

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **High Fashion International Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 608)**

### **FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **CHAIRMAN'S STATEMENT**

The global political and economic landscape has experienced significant impact from the US-China trade war, geopolitical issues, the COVID-19 pandemic, and the Russo-Ukrainian conflict. Amid these challenges, along with the energy crisis, inflation and interest rate hikes, High Fashion has proactively tackled the difficulties and challenges, first by stabilizing itself with a cautious and prudent approach, then by actively seizing the right timing and opportunities for development. Despite the adverse market conditions, we have achieved commendable results in 2022.

Our key results for the year ended 31 December 2022 are as follow:

- Net profit attributable to shareholders at HK\$154 million
- Gearing ratio of non-current liabilities to shareholders' fund at 50%. Current ratio at 1.6
- Basic earnings per share landed at HK\$0.50
- Net asset value per share amounted to HK\$10.27
- Proposed final dividend per share is HK\$0.12 and the dividend for the year will be HK\$0.15

Throughout this year, the Group has persisted in our commitment to product development and innovation. We have created high-quality and fashionable products that excel in style, design, technical expertise and functionality, with a focus on eco-friendly and sustainable solutions. These products have garnered recognition from a multitude of customers, strengthening their trust in High Fashion and augmenting our overall competitive advantage in the market. Consequently, we have ventured into new markets across various regions, spurring further development for the Group.

We continued to enhance our quality management and distinctive corporate culture. By integrating technology, High Fashion makes use of real-time data to drive strategic analysis. We advocate frequent digital marketing activities to further expand our market share and customer base, exploring new avenues for business growth, with the ultimate goal of becoming a preeminent global fashion enterprise.

Our WL District project in Hangzhou has also made remarkable progress over the past year. The project has received high praise from the local government and aligns with the government's vision for big data and advanced technology. Thus, in addition to a stable rental income, the project has attracted a wealth of talent and capital to the site. A range of industry-university-research collaborations are underway at WL District, offering an array of opportunities for High Fashion's core fashion business.

I appreciate very much the enormous support and advice constantly received from our shareholders, customers, suppliers, banks and our fellow Directors. I would also like to thank the management team and all staff members of our Group for their dedication and contribution.

## RESULTS

The board of directors (the “Board”) of High Fashion International Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for 2022 together with the comparative figures for 2021 are set out as follows:-

### Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>REVENUE</b>			
Goods and services		3,416,838	2,812,148
Rental		98,567	75,712
<b>TOTAL REVENUE</b>	3	<u>3,515,405</u>	<u>2,887,860</u>
Cost of sales		(2,835,038)	(2,389,328)
Gross profit		680,367	498,532
Other income		40,906	42,119
Other gains and losses	4	77,689	140,130
Impairment losses under expected credit loss model, net of reversal		(5,174)	(4,601)
Administrative expenses		(317,016)	(280,531)
Selling and distribution expenses		(211,987)	(173,482)
Other expenses		(10,412)	(7,337)
Finance costs	5	(44,167)	(28,976)
<b>PROFIT BEFORE TAXATION</b>		<u>210,206</u>	<u>185,854</u>
Income tax expense	6	(54,811)	(38,240)
<b>PROFIT FOR THE YEAR</b>	7	<u>155,395</u>	<u>147,614</u>
<b>OTHER COMPREHENSIVE (EXPENSE) INCOME</b>			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements to presentation currency		(113,588)	122,708
Gain on revaluation of owner-occupied properties		-	38,074
Income tax relating to items that will not be reclassified to profit or loss		-	(9,519)
		<u>(113,588)</u>	<u>151,263</u>
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		1,045	(32,235)
Other comprehensive (expense) income for the year, net of tax		(112,543)	119,028
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>42,852</u>	<u>266,642</u>

**Consolidated Statement of Profit or Loss and Other Comprehensive Income (Cont'd)**  
*For the year ended 31 December 2022*

	<i>Note</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>PROFIT FOR THE YEAR</b>			
<b>ATTRIBUTABLE TO:</b>			
Owners of the Company		<b>154,043</b>	147,214
Non-controlling interests		<b>1,352</b>	400
		<b><u>155,395</u></b>	<b><u>147,614</u></b>
<b>TOTAL COMPREHENSIVE INCOME</b>			
<b>FOR THE YEAR ATTRIBUTABLE</b>			
<b>TO:</b>			
Owners of the Company		<b>41,500</b>	266,242
Non-controlling interests		<b>1,352</b>	400
		<b><u>42,852</u></b>	<b><u>266,642</u></b>
<b>EARNINGS PER SHARE</b>			
Basic	8	<b><u>HK\$0.50</u></b>	<b><u>HK\$0.48</u></b>
Diluted		<b><u>HK\$0.50</u></b>	<b><u>HK\$0.48</u></b>

## Consolidated Statement of Financial Position

At 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		461,562	474,369
Right-of-use assets		59,589	74,582
Investment properties		3,208,851	3,101,216
Interest in joint ventures		7,565	7,559
Equity instruments at fair value through other comprehensive income ("FVTOCI")		16,416	16,416
Derivative financial instruments		-	1,989
Deferred tax assets		33,380	42,865
Other non-current assets	10	66,924	89,268
Long-term bank deposits		41,578	-
		<u>3,895,865</u>	<u>3,808,264</u>
<b>CURRENT ASSETS</b>			
Inventories		436,427	600,337
Properties held for sale		95,470	22,042
Trade receivables	11	551,374	517,730
Deposits, prepayments and other receivables		165,017	113,434
Amounts due from joint ventures		5,395	5,395
Derivative financial instruments		12,840	1,663
Other financial assets at fair value through profit or loss ("FVTPL")		337,430	660,250
Short-term bank deposits		116,513	19,981
Cash and cash equivalent		611,250	417,527
		<u>2,331,716</u>	<u>2,358,359</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	12	445,876	581,592
Other payables and accruals		325,930	284,133
Lease liabilities		4,025	6,006
Amount due to an associate		583	583
Contract liabilities		90,431	64,141
Tax payable		82,832	56,422
Bank borrowings		551,368	608,246
		<u>1,501,045</u>	<u>1,601,123</u>
<b>NET CURRENT ASSETS</b>		<u>830,671</u>	<u>757,236</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>4,726,536</u>	<u>4,565,500</u>

**Consolidated Statement of Financial Position (Cont'd)***At 31 December 2022*

	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	<b>351,711</b>	348,307
Bank borrowings	<b>1,151,618</b>	1,068,833
Lease liabilities	<b>8,672</b>	12,404
Provision for long service payments	<b>3,074</b>	2,721
Provision	-	2,445
Deferred income	<b>6,976</b>	8,144
Other liabilities	<b>66,492</b>	-
	<b><u>1,588,543</u></b>	<u>1,442,854</u>
<b>NET ASSETS</b>	<b><u>3,137,993</u></b>	<u>3,122,646</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>30,562</b>	30,562
Share premium and reserves	<b><u>3,136,172</u></b>	<u>3,122,177</u>
Equity attributable to owners of the Company	<b>3,166,734</b>	3,152,739
Non-controlling interests	<b><u>(28,741)</u></b>	<u>(30,093)</u>
<b>TOTAL EQUITY</b>	<b><u>3,137,993</u></b>	<u>3,122,646</u>

## Notes to the Consolidated Financial Statements

### 1. Basis of Preparation

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

### 2. Principal Accounting Policies

#### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments 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

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

### 3. Revenue and Segment Information

#### Revenue

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Recognised at a point in time under HKFRS 15:		
Manufacturing and trading of garments	3,416,838	2,760,412
Sales of properties	-	51,736
Revenue from contracts with customers	<u>3,416,838</u>	<u>2,812,148</u>
Rental income recognised under HKFRS 16	98,567	75,712
	<u><b>3,515,405</b></u>	<u><b>2,887,860</b></u>
Geographical markets:		
China (including Mainland China and Hong Kong)	2,040,184	1,557,526
United States of America (“USA”)	629,976	539,217
Europe	423,082	335,081
Others	422,163	456,036
	<u><b>3,515,405</b></u>	<u><b>2,887,860</b></u>

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

#### Revenue (Cont'd)

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

	<b>Manufacturing and trading of garments</b>	<b>Property investment and development</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<i>For the year ended 31 December 2022</i>		
Segment revenue	<b>3,416,838</b>	<b>98,567</b>
Less: rental income recognized under HKFRS 16	-	<b>(98,567)</b>
Revenue from contracts with customers	<b><u>3,416,838</u></b>	<b><u>-</u></b>
<i>For the year ended 31 December 2021 (represented)</i>		
Segment revenue	2,760,412	127,448
Less: rental income recognized under HKFRS 16	-	<b>(75,712)</b>
Revenue from contracts with customers	<b><u>2,760,412</u></b>	<b><u>51,736</u></b>
<u>Segment information</u>		
	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Segment revenue		
Manufacturing and trading of garments	<b>3,416,838</b>	2,760,412
Property investment and development	<b>98,567</b>	127,448
Revenue – external sales	<b><u>3,515,405</u></b>	<b><u>2,887,860</u></b>
Segment results		
Manufacturing and trading of garments	<b>159,840</b>	25,903
Property investment and development	<b>23,951</b>	65,961
	<b>183,791</b>	91,864
Change in fair value of derivative financial instruments	<b>589</b>	17,108
Change in fair value of investment properties	<b>69,477</b>	129,443
Unallocated corporate overhead and other expenses (Note)	<b>(43,651)</b>	<b>(52,561)</b>
Profit before taxation	<b><u>210,206</u></b>	<b><u>185,854</u></b>

Note:

Central administration costs are apportioned between segments and corporate and allocated to the respective segments according to segment revenue in the respective reporting periods.



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

#### Other segment information

*For the year ended 31 December 2022*

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

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

#### Other segment information (Cont'd)

*For the year ended 31 December 2021*

	Manufacturing and trading of garments <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included in the measure of segment profit:			
Depreciation of property, plant and equipment	59,068	4,187	63,255
Depreciation of right-of-use assets	10,592	-	10,592
Loss on disposal of property, plant and equipment	796	-	796
Impairment losses under expected credit loss model, net of reversal	4,601	-	4,601
Interest income	(19,466)	(502)	(19,968)
Finance costs	<u>17,867</u>	<u>11,109</u>	<u>28,976</u>
Amounts regularly provided to the CODM but not included in the measure of segment profit:			
Fair value gain on derivative financial instruments			(17,108)
Increase in fair value of investment properties			<u>(129,443)</u>

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

#### Geographical information

The Group's operations are mainly located in China.

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

	Revenue		Non-current assets	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
China	2,040,184	1,557,526	3,760,048	3,702,716
USA	629,976	539,217	63	149
Europe	423,082	335,081	-	-
Others	422,163	456,036	3,603	4,329
	<u>3,515,405</u>	<u>2,887,860</u>	<u>3,763,714</u>	<u>3,707,194</u>

#### Information about major customer

During the years ended 31 December 2022 and 2021, there is no customer from manufacturing and trading of garments segment nor property investment and development segment which contributed over 10% of the total revenue of the Group.

### 4. Other Gains and Losses

	2022	2021
	HK\$'000	HK\$'000
Change in fair value of derivative financial instruments	589	17,108
Change in fair value of financial assets at FVTPL	1,689	3,956
Loss on disposal of property, plant and equipment	(2,445)	(796)
Net foreign exchange gains (losses)	8,379	(9,581)
Increase in fair value of investment properties	69,477	129,443
	<u>77,689</u>	<u>140,130</u>

## 5. Finance Costs

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interests on:		
Bank borrowings and overdrafts	42,714	26,747
Lease liabilities	686	993
Borrowings on discounted bills	767	1,236
Total borrowing costs	<u>44,167</u>	<u>28,976</u>

## 6. Income Tax Expense

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax charge:		
Hong Kong	18,027	3,817
Mainland China	9,183	13,253
Other jurisdictions	-	3
	<u>27,210</u>	<u>17,073</u>
(Over) underprovision in prior years:		
Hong Kong	1,494	118
Mainland China	(1,672)	(1,307)
Other jurisdictions	(16)	-
	<u>(194)</u>	<u>(1,189)</u>
Deferred taxation :		
Current year	27,795	22,356
	<u>54,811</u>	<u>38,240</u>

## 7. Profit for the Year

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Costs of inventories recognised as expenses (including allowance for inventory obsolescence)	2,690,244	2,360,069
Research and development costs recognised as expenses (included in cost of sales)	120,056	45,600
Cost of properties sold (included in cost of sales)	-	25,098
Depreciation of property, plant and equipment	64,325	63,255
Depreciation of right-of-use assets	6,344	10,592
Auditor's remuneration	3,200	3,200
Government grants (included in other income)	(4,110)	(8,838)
Bank interest income (included in other income)	<u>(28,128)</u>	<u>(19,968)</u>

## 8. Earnings Per Share

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

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<u>Earnings</u>		
Earnings for the purpose of basic and diluted earnings per share attributable to owners of the Company	<b><u>154,043</u></b>	<u>147,214</u>
	<i>'000</i>	<i>'000</i>
<u>Number of shares</u>		
Number of ordinary shares for the purpose of basic and diluted earnings per share	<b><u>305,616</u></b>	<u>305,616</u>

The computation of diluted earnings per share for the years ended 31 December 2022 and 31 December 2021 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

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Dividends recognised as distribution and paid during the year:		
Interim dividend - 3 HK cents per ordinary share for 2022 (2021: 2 HK cents per ordinary share for 2021)	<b>9,168</b>	6,112
Final dividend - 6 HK cents per ordinary share for 2021 (2021: 3 HK cents per ordinary share for 2020)	<b><u>18,337</u></b>	<u>9,168</u>
	<b><u>27,505</u></b>	<u>15,280</u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of 12 HK cents (2021: final dividend in respect of the year ended 31 December 2021 of 6 HK cents) per ordinary share, in an aggregate amount of HK\$36,674,000 (2021: HK\$18,337,000) has been proposed by the directors of the Company and is subject to the approval by the Company's shareholders at the forthcoming annual general meeting.

## 10. Other Non-current Assets

Included in other non-current assets is a deposit of RMB30,000,000 (equivalent to HK\$33,712,000) (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.

On 24 February 2023, the Group received a judgment from the Shaoxing Intermediate People's Court that, following the Higher People's Court of Zhejiang Province issuing the judgment on 14 February 2023 to return the customs proceedings to the Shaoxing Intermediate People's Court for retrial due to unclear fact and insufficient evidence, the People's Procuratorate of the Shaoxing City of Zhejiang Province has withdrawn the charges against a subsidiary of the Company and the Shaoxing Intermediate People's Court granted its approval for such withdrawal.

The management of the Group expects the refund of the deposit and the payment of the penalty would be after the twelve months from the end of the reporting period and therefore the deposit and provision have been presented as a non-current asset and a non-current liability (2021: a non-current asset and a non-current liability), respectively, in the consolidated statement of financial position.

## 11. Trade Receivables

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 90 days	<b>495,540</b>	460,373
91 to 180 days	<b>26,049</b>	46,310
181 to 360 days	<b>22,977</b>	3,260
Over 360 days	<b>6,808</b>	7,787
	<b><u>551,374</u></b>	<b><u>517,730</u></b>

## 12. Trade Payables

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

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 90 days	<b>232,134</b>	517,560
91 to 180 days	<b>18,400</b>	12,258
181 to 360 days	<b>21,920</b>	11,671
Over 360 days	<b>18,654</b>	12,908
	<b>291,108</b>	554,397
Accrued purchases	<b>154,768</b>	27,195
	<b>445,876</b>	581,592

## 13. Contingent Liabilities

There were disputes amongst the Group, Transpac World Trade Services Holding Limited (“Transpac”, previously called “Tai Ding Century Limited”), Ms. Leong Ma Li, the beneficial owner of Transpac, and certain directors of the Company. Several legal proceedings are taking place in relation to court orders over bank accounts of Longford Information Technology Co., Limited and the claim for damages for breaching the cooperation agreement. The aforesaid parties in the action have agreed to generally extend the deadlines of filing various documents with court. In the opinion of directors of the Company, the amount of claim is not yet provided by the counterparty and it is not probable that a material outflow of resources will be required and no provision has been made accordingly.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

In 2022, the COVID-19 pandemic was still not fully under control, and the world also faced uncertainty such as the conflict between Russia and Ukraine, high energy prices, and consecutive interest rate hikes by the Federal Reserve, all of which impacted the pace of global economic development. However, as countries began to reopen with the implementation of vaccines, new momentum was brought to economic recovery, and suppressed demand for services and goods gradually returned. Nevertheless, as consumer buying behavior and demand have changed, market recovery may take some time. Therefore, industry leaders need to be aware of new market trends and consumer demands to continue to develop and grow. High Fashion Group, with forward-thinking midset, thrives to research and develop diversified innovative products through incorporation of green intelligent manufacturing, technological advancement, and quick response strategies. We are able to accurately capture the rapidly changing market trends and consumer demands in order to expand our customer base and explore new markets. In 2022, the manufacturing and trading of garment businesses achieved significant growth and good results. The management team will continue to innovate and create competitive advantages to achieve even higher goals for business performance.

To efficiently realise our business strategy, the Group has constructed a more extensive and profound informationization reform. In addition to having a dedicated team to improve the efficiency in processes, automation, and digitization, we also use system transformation and real-time data analysis to draw faster and more accurate decision-making. The Group will invest more resources in technology for, but not limited to, improving production efficiency, reducing production costs, optimizing inventory management and improving product quality. It enables the business processes move towards full automation and become a gear that promotes business development.

Our Group has always been based on green manufacturing to solve the problems such as high energy consumption and pollution in printing and dyeing industries. We have implemented sustainable development and green environmental fashion intricately into the entire supply chain management and Group-wide operations, thus established the technology-based green manufacturing smart factories. Our factory has been recognized as the “Zhejiang Province Smart Factory Digital Workshop”(「浙江省智能工廠」) and “Future Factory Digital Workshop”(「未來工廠」數字化車間). We launch traceable eco-friendly products with the new techniques, materials and craftsmanship, and to create sustainable fashion in responding the consumers and society’s demand for environmentally-friendly products. In addition, the Group has obtained numerous international and domestic certificates, and has also been awarded as “National Textile Industry Water-saving Benchmark Enterprise”(「全國紡織行業節水標杆企業」), “Zhejiang Province Water-saving Enterprise”(「浙江省節水型企業」), and “Zhejiang Province Green Factory”(「浙江省綠色低碳工廠」).

Going forward, the management will continue to promote digitization and smart manufacturing for sustainable development and drive the fashion industry to move towards greater sustainability.



The construction of Phase II of our WL District in Hangzhou is in good progress, and some projects have already been completed as scheduled. Coupled with other high-quality property investments and development portfolios, it is expected to bring stable income for the Group and support the Group's long-term development plans. Not only to facilitate the multi-dimensional expansion of our supply chain, but also bring diversified development opportunities for the Group's overall upgrade and transformation. At the same time it establishes a global network for the fashion and high-tech talents in the industry, creating an unprecedented cross-industry ecosystem.

## FINANCIAL REVIEW

In 2022, the Group's revenue increased by 21.7% to HK\$3.52 billion (2021: HK\$2.89 billion). Correspondingly, gross profit increased by 36.5% to HK\$680.4 million, and the gross profit margin increased by 2.1% to 19.4% (2021: HK\$498.5 million and 17.3%). The Group's revenue increase mainly came from the manufacturing and trading of garments business, it benefited from the Group's readiness of hardware and software during the economy was recovering amid the pandemic. As the economy gradually recovered during the year, we are already on stand-by for the expansion of our customer base and new market development, the customers' orders increased rapidly. In order to cope with the increasing costs of sales, the Group adopted standardized management that implements cost control measures and restructure initiatives to reduce production costs and improve the gross profit margin. The Group's net profit for 2022 was HK\$155.4 million (2021: HK\$147.6 million).

Geographically, the revenue from China in 2022 was HK\$2.04 billion, accounting for 58.0% of the total revenue, it represented an increase of 31.0% (2021: HK\$1.56 billion and 53.9%). Sales orders from the United States and European countries steadily increased, with a total revenue of HK\$1.05 billion, accounting for 30.0% of the total revenue (2021: HK\$874.3 million and 30.3%). Export sales to Southeast Asian countries (including in Others countries) slightly declined, accounting for 12.0% of the total revenue (2021: 15.8% of the total revenue). The Group will continuously explore different market areas to expand its sales network and reduce risks.

Other gains for the year 2022 was HK\$77.7 million (2021: HK\$140.1 million), mainly including fair value gains from investment properties of HK\$69.5 million (2021: HK\$ 129.4 million). The difference in fair value gain from investment properties in the two years mainly due to the economic slowdown and a narrowing of the increase in real estate values. As real estate projects are part of the Group's long-term development plan, the temporary narrowing of the increase in real estate values will not affect the Group.

Administrative expenses accounted for 9.0% of the total revenue, an improvement from 9.7% in 2021. The decrease in the proportion of administrative expenses to the total revenue was mainly due to better management of related costs during the reporting year and the achievement of economies of scale in business. Sales and distribution expenses accounted for 6.0% of the total revenue, identical to 2021.

As of the end of the 2022 fiscal year, the basic earnings per share was HK\$0.50, an increase of 4.2% from HK\$0.48 as of the end of 2021. Net asset value per share slightly increased from HK\$10.22 as of the end of 2021, to HK\$10.27 as of the end of 2022.

## SEGMENT INFORMATION

The segment information for the year ended 31 December 2022 is as follows:

	Revenue		Contribution	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
By principal activities:				
Manufacturing and trading of garments	<b>3,416,838</b>	2,760,412	<b>159,840</b>	25,903
Property investment and development	<b>98,567</b>	127,448	<b>23,951</b>	65,961
	<b><u>3,515,405</u></b>	<u>2,887,860</u>	<b><u>183,791</u></b>	<u>91,864</u>
By geographical segments:				
China	2,040,184	1,557,526	<b>130,233</b>	73,859
USA	629,976	539,217	<b>23,040</b>	6,408
Europe	423,082	335,081	<b>15,709</b>	907
Others	422,163	456,036	<b>14,809</b>	10,690
	<b><u>3,515,405</u></b>	<u>2,887,860</u>	<b><u>183,791</u></b>	<u>91,864</u>

### Manufacturing and trading of garments

In order to more effectively analyze the development of its primary segment information, as of the fiscal year ending on December 31, 2022, the Group restructured its internal reporting framework, merging its brand business into its manufacturing and trading of garments businesses. The revenue and profit contribution for 2021 has also been restated and disclosed in this year's report.

In 2022, the revenue of the manufacturing and trading of garments businesses was HK\$3.42 billion, an increase of HK\$656.4 million or 23.8% compared to the revenue of HK\$2.76 billion in 2021. The net profit in 2022 was HK\$159.8 million, a significant increase of 517.1% compared to the net profit of HK\$25.9 million in 2021.

The Group actively promotes diversified product development, providing comprehensive services covering the entire supply chain for our customers. The Group has been driving business transformation, focusing on sustainable development and technological innovation through continuous development, product research and process optimization. We have launched a variety of fashion and eco-friendly products, which have been highly recognized by stakeholders from all walks of life.

In addition, the Group has optimized and re-engineered its business processes to improve operational efficiency, enabling employees to focus on critical issues and create cost competitiveness, establishing a customer-centric value chain and continuously enhancing customer value.

## Property investment and development

Income from property investment and development business was HK\$98.6 million in 2022, while it was HK\$127.0 million in 2021.

The Group has been vigorously expanding the scale of WL District project. The WL District in Hangzhou made good progress during the past year. The first phase of the project has a good occupancy rate, whereas the first stage of the second phase has been completed and gradually generates the return on investment. The second stage of the second phase is progressing according to plan and is expected to be completed by 2023. The management 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 to attract a wealth of talent and capital to the site. The Group's high-quality portfolio of property investments and developments on one hand will continue to create high-value assets and generate income for the Group, on the other hand will also offer an array of opportunities for High Fashion's core fashion business.

## ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

Climate change is an important issue that requires active response from all sectors globally in recent years. As an industry leader and promoter of sustainable development, High Fashion has been committed to establishing a green supply chain and transforming to low-carbon business with integration of scientific and technological innovation into the research and development of green raw materials and green products, as well as investing in the extensive use of renewable energy. Through promoting industry digitalization and intelligence and establishing industry-wide smart factories, we provide customers and consumers with another fashion choice for carbon-reducing life. The Group continues to make breakthroughs in achieving its five-year sustainability goals from 2020 to 2024, demonstrating excellence in carbon emission reduction, water conservation, resource recycling and corporate social responsibility for fulfilling its mission as an industry model.

Over the years, the Group has been actively engaged in the research and development of green innovative technologies, and has obtained various patents in materials, technologies and craftsmanship. For example, our unique "Aqua Print" technology to reduce water consumption in the textile processing significantly, and the use of different parts of plants to develop nature dyeing agents to reduce the impact of harmful chemicals to the environment. In addition, the Group's devotion and achievements in sustainability have been recognized by various international standards, including the ongoing certification of "Low Carbon Manufacturing Programme" ("LCMP") from WWF, the "Global Recycling Standard" ("GRS") and the STeP by Oeko-Tex<sup>®</sup> certification. At the national level, in response to China's low-carbon development strategy, the Group joined the "China Brand 3060 Climate Innovation Carbon Neutrality Acceleration Plan" (「中國品牌 3060 氣候創新碳中和加速計劃」) and was awarded the "Pioneering Units and Contributors in Climate Innovation Action in China's Textile and Apparel industry" (「中國紡織服裝行業氣候創新行動先鋒單位及貢獻者」) for the joint efforts in promoting the green development of the industry.

The Group firmly believes that the combination of production and research is the general direction for the future development of the textile industry and the cultivation of industry talents. High Fashion Womenswear Institute cultivates high-quality and capable talents for the textile industry in different professional fields, and collaborates with university institutions to research and develop new materials and craftsmanship for increasing the strength, breadth and depth of research and development. We apply the research and development results on the Company's production to improve product quality and performance. In the future, the Group will enhance the nurturing of talents in advanced manufacturing and 3D digitalization as well as promote school-enterprise training for cultivation of future business leaders in the industry.

To promote the Group's sustainable development and integrate it with its corporate strategy, the Group has established a sound corporate governance structure. The Board leads the management and various departments to regularly review the risks and opportunities brought by climate change to the Group, and monitor the implementation and accomplishments of sustainable development policies and projects in various regions. With the assistance of the Environmental, Social and Governance Committee and the Risk Management Committee, the Group identifies industry-relevant climate risks and formulates relevant mitigation measures to lay a sound foundation for the Group's long-term development.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group's total amount of cash and cash equivalents, short-term deposit and other financial assets at fair value through profit and loss as at 31 December 2022 was HK\$1.07 billion (as at 31 December 2021: HK\$1.10 billion).

Bank borrowings, mainly denominated in Hong Kong Dollar, amounted to HK\$1.70 billion (as at 31 December 2021: HK\$1.68 billion). The bank borrowings are primarily used for operating funds for manufacturing and trading of garments, fixed asset investments in enhancing production facilities in Mainland China as well as various property construction and development projects.

The gearing ratio of non-current liabilities to shareholders' funds as at 31 December 2022 slightly increased to 50.2% (as at 31 December 2021: 45.8%), while the current ratio remained at 1.6 (as at 31 December 2021: 1.5). The Group has a sound capital base.

Net cash inflow from operating activities for the year 2022 was approximately HK\$198.5 million, which mainly attributed from the increase in operating profit. The Group has sufficient bank facilities financing and stable income from investment properties. The management is confident in maintaining healthy working capital and liquidity to meet operational needs and future growth.

## FOREIGN CURRENCY RISK EXPOSURE

The foreign currency risk mainly relates to the RMB and USD, as most of our operating expenses are settled in RMB, while some of the sales are denominated in USD. The Group adheres to policies to monitor foreign exchange risk. The management promptly responded and effectively reduced the exchange rate losses from buying RMB from USD during the year of 2022 when the RMB and USD exchange rate fluctuated as a result of pandemic control policies and US interest rate hikes. As the Hong Kong dollar is pegged to the US dollar, the Group considers the relevant foreign exchange risk to be minimal. The management will continue to take cautious measures to mitigate foreign currency risk.

## CHARGES ON ASSETS

Apart from HK\$1.84 billion of mortgaged properties in Hong Kong and Mainland China for long-term bank borrowings (as at 31 December 2021: HK\$1.39 billion of mortgaged properties in Hong Kong), 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\$75.3 million in order to upgrade the manufacturing capabilities and improve the environmental protection facilities during the year. The Group also invested HK\$161.1 million in certain properties construction and development projects during the reporting year.

## **CAPITAL COMMITMENTS**

The Group is committed to capital expenditure in respect of acquisition of property, plant and equipment and construction work contracted but not provided for amounted to HK\$554.4 million as at 31 December 2022.

## **CONTINGENT LIABILITIES**

Please refer to note 13 to the condensed consolidated financial statements for details of contingent liabilities as at 31 December 2022.

## **HUMAN RESOURCES**

The total number of employees of the Group, including joint ventures, as at 31 December 2022 was approximately 5,000 (as at 31 December 2021: 4,800). The increase in the number of employees was mainly due to more factory personnel in accordance with the rise in sales orders. The Group's management made much account of employee training in order to equip them with appropriate knowledge. The Group assesses employees based on their job performance, qualifications, and industry norms. In addition, we also provide competitive compensation packages to employees, including subsidies for meals, medical insurance, and share options granted to eligible employees under the Group's share option plan. No share option was granted to employees during the year.

## **ANNUAL GENERAL MEETING**

The annual general meeting ("AGM") of the Company will be held at 11/F, High Fashion Centre, 1-11 Kwai Hei Street, Kwai Chung, New Territories, Hong Kong on Friday, 9 June 2023 at 11:00 a.m. Notice of AGM will be published on the websites of the Company ([www.highfashion.com.hk](http://www.highfashion.com.hk)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and despatched to shareholders of the Company in due course.

## **FINAL DIVIDEND**

The Board recommends the payment of a final dividend of 12 HK cents (2021: 6 HK cents) per share for the year ended 31 December 2022 to shareholders whose names appear on the Register of Members of the Company on Friday, 23 June 2023. The proposed final dividend is subject to the approval of shareholders of the Company at the forthcoming AGM. If being approved, dividend warrants for the final dividend will be dispatched on Friday, 7 July 2023.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from Tuesday, 6 June 2023 to Friday, 9 June 2023, both days inclusive, during which period no transfer of shares will be registered. In order to determine shareholders who are entitled to attend and vote at the AGM, all transfer of shares documents 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 Monday, 5 June 2023.

In addition, the Register of Members will also be closed from Thursday, 22 June 2023 to Friday, 23 June 2023, both days inclusive, during which period no transfer of shares will be registered. In order to determine shareholders who are entitled to qualify for the proposed final dividend, all transfer of shares 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, 21 June 2023.

## **CORPORATE GOVERNANCE**

The Company has applied the principles of, and complied throughout the year with, the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the accounting period for the year ended 31 December 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 were no formal letters of appointment entered into between the Company and the Directors during the year, the Directors had 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.

## **AUDIT COMMITTEE REVIEW**

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

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2022.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the year, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

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

The 2022 Annual Report of the Company is expected to be published and despatched to the shareholders of the Company and available on the above websites by no later than 28 April 2023.

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

Hong Kong, 30 March 2023

As at the date of this announcement, the Board comprises of (1) Executive Directors: Mr. Lam Foo Wah, Mr. Lam Gee Yu, Will and Mr. Lam Din Yu, Well; (2) Non-executive Director: Mr. Hung Ka Hai, Clement; and (3) Independent Non-executive Directors: Professor Yeung Kwok Wing, Mr. Leung Hok Lim, Mr. Chung Kwok Pan and Mr. Tong Hee Keung, Samuel.