



High Fashion International Limited

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

INTERIM REPORT

2022



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Chairman's Statement

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

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

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

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

Chairman's Statement

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

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

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

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

Chairman's Statement

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.

LAM FOO WAH

Chairman

Hong Kong, 18 August 2022

Management Discussion and Analysis

BUSINESS REVIEW

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

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

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

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

Management Discussion and Analysis

FINANCIAL REVIEW

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

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

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

Management Discussion and Analysis

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

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

SEGMENT INFORMATION

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

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

Management Discussion and Analysis

Manufacturing and trading of garments

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

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

Property investment and development

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

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

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

Management Discussion and Analysis

Brand business

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

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

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

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

Management Discussion and Analysis

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

Bank borrowings, mainly dominated in Hong Kong Dollar have increased slightly from HK\$1,680 million on 31 December 2021 to HK\$1,720 million on 30 June 2022. The bank borrowings were mainly for certain properties construction, development projects and fixed assets investments to develop and upgrade the manufacturing plants in Mainland China.

Management Discussion and Analysis

The gearing ratio of non-current liabilities to shareholders' funds increased slightly to 46.9% as at 30 June 2022 (31 December 2021: 45.8%). Current ratio is 1.4 (31 December 2021: 1.5), revealing that the Group has a solid capital base.

Net cash inflow from operating activities was HK\$95.9 million, which was mainly attributed from operating profit increase. The Group has sufficient banking facilities provided by its bankers together with the stable income from the owned properties, the Management is confident to maintain a healthy working capital and liquidity to meet operation needs and future growth.

FOREIGN CURRENCY RISK EXPOSURE

Foreign currency risk exposure is primarily related to RMB and USD since a considerable portion of our operating expenses are denominated in RMB while sales are mainly denominated in USD. The Group complies with the policy to monitor foreign currency exchange risk. In the first two quarters of 2022, the value of RMB against the USD fell due to the repeated epidemics and interest rate hikes in the US, the Management took quick response and effectively reduce the exchange loss of buying RMB from USD. As HKD is pegged to the USD, the Group considers that its foreign currency risk in respect of USD is minimal. The management will continue to take prudent measures to reduce risks.

CHARGES ON ASSETS

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

CAPITAL EXPENDITURE

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

Management Discussion and Analysis

CAPITAL COMMITMENTS

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

CONTINGENT LIABILITIES

Please refer to note 19 to the condensed consolidated financial statements for details of contingent liabilities as of 30 June 2022.

HUMAN RESOURCES

As of 30 June 2022, the Group had approximately 5,100 employees (31 December 2021: 4,800). Headcount increased mainly from workers as a result of increased sales orders. Management of the Group emphasizes in staff training to equip the staff with the right knowledge. The Group evaluates its staff based on their performance, qualifications and industry practices. Furthermore, we offer competitive remuneration packages including medical subsidies and retirement scheme contributions to the employees in compensation of their contribution. In addition, discretionary bonuses may also be granted to the eligible employees based on the Group's and individuals' performance.

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue			
Goods and services		1,762,803	1,174,914
Rental		43,454	35,263
Total revenue	3	1,806,257	1,210,177
Cost of sales		(1,441,530)	(1,020,770)
Gross profit		364,727	189,407
Other income		21,113	24,927
Other gains and losses	4	33,775	83,578
Impairment losses under expected credit loss model, net of reversal		(3,991)	(3,896)
Administrative expenses		(193,567)	(124,756)
Selling and distribution expenses		(113,526)	(72,287)
Other expenses		(6,228)	(3,069)
Finance costs	5	(13,410)	(13,890)
Profit before taxation		88,893	80,014
Income tax expenses	6	(12,388)	(18,576)
Profit for the period	7	76,505	61,438

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont'd)

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Other comprehensive (expense) income		
Items that will not be reclassified to profit or loss:		
Exchange differences on translation of financial statements to presentation currency	(105,496)	32,761
Gain on revaluation of owner-occupied properties	–	67,374
Income tax relating to items that will not be reclassified to profit or loss	–	(16,843)
	(105,496)	83,292
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	–	(2,081)
Other comprehensive (expense) income for the period, net of tax	(105,496)	81,211
Total comprehensive (expense) income for the period	(28,991)	142,649

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont'd)

For the six months ended 30 June 2022

	Note	Six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Profit for the period attributable to:			
Owners of the Company		75,591	61,319
Non-controlling interests		914	119
		76,505	61,438
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(29,905)	142,530
Non-controlling interests		914	119
		(28,991)	142,649
Earnings per share	<i>8</i>		
Basic		24.73 HK cents	20.06 HK cents
Diluted		24.73 HK cents	20.06 HK cents

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	At 30 June 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		475,137	474,369
Right-of-use assets		60,101	74,582
Investment properties	10	3,147,658	3,101,216
Interests in joint ventures		7,565	7,559
Equity instruments at fair value through other comprehensive income ("FVTOCI")		16,416	16,416
Derivative financial instruments		11,858	1,989
Deferred tax assets		46,334	42,865
Other non-current assets	11	68,712	89,268
Long-term bank deposits		43,422	–
		3,877,203	3,808,264
Current assets			
Inventories		524,908	600,337
Properties held for sale		21,162	22,042
Trade receivables	12	639,791	517,730
Deposits, prepayments and other receivables		151,079	113,434
Amounts due from joint ventures		5,395	5,395
Derivative financial instruments		–	1,663
Other financial assets at fair value through profit or loss ("FVTPL")		679,716	660,250
Short-term bank deposits		6,380	19,981
Bank balances and cash		375,736	417,527
		2,404,167	2,358,359

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

At 30 June 2022

	<i>Notes</i>	At 30 June 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)
Current liabilities			
Trade payables	13	604,531	581,592
Other payables and accruals		324,260	284,133
Lease liabilities		3,813	6,006
Amount due to an associate		583	583
Contract liabilities		94,235	64,141
Tax payable		60,389	56,422
Derivative financial instruments		644	–
Bank borrowings	14	662,580	608,246
		1,751,035	1,601,123
Net current assets		653,132	757,236
Total assets less current liabilities		4,530,335	4,565,500
Non-current liabilities			
Deferred tax liabilities		355,418	348,307
Bank borrowings	14	1,056,028	1,068,833
Lease liabilities		10,509	12,404
Provision for long service payments		233	2,721
Provision		2,347	2,445
Other liabilities		22,756	–
Deferred income		7,726	8,144
		1,455,017	1,442,854
Net assets		3,075,318	3,122,646
Capital and reserves			
Share capital	15	30,562	30,562
Share premium and reserves		3,073,935	3,122,177
Equity attributable to owners of the Company		3,104,497	3,152,739
Non-controlling interests		(29,179)	(30,093)
Total equity		3,075,318	3,122,646

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company										Attributable to non-controlling interests	
	Share capital	Share premium	Transition reserve	Reserve funds	Property revaluation reserve	Investment revaluation reserve	Capital redemption reserve	Share option reserve	Other reserve	Retained profits	Sub-total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2022	30,562	287,656	288,116	91,145	420,935	15,883	8,511	1,914	39,653	1,967,154	3,152,739	(30,093)
Profit for the period	-	-	-	-	-	-	-	-	-	75,591	75,591	914
Other comprehensive expense for the period	-	-	(105,496)	-	-	-	-	-	-	-	(105,496)	-
Total comprehensive (expense) income for the period	-	-	(105,496)	-	-	-	-	-	-	75,591	(29,905)	914
Dividends (note 9)	-	-	-	-	-	-	-	-	-	(18,337)	(18,337)	-
At 30 June 2022 (unaudited)	30,562	287,656	183,620	91,145	420,935	15,883	8,511	1,914	39,653	2,024,408	3,104,497	(29,179)
At 1 January 2021	30,562	287,656	198,643	80,101	392,380	25,247	8,511	1,914	39,653	1,826,910	2,901,777	(30,493)
Profit for the period	-	-	-	-	-	-	-	-	-	61,319	61,319	119
Other comprehensive income for the period	-	-	30,680	-	50,531	-	-	-	-	-	81,211	-
Total comprehensive income for the period	-	-	30,680	-	50,531	-	-	-	-	61,319	142,530	119
Dividends (note 9)	-	-	-	-	-	-	-	-	-	(9,168)	(9,168)	-
At 30 June 2021 (unaudited)	30,562	287,656	229,323	80,101	442,911	25,247	8,511	1,914	39,653	1,879,061	3,035,139	(30,374)

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Net cash generated from (used in) operating activities		95,901	(1,852)
INVESTING ACTIVITIES			
Withdrawal of short-term bank deposits		16,837	96,035
Interests received		5,864	3,591
New long-term and short-term bank deposits placed		(47,455)	(58,310)
Purchases of other financial assets at FVTPL		(154,672)	-
Redemption of other financial assets at FVTPL		113,563	-
Additions to investment properties		(68,101)	(50,199)
Purchases of property, plant and equipment		(34,794)	(31,086)
Other investing cash flows		(9,305)	187
Net cash used in investing activities		(178,063)	(39,782)
FINANCING ACTIVITIES			
New bank borrowings raised	14	127,039	132,049
Repayment of bank borrowings	14	(85,510)	(120,562)
Interests paid		(13,410)	(12,630)
Dividends paid	9	-	(9,168)
Repayment of lease liabilities and related interests		(3,214)	-
Net cash generated from (used in) financing activities		24,905	(10,311)
Net decrease in cash and cash equivalents		(57,257)	(51,945)
Cash and cash equivalents at beginning of the period		417,527	710,079
Effect of foreign exchange rate changes, net		15,466	4,626
Cash and cash equivalents at end of the period		375,736	662,760
Analysis of balances of cash and cash equivalents			
Bank balances and cash		375,736	662,760

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 2022 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2021.

Application of amendments to HKFRSs

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

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

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2022

2. Principal Accounting Policies (Cont'd)

Application of amendments to HKFRSs (Cont'd)

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

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2022

3. Revenue and Segment Information (Cont'd)

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

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

For the six months ended 30 June 2022 (unaudited)

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

For the six months ended 30 June 2021 (unaudited)

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

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2022

3. Revenue and Segment Information (Cont'd)

Segment information

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

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

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2022

3. Revenue and Segment Information (Cont'd)

Segment information (Cont'd)

Notes:

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

Segment profit represents the profit earned by each segment without the allocation of change in fair value of derivative financial instruments and investment properties, certain portion of the central administration costs and other expenses. This is the measure reported to the 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.

4. Other Gains and Losses

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

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2022

5. Finance Costs

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

6. Income Tax Expenses

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

Deferred tax

Included in tax charge for the period is approximately HK\$3,910,000 (six months ended 30 June 2021: HK\$12,900,000) deferred tax charged on increase in fair value of investment properties.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2022

7. Profit for the Period

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

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

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	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Earnings for the purpose of basic and diluted earnings per share attributable to owners of the Company	75,591	61,319
	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

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2022

8. Earnings Per Share (Cont'd)

The computation of diluted earnings per share for the six months ended 30 June 2021 and 2022 does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares.

9. Dividends

During the current interim period, a final dividend in respect of the year ended 31 December 2021 of 6 HK cents (six months ended 30 June 2021: final dividend in respect of the year ended 31 December 2020 of 3 HK cents) per ordinary share was declared to the shareholders and has been paid in cash on 15 July 2022.

The Board declared that an interim dividend of 3 HK cents per share for the six months ended 30 June 2022 (six months ended 30 June 2021: 2 HK cents) will be paid to shareholders whose names appear in the register of members on 16 September 2022. This dividend was declared after the end of the reporting period, and therefore it has not been included as a liability in the condensed consolidated statement of financial position.

10. 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 2022 has been arrived at on the basis of the valuation carried out by Centaline Surveyors Limited (31 December 2021: 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. An increase in fair value of investment properties of approximately HK\$25,090,000 (six months ended 30 June 2021: HK\$72,285,000) has been recognised directly in the profit or loss for the six months ended 30 June 2022.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2022

11. Other Non-Current Assets

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

In June 2016, a judgment was made by the Intermediate People's Court Shaoxing Zhejiang Province (the "Judgment") which stated that the Group had convicted an offence of illicit transportation of common goods or articles without paying customs duty and was required to pay a penalty of approximately RMB28,000,000 and unpaid customs of approximately RMB27,000,000, out of which the RMB30,000,000 deposit previously paid would be confiscated by the customs authority and used to offset the amount payable. In July 2016, the Group appealed against the Judgment to the Higher People's Court of Zhejiang Province.

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

In May 2019, a court hearing was held by the Higher People's Court of Zhejiang Province to hear the defense opinion from the Group. In July 2019, the Zhejiang People's Procuratorate (浙江省人民檢察院) visited the Group's office in Hangzhou and performed various verification of defense evidence. According to the external lawyer in the Mainland China, the verification process is a common judicial practice in the Mainland China and it implies a favourable outlook to the Group. As at 30 June 2022, the Group has not yet received the judgment from the court and the external lawyer remains the same view.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2022

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.

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

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

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

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2022

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

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.

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\$81,481,000 as at 30 June 2022 (31 December 2021: HK\$17,634,000) 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.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2022

14. Bank Borrowings

During the current interim period, the Group obtained new bank borrowings totalling HK\$127.0 million (six months ended 30 June 2021: HK\$132.0 million) and repaid HK\$85.5 million (six months ended 30 June 2021: HK\$120.6 million). The loans carry interest at market rates ranging from 0.8% to 5.0% (31 December 2021: 0.9% to 3.1%) per annum.

15. Share Capital

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2021 (audited),		
30 June 2021 (unaudited),		
1 January 2022 (audited) and		
30 June 2022 (unaudited)	1,000,000	100,000
Issued and fully paid:		
At 1 January 2021 (audited),		
30 June 2021 (unaudited),		
1 January 2022 (audited) and		
30 June 2022 (unaudited)	305,616	30,562

16. Capital Commitments

At 30 June 2022, the Group is committed to capital expenditure in respect of acquisition of property, plant and equipment and construction work contracted but not provided for amounted to approximately HK\$319,888,000 (31 December 2021: HK\$181,918,000).

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2022

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	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Key management personnel compensation (<i>note</i>)	10,564	9,709

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's share option scheme (the "2012 Share Option Scheme") was adopted pursuant to an ordinary resolution passed on 30 May 2012. The 2012 Share Option Scheme expired on 29 May 2022. 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 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. Under the 2022 Share Option Scheme, the Board may grant options to eligible employees, including directors (other than independent non-executive directors) of the Group to subscribe for shares in the Company.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2022

18. Share-Based Payments (Cont'd)

At 31 December 2021 and 30 June 2022, 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, which if exercised in full representing 1.64% of the shares of the Company in issue at that date. No share options have been granted under the 2022 Share Option Scheme during the six months ended 30 June 2022. 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 (including exercised, cancelled and outstanding options) 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 or to be granted to such person in any 12-month period exceeding 0.1% of the shares in issue and with an aggregate value (based on the 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 acceptance of the offer of 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 having regard to the particular circumstances of each grantee.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2022

18. Share-Based Payments (Cont'd)

50% of the options granted under the 2012 Share Option Scheme 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 was determined by the directors of the Company, and was not 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 nominal value of the Company's share.

Details of options granted are as follows:

Number of share options	Date of grant	Exercise period	Exercise price per share 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 year ended 31 December 2021 and six months ended 30 June 2022.

The Group did not recognise any expense for the year ended 31 December 2021 and the six months ended 30 June 2022 in relation to share options granted by the Company.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2022

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

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 (Cont'd)

For the six months ended 30 June 2022

20. Fair Value Measurements of Financial Instruments (Cont'd)

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

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 (Cont'd)

For the six months ended 30 June 2022

20. Fair Value Measurements of Financial Instruments (Cont'd)

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2022 (unaudited)	31 December 2021 (audited)		
Foreign exchange forward contracts	Liabilities – HK\$644,000	Assets – HK\$1,663,000	Level 2	Valuation technique: Discounted cash flow. Key inputs: Forward exchange rates, contracted exchange rates and discount rates.
Interest rate swap	Assets – HK\$11,858,000	Assets – HK\$1,989,000	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\$570,702,000	Assets – HK\$564,281,000	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\$109,014,000	Assets – HK\$95,969,000	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\$33,072,000	Assets – HK\$32,241,000	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 (Cont'd)

For the six months ended 30 June 2022

20. Fair Value Measurements of Financial Instruments (Cont'd)

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

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 2022 as an appropriate estimate of fair value. Fair value gain of approximately HK\$831,000 is recognised in profit or loss for the six months ended 30 June 2022.
- (ii) The Group's investment in equity interest in a private entity located in BVI 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 2022. No fair value gain or loss is recognised in other comprehensive income for the six months ended 30 June 2022.

There is no transfer amongst level 1, 2 and 3 for the year ended 31 December 2021 and six months ended 30 June 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.

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.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2022

21. Financial Assets and Financial Liabilities Subject to Enforceable Master Netting Arrangements (Cont'd)

	Financial assets of the Group subject to ISDA Agreements by counterparty			Financial liabilities of the Group subject to ISDA Agreements by counterparty		
	Carrying amounts of financial assets presented under "Derivative financial instruments" in the consolidated statement of financial position HKS'000	Related amounts not set off in the consolidated statement of financial position – financial liabilities HKS'000	Net amount HKS'000	Carrying amounts of financial liabilities presented under "Derivative financial instruments" in the consolidated statement of financial position HKS'000	Related amounts not set off in the consolidated statement of financial position – assets HKS'000	Net amount HKS'000
At 30 June 2022						
Bank A	11,858	–	11,858	–	–	–
Bank B	–	–	–	(644)	–	(644)
Total	11,858	–	11,858	(644)	–	(644)
At 31 December 2021						
Bank A	2,655	–	2,655	–	–	–
Bank C	580	–	580	–	–	–
Bank D	173	–	173	–	–	–
Bank E	44	–	44	–	–	–
Bank F	200	–	200	–	–	–
Total	3,652	–	3,652	–	–	–

The gross amounts of the recognised financial assets and financial liabilities disclosed in the above tables, 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 HK cents per share for the six months ended 30 June 2022 (six months ended 30 June 2021: 2 HK cents) on the shares in issue amounting to approximately HK\$9,168,000 (six months ended 30 June 2021: HK\$6,112,000), to the shareholders whose names appear on the Register of Members on Friday, 16 September 2022. The dividend will be payable on Friday, 7 October 2022.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Thursday, 15 September 2022 to Friday, 16 September 2022, both days inclusive, during which period no transfer of shares will be registered. In order to determine shareholders who are entitled to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by not later than 4:30 p.m. on Wednesday, 14 September 2022.

CORPORATE GOVERNANCE

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

Code provision C.3.3

Under the code provision C.3.3 of the CG Code, directors should clearly understand delegation arrangements in place and listed companies should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

The Board considers that though there are no formal letters of appointment entered into between the Company and the Directors, the current arrangement has been adopted for years and proved to be effective, more appropriate and flexible for the business operation of the Company. The Directors also have a clear understanding of the terms and conditions of their appointment with close communication with the Company and their awareness on the relevant rights and duties pursuant to the applicable laws and regulations.

Other Information

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 Directors’ securities transactions.

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 2022.

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

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

During the six months ended 30 June 2022, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold any of the Company’s listed securities.

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 2022.

Other Information

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

As at 30 June 2022, 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:

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

(a) Ordinary shares of the Company

Name of Director	Notes	Capacity	Nature of interests	Number of ordinary shares held	Percentage of the Company's issued share capital (Note 4)
Lam Foo Wah		Beneficial owner	Personal	1,789,901	0.59%
	1, 2	Other interests	Other	216,511,460	70.84%

Other Information

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

(i) Long Positions in the Shares and Underlying Shares of the Company (Cont'd)

(b) Share options granted by the Company

Name of Director	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%

(ii) Long Position in Ordinary Shares of Associated Corporation

Name of Director	<i>Note</i>	Name of associated corporation	Relationship with the Company	Capacity	Number of ordinary shares held	Percentage of the associated corporation's issued share capital <i>(Note 6)</i>
Lam Foo Wah	5	High Fashion Knitters Limited (dissolved on 17 August 2022)	Subsidiary	Interest of controlled corporations	5,339,431	35.60%

Other Information

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

(ii) Long Position in Ordinary Shares of Associated Corporation (Cont'd)

Notes:

1. Mr. Lam Foo Wah is deemed to have interests in 167,281,620 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.
2. Mr. Lam Foo Wah is deemed to have interests in 49,229,840 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.
3. Particulars of these share options and their movements as at 30 June 2022 are set out in the "Share Option Scheme" section below.
4. The issued share capital of the Company was 305,615,420 shares as at 30 June 2022.
5. These shares were held through three companies beneficially owned by Mr. Lam Foo Wah.
6. The issued share capital of High Fashion Knitters Limited was 15,000,000 shares as at 30 June 2022 and the company was dissolved on 17 August 2022.

Save as disclosed above, as at 30 June 2022, 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 2022 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).

Other Information

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.

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 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. As at 30 June 2022, no share option has been granted under the 2022 Share Option Scheme.

Other Information

SHARE OPTION SCHEME (Cont'd)

The movements in the Company's share options granted under the 2012 Share Option Scheme during the six months ended 30 June 2022 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 2022
				As at 1 January 2022	Granted during the period	Exercised during the period	Lapsed/cancelled during the period	
<i>Directors</i>								
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.

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

Other Information

SHARE OPTION SCHEME (Cont'd)

Apart from the 2012 Share Option Scheme or the 2022 Share Option Scheme, during the six months ended 30 June 2022, 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 2022, 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	218,301,361	71.43%
Hinton Company Limited	2	Beneficial owner	167,281,620	54.74%
High Fashion Charitable Foundation Limited	2	Beneficial owner	49,229,840	16.11%

Other Information

SUBSTANTIAL SHAREHOLDERS (Cont'd)

Notes:

1. Ms. Leung Shuk Bing is spouse of Mr. Lam Foo Wah and is deemed to have interests in 218,301,361 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 was 305,615,420 shares as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, 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.

CHANGES IN INFORMATION OF DIRECTOR

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information required to be disclosed by the Directors since the publication of the Company's 2021 Annual Report are set out below:

With effect from 15 July 2022, Mr. Hung Ka Hai, Clement has resigned as an independent non-executive director of SY Holdings Group Limited (stock code: 6069) whose shares are listed on the Stock Exchange. With effect from 18 July 2022, he has been appointed as an independent supervisor of the supervisory committee of Ping An Insurance (Group) Company of China, Ltd. whose shares are both listed on the Stock Exchange (stock code: 2318) and Shanghai Stock Exchange (stock code: 601318).

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
Mr. Chung Kwok Pan

AUDIT COMMITTEE

Mr. Leung Hok Lim (*Chairman*)
Mr. Hung Ka Hai, Clement
Professor Yeung Kwok Wing
Mr. Chung Kwok Pan

REMUNERATION COMMITTEE

Mr. Chung Kwok Pan (*Chairman*)
Mr. Lam Gee Yu, Will
Professor Yeung Kwok Wing
Mr. Leung Hok Lim

NOMINATION COMMITTEE

Mr. Lam Foo Wah (*Chairman*)
Professor Yeung Kwok Wing
Mr. Leung Hok Lim
Mr. Chung Kwok Pan

RISK MANAGEMENT COMMITTEE

Mr. Lam Gee Yu, Will (*Chairman*)
Professor Yeung Kwok Wing
Mr. Leung Hok Lim
Mr. Chung Kwok Pan

COMPANY SECRETARY

Ms. Yung Pik Man

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

Corporate Information

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
(change of address with effect from 15 August 2022)

COMPANY WEBSITE

www.highfashion.com.hk