



# High Fashion International Limited

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

INTERIM REPORT

# 2020





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# Chairman's Statement

The strained Sino-US geopolitical tensions and the profound economic impact of COVID-19 have severely affected the global economy. Industrial sectors have the hardest hit with many are still at a standstill. The Group is not immune to this unprecedented socio-economic challenges that has shaken the whole world.

During this period of operational difficulties with store closures and some customer bankruptcies in the international market, the Group has nevertheless continuously supported our quality customers through credit insurance measures to mitigate the adverse effects on the Group's financial performance under the reporting period. We have accelerated our pace of strategic transformation to navigate and grasp the opportunities that comes with the challenges presented by the COVID-19 storm. Our swift actions in capitalizing our integrated competitive strengths is enabling us to penetrate in-depth to capture the growing China domestic fashion market at the quality reputation the Group has long been positioned strategically.

Our key results for the period ended 30 June 2020 are as follow:

- Net loss attributable to shareholders at HK\$11.2 million
- Gearing ratio of non-current liabilities to shareholders fund at 24%. Current ratio at 1.1
- Basic loss per share landed at HK\$0.04
- Net asset value per share amounted to HK\$8.20

Going forward, the Group will continue our investment in innovative technology areas, anchoring our leadership role in fashion trend direction and development through digital management, big data and internet of things. This will enhance our corporate identity as a unique digital supply chain management provider, focusing on affordable quality lifestyle ladies fashion to the world. Also, in response to the world increasing demand on environmentally-friendly products, sustainability on innovative product development and smart manufacturing are the next growth drivers the Group is pursuing aggressively to nurture and secure a more resilient future.

# Chairman's Statement

With the full implementation and digitalization of the group management system, we are able to monitor factory production remotely and in real time, achieving seamless communication and responding more precisely to the changing market demand. This vibrant transformation enables the Group to maintain our leading position in the world's affordable luxury women's fashion.

We have some major breakthrough in our real estate portfolio. The market is having very positive feedback to our Hangzhou project, and we are planning for the leasing campaign of the next phase. On the other hand, Phase One of the Fashion Integrated Creative Park that is also in Hangzhou, now an official tech and innovative park and a cultural and creative park as licensed by the Zhejiang Provincial Government, has attracted many related businesses to join. Phase Two of the Park is now entering the construction stage, with the support of the local government. The High Fashion Centre revitalization project in Hong Kong has also been completed and the Hong Kong Headquarters has already moved back in July this year. The revitalized building is renovated according to the Group's elevated business direction to promote collaboration within the garment and creative industry. These projects will continue to create value for the Group with an aim to co-create a dynamic lifestyle fashion platform for the better tomorrow.

In face of this global crisis and the intensity of its impacts, we will strive to capture the new opportunities that it brings, with the highest will and strongest determination as always, to lead High Fashion to different breakthroughs in this extraordinary time.

## LAM FOO WAH

*Chairman*

Hong Kong, 31 August 2020



# Management Discussion and Analysis

## BUSINESS REVIEW

In the first half of 2020, the business environment was heavily affected by the COVID-19 and the rising tension between China and the United States. The pandemic has spread widely all over the world and the global economy has been hit by the outbreak. The social distancing measures and city-wide lockdown in different countries have imposed huge impacts on all walks of life. The retail industry in particular was suffering from huge hit as resulted by the epidemic prevention measures. The apparel business of High Fashion International Limited (the “Company”, together with its subsidiaries, the “Group”) is no exception. Nonetheless, with the long partnerships with our customers and profound financial risk management, the Group has minimized the impact with various cost savings efforts.

Our Group is committed to sustainability. Other than innovating new manufacturing fabric and promoting affordable luxury women’s fashion, we have also invested a lot of resources to research innovative technology projects. Through extensive use of information and digital management, the operation efficiency and effectiveness as well as the internal big data analysis have been greatly enhanced. In addition, the popularization and application of internet has accelerated the e-commerce development, brick and mortar is no longer the only channel for sales. Online shopping has become the new norm that selling through online channel is one of the Group’s key business focuses. On the other hand, the Group used to be confident about the China domestic market prospects while China has become the first major economy to return to growth since the coronavirus started sweeping across the world earlier this year, the Group will further strengthen the China domestic sales.

As the lifestyles of consumers change, product types must cater to market demands. The Group has allocated resources to focus on environmental protection, human health, and sustainability as the goal of research and development products. With the epidemic raging this year, people have a large demand for protective and health products, which shows that the Group’s management attaches great importance to the development of market trends and is forward-looking.

# Management Discussion and Analysis

Property projects in China and Hong Kong are going well. The revitalization project of High Fashion Centre in Hong Kong was completed, and the Hong Kong Headquarters has been moved back to office in July this year. The design of the new building has revitalized concept of a fashionable enterprise, with the goal of sharing space and creativity collaboration. The leasing work is progressing, so is the construction phase in the Xiaoshan Economic and Technological Development Zone in Hangzhou. The property projects will continue to contribute stable financial return for the Group.

The Group management is positive about the future of our business, despite the challenges that the global economy has to face. We will continue in our research and development projects and to create new business opportunities with great persistence.

## FINANCIAL REVIEW

As a result of the pandemic's negative impact, the Group's revenue for the six months ended 30 June 2020 has declined to HK\$1.04 billion (for the six months ended 30 June 2019: HK\$1.36 billion). The gross profit margin was at 18.0% (for the six months ended 30 June 2019: 19.5%). The gross profit margin included one-off inventory provisions of approximately HK\$8.1 million for cancelled orders and potential non-recoverable costs from customers.

On the expense side, we have imposed tight control during the first half of the year. Administrative expenses have decreased by HK\$22.9 million, or 15% from the same period last year. Selling and distribution expenses have also reduced by HK\$19.8 million, or 21% from that of last year. The cost controls through streamline of organization structure, coupled with various cost measures and monitoring in all offices and facilities.

Other income increased by HK\$12.2 million to HK\$22.4 million at net basis. Other gains mostly arose from change in fair value of investment property, which at a net basis has decreased by HK\$25.2 million.

# Management Discussion and Analysis

As regard to the increase in default risk by our customers as a result of the pandemic, the Group recognized impairment loss on trade receivables of HK\$7.3 million in profit and loss at 30 June 2020. The impairment loss was considered as sufficient under the Group's profound financial risk management.

Inevitably, the Group incurred net loss for the six months ended 30 June 2020 of HK\$11.7 million (net profit for the six months ended 30 June 2019: HK\$30.8 million). Net asset value per share was similar to last year as HK\$8.20 (30 June 2019: HK\$8.18) and basic loss per share was HK\$0.04 (earnings per share at 30 June 2019: HK\$0.11).

## SEGMENT INFORMATION

The segment information for the six months ended 30 June 2020 is as follows:

	Revenue		Contribution	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>By principal activities:</b>				
Manufacturing and trading of garments	882,689	1,285,196	(12,966)	33,682
Brand business	13,445	54,267	(15,311)	(14,569)
Property investment and development	141,924	23,434	29,591	4,340
	<b>1,038,058</b>	<b>1,362,897</b>	<b>1,314</b>	<b>23,453</b>
<b>By geographical segments:</b>				
United States of America	287,015	451,088	(25,244)	6,028
Europe	141,411	201,833	5,473	3,886
Greater China	439,522	603,589	17,686	10,403
Others	170,110	106,387	3,399	3,136
	<b>1,038,058</b>	<b>1,362,897</b>	<b>1,314</b>	<b>23,453</b>

# Management Discussion and Analysis

## Manufacturing and Trading of Garments

The Group's revenue declined compared to last year due to occurrence of the pandemic. In the first six months in 2020, the Group's factories shutdown in China lasted longer than usual, from Chinese Lunar New Year until March, as the outbreak of COVID-19 in Hubei Province in China disrupted the supply chains. Subsequently, the pandemic has spread over to many countries around the world; it locked down and caused restrictions on public life. Certain of our customers have had to close a significant number of their retail stores temporarily or permanently or to reorganize their indebtedness; it resulted in delays to the shipment and cancellation of orders. Revenue from manufacturing and trading for the six months ended 30 June 2020 decreased to HK\$883 million compared with HK\$1,285 million for the same period in 2019.

Inevitably, the Group has impaired approximately HK\$8 million for the cancelled stock that the customers no longer needed nor could they carry over to future seasons. The decreased orders together with the impairment of stock led to net losses for the six months ended 30 June 2020 of HK\$13.0 million (net profit for the six months ended 30 June 2019: HK\$33.7 million).

While there are no playbooks to guide the apparel industry through the coronavirus crisis and beyond, management of the Group believes the entire supply chain must work as an ecosystem to survive intact, and it should use the crisis as an opportunity to reset for the future. On one side, the Group focuses as more in monitoring the production costs and optimizing the work flows in order to improve further the operating profitability. On the other hand, we have allocated further resources to focus on expansion of domestic sales market in China. These measures enable the stable growth and contend the stresses from uncertainties in overseas markets.

# Management Discussion and Analysis

## Brand Business

Revenue from brand business for the six months ended 30 June 2020 has decreased to HK\$13.4 million when compared to the six months ended 30 June 2019 of HK\$54.3 million. In order to focus on the apparel manufacturing business and to provide our customers with better services, the Group continues to scale down the retail brand business. Net loss for the first six months in 2020 was HK\$15.3 million (first six months in 2019: HK\$14.6 million), this included one-off cost of around HK\$4 million to suspend a brand operation. The Group will manage to stop further loss from brand business in the second half of 2020.

## Property Investment and Development

Revenue from property investment and development business in first six months in 2020 increased to HK\$141.9 million compared to same period in 2019 of HK\$23.4 million, while segment profit soared from HK\$4.3 million in 2019 to HK\$29.6 million in 2020. The higher contribution was due to recognition of sales of residential units in Hangzhou at net profit of HK\$23.4 million. The revitalization of High Fashion Centre in Hong Kong was completed in July 2020 and is ready for leasing.

The Group owned a piece of land in Xiaoshan Economic and Technological Development Zone, where the earth excavation, underground and above-ground main construction has been started. The Group plans to develop commercial units for leasing with the Group's existing contiguous properties in purpose to generate synergies and thereby increase the size and profitability of the Group's property projects. Therefore, the management considers the new construction contract in Xiaoshan is an ideal investment for the Group's existing business strategy and future business development.

Other property development projects in China are in good progress as planned. The Group's quality portfolio of property projects in the mainland China and Hong Kong will continue to create high value to the Group and will serve as additional growth drivers in the coming future.

# Management Discussion and Analysis

## ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

Our Group endeavors to affect and respond to sustainable economic development throughout the manufacturing processes and in our long-term strategic plan. The philosophy towards quality, innovation, continuous development, open co-operation and research and development (“R&D”) is the core approach when planning our sustainability strategies. We set up the 2020 sustainability goals with three pillars comprising better products, lower impact to environment and more admirable workplace.

### Better Products

We continue to improve the sustainability performance of every new product without sacrifice to quality. The vertically integrated supply chain was built to support the end-to-end solutions for our customers. The Group committed to manage these end-to-end solutions from sourcing of textile to the textile production equipment operated in production facilities are in line with the International Quality Management System ISO9001. Our R&D Centre has obtained numerous invention patents, utility model patents, design patents, and software copyrights towards the new technology in our silk products and manufacturing operations. In 2019, our silk scarf series was attained the STANDARD 100 label by OEKO-TEX®, it certified our products are free for harmful substances taken into account both national and international statutory requirements. Together with other dedicated facilities of design, technology and textile testing centres, they elevate our product quality and uniqueness.

### Lower Impact

The Group has focused to reduce the impact of carbon footprint through mitigating energy and climate change, conserving water resources, and reducing waste. Over the years, we have made significant changes in manufacturing our products. The Group has invested and upgraded the facilities in order to reduce our consumption of natural resources and minimize the negative impacts of our operations. Apart from our attainment of the STeP certification level 3, the highest level, and the MADE IN GREEN product label by OEKO-TEX®, we have obtained the recognition as bluesign® SYSTEM PARTNER in 2020, which give the highest degree of assurance to consumers that our operations and supply chain are implementing at the highest environmental standards.

# Management Discussion and Analysis

Since energy is a vital input for our production, the Group has focused our effort to undertake several asset replacements to reduce the consumptions of water and electricity. These replacements included the installation of LED lighting in our Hangzhou factories, applying airflow dyeing machines to replace the traditional machines that relied on heavy water and energy, investment of solar power system to heat water for printing and dyeing processes, and upgrade of ice storage air conditioning system. Our continual efforts alongside with the environment initiatives achieved a reduction of the Group's overall carbon intensity in year ended 2019 by approximately 45% per unit production as compared to 2017 baseline.

## More Admirable Workplace

The Group is loyal to its people-oriented philosophy to create a respectful, inclusive and engaging workplace that values human and labour rights, supports professional development, and protects the well-being of our staff. We support our staff to maintain work-life balance by organizing six staff recreational clubs such as running team, hiking team, table tennis club and badminton club. Recently, we have introduced paid birthday leave to our Hong Kong colleagues and offered meal allowance to our colleagues in mainland China. Amid the global health crisis from outbreak of COVID-19, the Group arranged individually pack lunchboxes for colleagues in Hong Kong to avoid unnecessary meal gathering.

The Group always depends on the technical know-how and expertise of our skilled employees to innovate and deliver value to our customer. We promoted the on-line learning for the continuous development of our staff, there were over 12,400 training hours delivered in 2019. On the other hand, we believe the occupational health and safety of our employee is a foremost task and endeavor to provide a safe environment and maintain zero work-related fatalities case.

## Our Community

We are committed to contributing positively to the communities we serve. The High Fashion Charitable Foundation, which was set up in 1992, continues to donate to charities supporting their empowerment works against child poverty, sickness and discrimination and also universities for supporting students with outstanding academic achievement.

# Management Discussion and Analysis

In light of the outbreak of COVID-19, the Group has donated cotton woven fabric in the amount of approximately US\$15,000 to two charitable organizations to make face masks. The face masks would be distributed to the community.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group's total cash and cash equivalent and current bank deposits was HK\$1.03 billion at 30 June 2020, compared to HK\$0.91 billion at 31 December 2019. Bank borrowings, mainly dominated in HKD has increased slightly from HK\$1.39 billion at 31 December 2019 to HK\$1.45 billion at 30 June 2020. The bank borrowings were mainly for certain properties construction, development projects and fixed assets investments to develop and upgrade the China manufacturing plants. The gearing ratio of non-current liabilities to shareholders funds at 30 June 2020 was 24% (31 December 2019: 34%) and current ratio at 1.1 (31 December 2019: 1.3). The lower current ratio on 30 June 2020 was attribute to the short-term portion of a long-term bank loan was allocated from non-current liabilities to current liabilities that affected the liquidity ratio.

The positive operating cash flow of HK\$141 million, along with the available banking facilities, the Group is able to a maintain healthy working capital and liquidity to meet the operating needs and future growth.

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. Short-term foreign currency exchange contracts are used, whereas appropriate, to manage the speculating of rising prices of RMB. However, as HKD is pegged to the USD, the Group considers that its foreign currency risk in respect of USD is minimal.

Barring the pledge of a property in Hong Kong of HK\$1,093 million (at 30 June 2019: HK\$981 million), there were no charges on the Group's assets.

# Management Discussion and Analysis

## CAPITAL EXPENDITURE

The Group has purchased the plant and equipment, leasehold improvement and construction in progress of around HK\$17.1 million in order to upgrade the manufacturing capabilities and improve the environmental protection facilities during the year. The Group also injects HK\$74.2 million into certain properties construction and development projects during the reporting period.

## CONTINGENT LIABILITIES

Please refer to note 19 to the condensed consolidated financial statements for details of contingent liabilities as of 30 June 2020.

## TAX AUDIT

There is no significant tax audit carried out during the period end.

## HUMAN RESOURCES

The total number of employees of the Group including joint ventures at 30 June 2020 was about 5,700. Management of the Group made much account of staff training in order to equip the staff with the right knowledge, staff training by face-to-face as well as on-line were held. The Group evaluates its staff based on their performance, qualifications and industry practices. Other than the competitive remuneration package offered to the employees, share options may also be granted to selected employees based on the Group's performance. No share option was granted to employees during the year.

# Condensed Consolidated Financial Statements

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>Revenue</b>	3		
Goods and services		1,025,093	1,345,464
Rental		12,965	17,433
<b>Total revenue</b>		<b>1,038,058</b>	1,362,897
<b>Cost of sales</b>		<b>(851,260)</b>	(1,097,485)
<b>Gross profit</b>		<b>186,798</b>	265,412
Other income		22,444	10,196
Other gains and losses	4	18,444	43,666
Administrative expenses		(128,041)	(150,906)
Selling and distribution expenses		(74,267)	(94,083)
Other expenses		(1,774)	(6,372)
Net impairment loss recognised on trade receivables		(7,279)	(4,868)
Finance costs	5	(16,364)	(16,649)
Share of losses of joint ventures		(926)	(1,783)
<b>(Loss) profit before taxation</b>		<b>(965)</b>	44,613
Income tax expenses	6	(10,767)	(13,839)
<b>(Loss) profit for the period</b>	7	<b>(11,732)</b>	30,774

# Condensed Consolidated Financial Statements

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

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>Other comprehensive income (expense)</b>		
Items that will not be reclassified to profit or loss:		
Exchange differences on translation of financial statements from functional currency to presentation currency	(27,429)	(11,932)
Gain on revaluation of owner-occupied properties	69,566	–
Income tax relating to items that will not be reclassified to profit or loss	(12,349)	–
	<b>29,788</b>	<b>(11,932)</b>
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	7,142	(1,643)
Other comprehensive income (expense) for the period, net of tax	<b>36,930</b>	<b>(13,575)</b>
<b>Total comprehensive income for the period</b>	<b>25,198</b>	<b>17,199</b>

# Condensed Consolidated Financial Statements

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

For the six months ended 30 June 2020

	Note	Six months ended 30 June	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
(Loss) profit for the period attributable to:			
Owners of the Company		(11,234)	33,572
Non-controlling interests		(498)	(2,798)
		(11,732)	30,774
Total comprehensive income for the period attributable to:			
Owners of the Company		25,701	19,982
Non-controlling interests		(503)	(2,783)
		25,198	17,199
<b>(Loss) earnings per share</b>	<i>8</i>		
Basic		(3.68) HK cents	10.98 HK cents
Diluted		(3.68) HK cents	10.98 HK cents

# Condensed Consolidated Financial Statements

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	<i>Notes</i>	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		509,348	528,462
Right-of-use assets		70,774	80,246
Investment properties	10	2,237,929	2,120,188
Interests in joint ventures		6,552	7,556
Equity instruments at fair value through other comprehensive income ("FVTOCI")		19,009	19,009
Deferred tax assets		29,111	29,111
Other non-current assets		32,324	32,199
		<b>2,905,047</b>	<b>2,816,771</b>
<b>Current assets</b>			
Inventories		305,024	404,452
Properties held for sale		80,825	167,258
Trade receivables	11	466,776	535,813
Deposits, prepayments and other receivables	12	135,191	171,166
Amounts due from joint ventures		7,875	5,860
Tax recoverable		2,100	2,100
Structured deposits		394,585	549,849
Short-term bank deposits		101,940	3,358
Bank balances and cash		532,320	359,583
		<b>2,026,636</b>	<b>2,199,439</b>

# Condensed Consolidated Financial Statements

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

At 30 June 2020

	<i>Notes</i>	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
<b>Current liabilities</b>			
Trade payables	13	396,443	417,160
Other payables and accruals		154,428	203,107
Provision		2,192	2,239
Lease liabilities		3,832	8,978
Amount due to an associate		583	583
Contract liabilities		89,738	189,553
Tax payable		41,985	51,863
Derivative financial instruments		513	–
Bank borrowings	14	1,131,963	812,223
		<b>1,821,677</b>	<b>1,685,706</b>
<b>Net current assets</b>		<b>204,959</b>	<b>513,733</b>
<b>Total assets less current liabilities</b>		<b>3,110,006</b>	<b>3,330,504</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		270,335	254,202
Bank borrowings	14	320,000	582,500
Lease liabilities		11,587	11,443
Provision for long service payments		2,777	2,729
		<b>604,699</b>	<b>850,874</b>
<b>Net assets</b>		<b>2,505,307</b>	<b>2,479,630</b>
<b>Capital and reserves</b>			
Share capital	15	30,562	30,562
Share premium and reserves		2,506,383	2,480,203
Equity attributable to owners of the Company		2,536,945	2,510,765
Non-controlling interests		(31,638)	(31,135)
<b>Total equity</b>		<b>2,505,307</b>	<b>2,479,630</b>

# Condensed Consolidated Financial Statements

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company										Attributable to non-controlling interests	Total	
	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
	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 2020	30,562	287,656	37,502	89,542	306,631	18,009	8,511	1,037	39,663	1,691,462	2,510,765	(31,135)	2,479,630
Loss for the period	-	-	-	-	-	-	-	-	-	(11,234)	(11,234)	(498)	(11,732)
Other comprehensive (expense) income for the period	-	-	(20,282)	-	57,217	-	-	-	-	-	-	(5)	36,930
Total comprehensive (expense) income for the period	-	-	(20,282)	-	57,217	-	-	-	-	(11,234)	25,701	(603)	25,198
Dividends (note 9)	-	-	-	-	-	-	-	-	-	-	-	-	-
Recognition of equity-settled Share-based payments	-	-	-	-	-	-	-	479	-	-	479	-	479
At 30 June 2020 (unaudited)	30,562	287,656	17,220	89,542	363,848	18,009	8,511	1,516	39,663	1,680,228	2,536,945	(31,638)	2,505,307
At 31 December 2019 (audited)	30,562	287,656	107,048	82,998	302,226	19,493	8,511	80	39,663	1,646,837	2,524,364	(60,127)	2,464,237
Adjustments (note)	-	-	-	-	-	-	-	-	-	(1,615)	(1,615)	-	(1,615)
At 1 January 2019 (restated)	30,562	287,656	107,048	82,998	302,226	19,493	8,511	80	39,663	1,645,222	2,522,749	(60,127)	2,462,622
Profit for the period	-	-	-	-	-	-	-	-	-	33,572	33,572	(2,798)	30,774
Other comprehensive (expense) income for the period	-	-	(13,530)	-	-	-	-	-	-	-	(13,530)	15	(13,515)
Total comprehensive (expense) income for the period	-	-	(13,530)	-	-	-	-	-	-	33,572	19,982	(2,783)	17,199
Dividends (note 9)	-	-	-	-	-	-	-	-	-	(9,168)	(9,168)	-	(9,168)
Recognition of equity-settled Share-based payments	-	-	-	-	-	-	-	479	-	-	479	-	479
At 30 June 2019 (unaudited)	30,562	287,656	93,458	82,998	302,226	19,493	8,511	559	39,663	1,669,626	2,534,042	(62,910)	2,501,132

Note: Opening adjustments were made for the initial application of HKFRS 16.

# Condensed Consolidated Financial Statements

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Net cash from operating activities		141,235	67,785
<b>INVESTING ACTIVITIES</b>			
Withdrawal of restricted bank balances		152,656	53,070
Interests received		4,992	5,829
New short-term bank deposits placed		(98,652)	–
Additions to investment properties		(36,808)	(106,511)
Purchases of property, plant and equipment		(23,075)	(43,951)
Other investing cash flows		(1,939)	2,275
Net cash used in investing activities		(2,826)	(89,288)
<b>FINANCING ACTIVITIES</b>			
New bank borrowings raised	14	190,065	86,670
Repayment of bank borrowings	14	(132,825)	(76,729)
Interests paid		(21,235)	(22,297)
Dividends paid	9	–	(9,168)
Other financing cash flows		–	(19)
Net cash generated from (used in) financing activities		36,005	(21,543)
Net increase (decrease) in cash and cash equivalents		174,414	(43,046)
Cash and cash equivalents at beginning of the period		359,583	658,463
Effect of foreign exchange rate changes, net		(1,677)	(2,455)
Cash and cash equivalents at end of the period		532,320	612,962
Analysis of balances of cash and cash equivalents			
Bank balances and cash		532,320	612,962

# Condensed Consolidated Financial Statements

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

### 1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 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 (the “Listing Rules”) 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.

Other than change in accounting policies resulting from application of new and amendments and interpretation to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the preparation of condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those applied in the preparation of the Group’s annual financial statements for the year ended 31 December 2019.

#### *Application of new and amendments and interpretation to HKFRSs*

In the current interim period, the Group has applied, for the first time, the following new and amendments and interpretation to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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 (Cont'd)

For the six months ended 30 June 2020

### 3. Revenue and Segment Information

#### *Disaggregation of revenue from contracts with customers*

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Recognised at a point in time under HKFRS 15:		
Manufacturing and trading of garments	882,689	1,285,196
Sales of brand garments	13,445	54,267
Sales of properties	128,959	6,001
Revenue from contracts with customers	1,025,093	1,345,464
Rental income recognised under HKFRS 16	12,965	17,433
	1,038,058	1,362,897
Geographical markets		
United States of America	287,015	451,088
Europe	141,411	201,833
Greater China	439,522	603,589
Others	170,110	106,387
	1,038,058	1,362,897

# Condensed Consolidated Financial Statements

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

For the six months ended 30 June 2020

### 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 2020 (unaudited)

	Manufacturing and trading of garments HK\$'000	Brand business HK\$'000	Property investment and development HK\$'000
Segment revenue	893,185	13,445	141,924
Less: rental income recognised under HKFRS 16	-	-	(12,965)
Less: inter-segment sales	(10,496)	-	-
Revenue from contracts with customers	882,689	13,445	128,959

#### For the six months ended 30 June 2019 (unaudited)

	Manufacturing and trading of garments HK\$'000	Brand business HK\$'000	Property investment and development HK\$'000
Segment revenue	1,307,177	54,267	23,434
Less: rental income recognised under HKFRS 16	-	-	(17,433)
Less: inter-segment sales	(21,981)	-	-
Revenue from contracts with customers	1,285,196	54,267	6,001

# Condensed Consolidated Financial Statements

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

For the six months ended 30 June 2020

### 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.

For the six months ended 30 June 2020 (unaudited)

	Manufacturing and trading of garments HK\$'000	Brand business HK\$'000	Property investment and development HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>						
External sales	882,689	13,445	141,924	1,038,058	-	1,038,058
Inter-segment sales ( <i>note i</i> )	10,496	-	-	10,496	(10,496)	-
Segment revenue	893,185	13,445	141,924	1,048,554	(10,496)	1,038,058
<b>RESULTS</b>						
Segment (loss) profit	(12,966)	(15,311)	29,591	1,314	-	1,314
Change in fair value of derivative financial instruments						(2,347)
Change in fair value of investment properties						12,108
Finance costs						(3,544)
Corporate overhead ( <i>note ii</i> )						(5,305)
Other expenses						(1,774)
Unallocated items						(1,417)
Loss before taxation						(965)

# Condensed Consolidated Financial Statements

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

For the six months ended 30 June 2020

### 3. Revenue and Segment Information (Cont'd)

#### *Segment information (Cont'd)*

For the six months ended 30 June 2019 (unaudited)

	Manufacturing and trading of garments HK\$'000	Brand business HK\$'000	Property investment and development HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>						
External sales	1,285,196	54,267	23,434	1,362,897	-	1,362,897
Inter-segment sales <i>(note i)</i>	21,981	-	-	21,981	(21,981)	-
Segment revenue	1,307,177	54,267	23,434	1,384,878	(21,981)	1,362,897
<b>RESULTS</b>						
Segment profit (loss)	33,682	(14,569)	4,340	23,453	-	23,453
Change in fair value of derivative financial instruments						1,971
Change in fair value of investment properties						37,968
Finance costs						(2,457)
Corporate overhead <i>(note ii)</i>						(5,366)
Other expenses						(6,372)
Unallocated items						(4,584)
Profit before taxation						44,613

# Condensed Consolidated Financial Statements

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

For the six months ended 30 June 2020

### 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 scale of the segment revenue in the respective reporting periods.

Segment (loss) profit represents the (loss) profit (incurred) earned by each segment without the allocation of change in fair value of derivative financial instruments and investment properties, certain portion of finance costs, central administration costs and other expenses. This is the measure reported to the Company's executive directors for the purposes of resources allocation and performance assessment.

### 4. Other Gains and Losses

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Increase in fair value of investment properties	12,108	37,968
Change in fair value of derivative financial instruments	(2,347)	1,971
Net foreign exchange gain (loss)	736	(2,122)
Loss on disposal of property, plant and equipment	(1,351)	(372)
Change in fair value of financial assets at fair value through profit or loss	8,968	6,221
Gain on deregistration of subsidiaries	330	-
	<b>18,444</b>	<b>43,666</b>

# Condensed Consolidated Financial Statements

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

For the six months ended 30 June 2020

### 5. Finance Costs

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Interests on:		
Bank borrowings and overdrafts	19,557	22,380
Leases liabilities	460	700
Bank charges on discounted bills	1,678	2,001
<b>Total borrowing costs</b>	<b>21,695</b>	<b>25,081</b>
Less: Amount capitalised in investment properties that is arisen from specific borrowings	(5,331)	(8,432)
	<b>16,364</b>	<b>16,649</b>

# Condensed Consolidated Financial Statements

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

For the six months ended 30 June 2020

### 6. Income Tax Expenses

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Current tax charge:		
Hong Kong	1,398	3,000
The People's Republic of China (the "PRC")	7,988	5,234
Other jurisdictions	12	133
	<b>9,398</b>	8,367
Overprovision in prior periods:		
Hong Kong	–	(6)
The PRC	(1,091)	–
	<b>(1,091)</b>	(6)
Deferred taxation – current period	2,460	5,478
	<b>10,767</b>	13,839

#### *Deferred tax*

Included in tax charge for the period is approximately HK\$2,140,000 (six months ended 30 June 2019: HK\$6,508,000) 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 2020

### 7. (Loss) Profit for the Period

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

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Depreciation of property, plant and equipment	22,399	28,514
Depreciation of right-of-use assets	6,072	6,388
Net allowance (reversal) for inventory obsolescence (included in cost of sales)	9,631	(2,185)
Bank interest income	(4,992)	(5,829)

### 8. (Loss) Earnings Per Share

The calculation of basic and diluted (loss) earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
(Loss) earnings for the purpose of basic and diluted earnings per share attributable to owners of the Company	(11,234)	33,572
	Number of shares	Number of shares
Number of ordinary shares for the purpose of basic and diluted earnings per share	305,615,420	305,615,420

# Condensed Consolidated Financial Statements

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

For the six months ended 30 June 2020

### 8. (Loss) Earnings Per Share (Cont'd)

The computation of diluted loss per share for the six months ended 30 June 2020 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.

The computation of diluted earnings per share for the six months ended 30 June 2019 does not assume the exercise of the Company's share options because the share options were still under the vesting period.

### 9. Dividends

During the current interim period, a final dividend in respect of the year ended 31 December 2019 of 3 HK cents (six months ended 30 June 2019: final dividend in respect of the year ended 31 December 2018 of 3 HK cents) per ordinary share was declared to the shareholders and will be paid in cash.

In 2019, the board of directors (the "Directors") of the Company (the "Board") declared that an interim dividend of 3 HK cents per ordinary share for the six months ended 30 June 2019 in an aggregate amount of HK\$9,168,000 which has been paid to the shareholders. No dividend has been declared by the Board for the six months ended 30 June 2020.

### 10. Movements in Investment Properties

All investment properties held by the Group are determined using fair value model. The fair value of the Group's investment properties as at 30 June 2020 and 31 December 2019 has been arrived at on the basis of the valuation carried out by Centaline Surveyors Limited and 新昌信安達資產評估有限公司, which are independent qualified professional valuers not connected with the Group. An increase in fair value of investment properties of HK\$12,108,000 (six months ended 30 June 2019: HK\$37,968,000) has been recognised directly in the profit or loss for the six months ended 30 June 2020.

# Condensed Consolidated Financial Statements

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

For the six months ended 30 June 2020

### 11. Trade Receivables

Trade receivables mainly comprise receivables from sales of garments and renting of properties. Credit period 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 is granted to tenants.

At 30 June 2020, total bills received amounting to HK\$1,129,000 (31 December 2019: HK\$31,205,000) are held by the Group for further settlement of trade receivables, of which certain bills are further discounted by the Group. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills received by the Group are with a maturity period of less than one year.

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

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Within 90 days	329,049	500,008
91 to 180 days	85,168	21,993
181 to 360 days	47,744	9,471
Over 360 days	4,815	4,341
	<b>466,776</b>	<b>535,813</b>

# Condensed Consolidated Financial Statements

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

For the six months ended 30 June 2020

### 12. Deposits, Prepayments and Other Receivables

Included in deposits, prepayments and other receivables is a deposit of RMB30,000,000 (equivalent to HK\$32,884,000) (31 December 2019: RMB30,000,000, equivalent to HK\$33,583,000) paid to the customs authority in Shaoxing City of Zhejiang Province in the PRC in relation to an ongoing enquiry of customs duty for import of certain machinery parts and apparel accessories for manufacturing by the PRC factories into China.

In June 2016, a judgment was made by the Intermediate People's Court Shaoxing, Zhejiang Province 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 High People's Court of Zhejiang Province.

After the legal proceedings in 2017 and 2018, management of the Group had sought advice from PRC legal professionals, who advised that the evidence relied upon by the court is not factually supported, against which the Group had 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\$2,192,000). The Group has made a provision for penalty for the same amount in 2019.

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, the verification process is a common judicial practice in China and it implies a favourable outlook to the Group. As at 30 June 2020, the Group has not yet received the judgment from the Court, the deposit has been remained as a current asset in the condensed consolidated statement of financial position.

# Condensed Consolidated Financial Statements

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

For the six months ended 30 June 2020

### 13. Trade Payables

The following is an aged analysis of the trade payables presented based on the invoice dates at the end of the reporting period:

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Within 90 days	<b>176,341</b>	130,138
91 to 180 days	<b>31,165</b>	8,975
181 to 360 days	<b>16,379</b>	2,969
Over 360 days	<b>12,610</b>	10,447
	<b>236,495</b>	152,529
Accrued purchases	<b>159,948</b>	264,631
	<b>396,443</b>	417,160

The average credit period on purchases of goods is around 90 days. At 30 June 2020, total bills amounting to HK\$27,552,000 (31 December 2019: nil) was included in trade payables aged within 90 days.

### 14. Bank Borrowings

During the current interim period, the Group obtained new bank borrowings totalling HK\$190.1 million (six months ended 30 June 2019: HK\$86.7 million) and repaid HK\$132.8 million (six months ended 30 June 2019: HK\$76.7 million). The loans carry interest at market rates ranging from 1.24% to 3.21% (31 December 2019: 2.92% to 5.65%) per annum.

# Condensed Consolidated Financial Statements

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

For the six months ended 30 June 2020

### 15. Share Capital

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2019 (audited), 30 June 2019 (unaudited), 1 January 2020 (audited) and 30 June 2020 (unaudited)	1,000,000	100,000
Issued and fully paid:		
At 1 January 2019 (audited), 30 June 2019 (unaudited), 1 January 2020 (audited) and 30 June 2020 (unaudited)	305,616	30,562

### 16. Capital Commitments

At 30 June 2020, 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\$103,568,000 (31 December 2019: HK\$100,134,000).

# Condensed Consolidated Financial Statements

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

For the six months ended 30 June 2020

### 17. Related Party Transactions

The Group had the following transactions with related parties during the period:

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Purchases of raw materials and finished goods from and sub-contracting fee paid to joint ventures	1	2,758
Key management personnel compensation ( <i>note</i> )	9,080	8,043

*Note:* The remuneration of directors, 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 "Share Option Scheme") was adopted pursuant to a resolution passed on 30 May 2012 for the primary purpose of providing incentives to Directors and eligible employees. Unless otherwise terminated or amended, the Share Option Scheme will remain in force for 10 years ending 29 May 2022. Under the Share Option Scheme, the Board may grant options to eligible employees, including the Directors and its subsidiaries, 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 2020

### 18. Share-Based Payments (Cont'd)

At 31 December 2019 and 30 June 2020, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 5,000,000 (31 December 2019: 5,000,000), which if exercised in full representing 1.64% (31 December 2019: 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 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.

50% of the options granted are exercisable from 3 December 2019 to 2 December 2028, while the remaining 50% of the options granted are exercisable from 3 December 2020 to 2 December 2028. The exercise price is determined by the Directors, 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 sheets on the date of grant of option; (ii) the average closing price of the Company's 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.

# Condensed Consolidated Financial Statements

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

For the six months ended 30 June 2020

### 18. Share-Based Payments (Cont'd)

Details of options granted during the period 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

The number of share options remained at 5,000,000 as at 30 June 2020 and 31 December 2019.

The fair value of the share options granted during the current period is calculated using the Binomial Option Pricing Model. The inputs into the model are as follows:

Weighted average share price	HK\$1.76
Exercise price	HK\$1.76
Validity period	10 years
Risk-free rate	2.31%
Expected volatility	25.56%
Expected dividend yield	3.41%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous two years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised an expense of approximately HK\$479,000 (31 December 2019: HK\$957,000) for the six months ended 30 June 2020 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 2020

### 18. Share-Based Payments (Cont'd)

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Director's best estimate. The value of an option varies with different variables of certain subjective assumptions.

### 19. Contingent Liabilities

In addition to the ongoing enquiry of customs duty as disclosed in note 12, the Group has the following contingent liabilities:

There were disputes amongst the Group, Besthope International Limited ("Besthope") and Ms. Leong Ma Li, the beneficial owner of Besthope. Several legal proceedings are taking place in relation to the claim for damages of breaching a cooperation agreement. As advised by the PRC legal professional, the claims set out by Besthope are in doubt and the Group has strong ground to defend. In the opinion of Directors, the legal proceedings have not reached the final stage yet and no provision has been considered necessary.

# Condensed Consolidated Financial Statements

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

For the six months ended 30 June 2020

### 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. 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 2020

### 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 2020 (unaudited)	31 December 2019 (audited)		
Foreign exchange forward contracts	Liabilities – HK\$513,000	–	Level 2	Valuation technique: Discounted cash flow.  Key inputs: Forward exchange rates, contracted exchange rates and discount rates.
Structured deposits	Assets – HK\$394,585,000	Assets – HK\$549,849,000	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\$31,719,000	Assets – HK\$31,594,000	Level 3	Valuation technique: account value quoted by insurer
Equity instruments at FVTOCI (note ii)	Assets – HK\$19,009,000	Assets – HK\$19,009,000	Level 3	Valuation technique: Market approach.  Key inputs: Median/average of the EV-to-EBITDA ratio based on publicly available information including Bloomberg database and the financial statements and announcements of respective comparable companies, marketability discount.

# Condensed Consolidated Financial Statements

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

For the six months ended 30 June 2020

### 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 consider the account value as at 30 June 2020 as an appropriate estimate of fair value. Key unobservable inputs used include expected cashflows and discount rates. The higher the expected cashflows, the higher the fair value. The higher the discount rates, the lower the fair value. Fair value gain of HK\$125,000 is recognised in profit or loss for the six months ended 30 June 2020.
- (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 using a valuation technique with significant unobservable inputs, and hence being classified as Level 3 of the fair value hierarchy. Key unobservable inputs used include marketability discount of 25%. The higher the marketability discount, the lower the fair value. No fair value gain or loss is recognised in other comprehensive income for the year ended 30 June 2020.

The Directors 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 (Cont'd)

For the six months ended 30 June 2020

### 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.

Financial assets of the Group subject to ISDA Agreements by counterparty:

	Carrying amounts of financial assets in the condensed consolidated statement of financial position bank balances HK\$'000	Related amounts not set off in the condensed consolidated statement of financial position – financial liabilities HK\$'000	Net amount HK\$'000
At 30 June 2020			
Bank A	480	(170)	310

# Condensed Consolidated Financial Statements

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

For the six months ended 30 June 2020

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

Financial liabilities of the Group subject to ISDA Agreements by counterparty:

	Carrying amounts of financial liabilities presented as "Derivative financial instruments" in the condensed consolidated statement of financial position HK\$'000	Related amounts not set off in the condensed consolidated statement of financial position – financial assets HK\$'000	Net amount HK\$'000
<b>At 30 June 2020</b>			
Bank A	(170)	170	-
Bank B	(203)	-	(203)
Bank C	(140)	-	(140)
<b>Total</b>	<b>(513)</b>	<b>170</b>	<b>(343)</b>

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:

- Bank balances – amortised cost
- Derivative financial instruments – fair value

# Condensed Consolidated Financial Statements

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

For the six months ended 30 June 2020

### 22. Impacts of COVID-19

The outbreak of COVID-19 and the subsequent quarantine measures imposed by the Chinese government in early 2020 had caused challenges to the operating environment of the Group. The operation of the Group's factories in China was temporarily suspended during the first quarter of 2020 due to mandatory government quarantine measures since mid-January 2020. On the other hand, the outbreak reduced the global market demand for garment and apparel products, and a few of the Group's customers have been suffering from financial difficulties. The pandemic had led to the Group a decrease in the sales revenue and gross profit margin.

Details are set out in the section of "Chairman's Statement" and "Management Discussion and Analysis" in this interim report.

### 23. Events After Reporting Period

#### ***Construction contract entered with Zhejiang Futai Construction Company Limited***

Pursuant to the announcement made on 10 August 2020, the Group has entered the construction contract with 浙江富泰建設有限公司 (Zhejiang Futai Construction Company Limited\*) who will provide certain construction services to the Group in relation to the development of commercial properties to be erected on a piece of land of the Group located at the south side to No. 8, Qiannong East Road, Xiaoshan Economic and Technological Development Zone, Hangzhou, Zhejiang Province, the PRC\* (中國浙江省杭州市蕭山經濟技術開發區錢農東路8號南側). The consideration payable by the Group pursuant to the construction contract is approximately RMB84,416,000 (tax inclusive) (equivalent to approximately HK\$93,879,000), subject to adjustment based on the actual work undertaken.

\* for identification purposes only

## Other Information

### INTERIM DIVIDEND

The Board has resolved not to declare interim dividend for the six months ended 30 June 2020.

### CORPORATE GOVERNANCE

The Company has applied the principles of, and complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 14 to the Listing Rules on the Stock Exchange throughout the accounting period for the six months ended 30 June 2020, except for the following deviations as described below:

#### Code provision A.2.1

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Lam Foo Wah was the Chairman and Managing Director of the Company. With the in-depth knowledge and extensive business network and connections in fashion apparel industry, and brand and retail management, the Board believed that it is in the best interests of the Group to have Mr. Lam taking up both roles for effective strategic planning and business development.

Mr. Lam Foo Wah tendered his resignation as the Managing Director of the Company with effect from 1 February 2020 and remains as the Chairman of the Company. Following the appointment of Mr. Lam Gee Yu, Will as the Managing Director of the Company and Mr. Lam Din Yu, Well as the Managing Director (China) of the Company at the same date, both are the Executive Directors of the Company, this code provision has been complied.

# Other Information

## CORPORATE GOVERNANCE (Cont'd)

### Code provision A.4.1

Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election.

The current Non-executive Directors and Independent Non-executive Directors of the Company were not appointed for a specific term. However, as all Directors are eligible for re-election and subject to retirement by rotation at the annual general meetings of the Company in accordance with Bye-law 87 of the Company's Bye-laws and code provision A.4.2 of the CG Code, the Board considers that sufficient resources have been taken to ensure that the Company's corporate governance practices are no less than exacting than those in the CG Code.

### Code provision D.1.4

Under the code provision D.1.4 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**

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 2020.

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 2020, 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 the interim report of the Company for the six months ended 30 June 2020.

## Other Information

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

As at 30 June 2020, 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 Directors	Notes	Capacity	Nature of interests	Number of ordinary shares held	Percentage of the Company's issued share capital (Note 4)
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Lam Foo Wah		Beneficial owner	Personal	1,789,901	0.59%
	1, 2	Other interests	Other	202,017,460	66.10%
So Siu Hang, Patricia		Beneficial owner	Personal	2,963,207	0.97%

## 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 Directors	Capacity	Number of underlying shares held pursuant to share options (Note 3)	Percentage of the Company's issued share capital (Note 4)
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	Note	Name of associated corporation	Relationship with the Company	Capacity	Number of ordinary shares held	Percentage of the associated corporation's issued share capital (Note 6)
Lam Foo Wah	5	High Fashion Knitters Limited	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 156,865,620 ordinary shares of the Company 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 45,151,840 ordinary shares of the Company 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 2020 are set out in the "Share Option Scheme" section below.
4. The issued share capital of the Company is 305,615,420 shares as at 30 June 2020.
5. These shares are held through three companies beneficially owned by Mr. Lam Foo Wah.
6. The issued share capital of High Fashion Knitters Limited is 15,000,000 shares as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, none of the Directors, Chief Executives nor their associates had or was deemed to have any interest 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 of the Listing Rules.

Furthermore, save as disclosed in the "Share Option Scheme" section below, at no time during the six months ended 30 June 2020 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 any other body corporate.

## Other Information

### SHARE OPTION SCHEME

The Share Option Scheme was newly adopted by passing a resolution at the annual general meeting on 30 May 2012 for a period of 10 years commencing on the adoption date following the expiry of the old share option scheme for the continuation of providing recognition to the contributions or services of employees, executives and Non-executive Directors.

The movements in the Company's share options during the six months ended 30 June 2020 are disclosed as follows:

Name of grantees	Date of grant	Exercise price per share HK\$	Exercise period	Number of share options				
				As at 1 January 2020	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	As at 30 June 2020
<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
<b>Total</b>				<b>5,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,000,000</b>

*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 (Cont'd)

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

Apart from the Share Option Scheme, during the six months ended 30 June 2020, no rights were granted to the Directors, Chief Executives or those of the Company's subsidiaries, or any of their spouses or children under the age of 18 to subscribe for equity or debt securities of the Company or its subsidiaries.

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, the following substantial shareholders, other than Directors and Chief Executives, had the interests in the 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 <i>(Note 3)</i>
Leung Shuk Bing	1	Interest of spouse	203,807,361	66.69%
Hinton Company Limited	2	Beneficial owner	156,865,620	51.33%
High Fashion Charitable Foundation Limited	2	Beneficial owner	45,151,840	14.77%

## 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 203,807,361 ordinary shares of the Company.
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 2020.

Save as disclosed above, as at 30 June 2020, no person, other than the Directors or Chief Executives, whose interests are set out in the "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" section 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 DIRECTORS

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 2019 Annual Report are set out below:

<b>Name of Directors</b>	<b>Details of Changes</b>
Mr. Hung Ka Hai, Clement	Resigned as an independent non-executive director of Zhongchang International Holdings Group Limited which is a company listed on the Stock Exchange (stock code: 859) with effect from 15 June 2020.
Mr. Chung Kwok Pan	Appointed as an independent non-executive director of Esprit Holdings Limited which is a company listed on the Stock Exchange (stock code: 330) with effect from 29 July 2020.

# 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)*)  
Ms. So Siu Hang, Patricia

### Non-executive Directors

Professor Yeung Kwok Wing  
Mr. Hung Ka Hai, Clement

### Independent Non-executive Directors

Mr. Wong Shiu Hoi, Peter  
Mr. Leung Hok Lim  
Mr. Chung Kwok Pan

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

Mr. Lam Foo Wah (*Chairman*)  
Professor Yeung Kwok Wing  
Mr. Wong Shiu Hoi, Peter  
Mr. Leung Hok Lim  
Mr. Chung Kwok Pan

## RISK MANAGEMENT COMMITTEE

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

## COMPANY SECRETARY

Ms. Yung Pik Man  
(*Appointed on 27 July 2020*)

## 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  
*(Change of address with effect from 31 July 2020)*

## 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  
Level 54, Hopewell Centre,  
183 Queen's Road East, Hong Kong

## COMPANY WEBSITE

[www.highfashion.com.hk](http://www.highfashion.com.hk)