) The return of the investment is at the discretion of the insurer and the surrender charge is for termination of both the insurance and investment components. Accordingly, the directors of the Company consider the account value quoted by insurer as at 30 June 2023 as an appropriate estimate of fair value. Fair value gain of approximately HK\$742,000 (six months ended 30 June 2022: HK\$831,000) is recognised in profit or loss for the six months ended 30 June 2023.
- (ii) The Group's investment in equity interest in a private entity located in British Virgin Islands was classified as equity instruments at FVTOCI. The fair value of the investments is measured by reference to recent transaction for the six months ended 30 June 2023. No fair value gain or loss is recognised in other comprehensive income for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

There is no transfer amongst level 1, 2 and 3 for the six months ended 30 June 2023 and year ended 31 December 2022.

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

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

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

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

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

- Derivative financial instruments — fair value

Other Information

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the accounting period for the six months ended 30 June 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Specific enquiry has been made of all Directors and they have complied with the required standard set out in the Model Code during the six months ended 30 June 2023.

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

Other Information

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.

AUDIT COMMITTEE REVIEW

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

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

As at 30 June 2023, the interests and short positions of the Directors, chief executives of the Company (the "Chief Executives") and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) or have been recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which have been notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, were as follows:

Long Positions in the Shares and Underlying Shares of the Company

(a) Ordinary shares of the Company

Name of Directors	Notes	Capacity	Nature of interests	Number of ordinary shares held	Percentage of the Company's issued share capital (Note 4)
Lam Foo Wah	1,2	Beneficial owner	Personal	1,789,901	0.59%
		Other interests	Other	222,069,460	72.66%

Other Information

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

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

(b) Share options granted by the Company

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

Notes:

- Mr. Lam Foo Wah is deemed to have interests in 170,867,620 ordinary shares which are beneficially owned by Hinton Company Limited, the entire issued share capital of which is held under The Lam Foo Wah 1992 Trust. Mr. Lam is regarded as a founder of the trust.
- Mr. Lam Foo Wah is deemed to have interests in 51,201,840 ordinary shares which are beneficially owned by High Fashion Charitable Foundation Limited, the entire issued share capital of which is held under High Fashion Trust. Mr. Lam is regarded as a founder of the trust.
- Particulars of these share options and their movements as at 30 June 2023 are set out in the "Share Option Scheme" section below.
- The issued share capital of the Company is 305,615,420 shares as at 30 June 2023.

Other Information

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

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

(b) *Share options granted by the Company (Continued)*

Save as disclosed above, as at 30 June 2023, none of the Directors, Chief Executives nor their associates had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which have been recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which have been notified to the Company and the Stock Exchange pursuant to the Model Code.

Furthermore, save as disclosed in the "Share Option Scheme" section below, at no time during the six months ended 30 June 2023 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or its associated corporations (within the meaning of Part XV of the SFO).

SHARE OPTION SCHEME

The Company passed an ordinary resolution at the annual general meeting to adopt a share option scheme on 30 May 2012 (the "2012 Share Option Scheme") for a period of 10 years commencing on the adoption date. The 2012 Share Option Scheme expired on 29 May 2022 and no further option could thereafter be granted. Notwithstanding the expiry of the 2012 Share Option Scheme, the share options which had been granted and not exercised nor lapsed at the date of expiry shall remain valid and exercisable in accordance with the 2012 Share Option Scheme and in all other respects, the provisions of the 2012 Share Option Scheme shall remain in full force and effect.

Other Information

SHARE OPTION SCHEME (CONTINUED)

Following the expiry of the 2012 Share Option Scheme, the Company passed a resolution at the 2022 annual general meeting to adopt a new share option scheme (the “2022 Share Option Scheme”) for the continuation of providing recognition to the contributions or services of eligible participants. Unless otherwise terminated or amended, the 2022 Share Option Scheme will remain in force for 10 years.

The movements in the Company’s share options during the six months ended 30 June 2023 are disclosed as follows:

Name of grantees	Date of grant	Exercise price per share HK\$	Exercise period	Number of share options				As at 30 June 2023
				As at 1 January 2023	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	
Directors								
Lam Gee Yu, Will	3 December 2018	1.76	3 December 2019 to 2 December 2028	1,250,000	-	-	-	1,250,000
			3 December 2020 to 2 December 2028	1,250,000	-	-	-	1,250,000
				2,500,000	-	-	-	2,500,000
Lam Din Yu, Well	3 December 2018	1.76	3 December 2019 to 2 December 2028	1,250,000	-	-	-	1,250,000
			3 December 2020 to 2 December 2028	1,250,000	-	-	-	1,250,000
				2,500,000	-	-	-	2,500,000
			Total	5,000,000	-	-	-	5,000,000

Note:

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

Other Information

SHARE OPTION SCHEME (CONTINUED)

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

As at 30 June 2023, no share option has been granted under the 2022 Share Option Scheme. The total number of share options available for issue under the 2022 Share Option Scheme is 30,561,542, representing 10% of the issued share capital of the Company. Further information of the 2022 Share Option Scheme is set out in note 18 to the condensed consolidated financial statements.

Apart from the 2012 Share Option Scheme or the 2022 Share Option Scheme, during the six months ended 30 June 2023, no rights were granted to the Directors, Chief Executives or those of the Company's subsidiaries, or any of their spouses or children under 18 years of age to subscribe for equity or debt securities of the Company or its subsidiaries.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2023, the following substantial shareholders, other than Directors and Chief Executives, had the interests and short positions in the shares and underlying shares of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, have been recorded in the register kept by the Company pursuant to Section 336 of SFO:

Long Positions in the Ordinary Shares of the Company

Name of Shareholders	Notes	Capacity	Number of Ordinary shares held	Percentage of the Company's issued share capital (Note 3)
Leung Shuk Bing	1	Interest of spouse	223,859,361	73.25%
Hinton Company Limited	2	Beneficial owner	170,867,620	55.91%
High Fashion Charitable Foundation Limited	2	Beneficial owner	51,201,840	16.75%

Other Information

SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Long Positions in the Ordinary Shares of the Company (Continued)

Notes:

1. Ms. Leung Shuk Bing is spouse of Mr. Lam Foo Wah and is deemed to have interests in 223,859,361 ordinary shares.
2. Such interests have been disclosed as interests of Mr. Lam Foo Wah in the “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above.
3. The issued share capital of the Company is 305,615,420 shares as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, no person, other than the Directors or Chief Executives, whose interests are set out in the section “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above, had registered a long or short position in the shares, underlying shares and debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CHANGE IN INFORMATION OF DIRECTOR

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information required to be disclosed by the Directors since the publication of the Company’s 2022 Annual Report is set out as below:

With effect from 1 August 2023, Mr. Hung Ka Hai, Clement has been appointed as an independent non-executive director of JX Energy Ltd. (stock code: 3395) whose shares are listed on the Stock Exchange.

Corporate Information

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

BOARD OF DIRECTORS

Executive Directors

Mr. Lam Foo Wah (*Chairman*)
Mr. Lam Gee Yu, Will (*Managing Director*)
Mr. Lam Din Yu, Well
(*Managing Director (China)*)

Non-executive Director

Mr. Hung Ka Hai, Clement

Independent Non-executive Directors

Professor Yeung Kwok Wing
Mr. Leung Hok Lim
(*resigned on 1 September 2023*)
Mr. Chung Kwok Pan
Mr. Tong Hee Keung, Samuel
Mr. Lau Yip Shing
Mr. Wong Chun Sek, Edmund
(*appointed on 1 September 2023*)

AUDIT COMMITTEE

Mr. Wong Chun Sek, Edmund (*Chairman*)
(*appointed on 1 September 2023*)
Mr. Leung Hok Lim (*resigned as Chairman*
on 1 September 2023)
Mr. Hung Ka Hai, Clement
Professor Yeung Kwok Wing
Mr. Chung Kwok Pan
Mr. Tong Hee Keung, Samuel
Mr. Lau Yip Shing

REMUNERATION COMMITTEE

Mr. Chung Kwok Pan (*Chairman*)
Mr. Lam Gee Yu, Will
Professor Yeung Kwok Wing
Mr. Leung Hok Lim
(*resigned on 1 September 2023*)
Mr. Wong Chun Sek, Edmund
(*appointed on 1 September 2023*)

NOMINATION COMMITTEE

Mr. Lam Foo Wah (*Chairman*)
Mr. Lam Din Yu, Well
(*appointed on 1 September 2023*)
Professor Yeung Kwok Wing
Mr. Leung Hok Lim
(*resigned on 1 September 2023*)
Mr. Chung Kwok Pan
Mr. Tong Hee Keung, Samuel
Mr. Lau Yip Shing

RISK MANAGEMENT COMMITTEE

Mr. Lam Gee Yu, Will (*Chairman*)
Mr. Lam Din Yu, Well
(*appointed on 1 September 2023*)
Professor Yeung Kwok Wing
Mr. Leung Hok Lim
(*resigned on 1 September 2023*)
Mr. Chung Kwok Pan
Mr. Tong Hee Keung, Samuel
Mr. Lau Yip Shing
Mr. Wong Chun Sek, Edmund
(*appointed on 1 September 2023*)

Corporate Information

COMPANY SECRETARY

Ms. Cheuk Chui King

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

REGISTERED OFFICE

Clarendon House, 2 Church Street,
Hamilton HM11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
17/F, Far East Finance Centre,
16 Harcourt Road, Hong Kong

COMPANY WEBSITE

www.highfashion.com.hk