High Fashion International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 608)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 environmental 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.

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.

RESULTS

The Board of Directors (the "Board") of High Fashion International Limited (the "Company", together with its subsidiaries, the "Group") is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2020 together with the comparative figures.

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3*		
Goods and services		**1,025,093**	1,345,464
Rental		**12,965**	17,433
TOTAL REVENUE		**1,038,058**	1,362,897
Cost of sales		**(851,260)**	(1,097,485)
Gross profit		**186,798**	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)
(LOSS) PROFIT BEFORE TAXATION		**(965)**	44,613
Income tax expenses	*6*	**(10,767)**	(13,839)
(LOSS) PROFIT FOR THE PERIOD	*7*	**(11,732)**	30,774
OTHER COMPREHENSIVE INCOME (EXPENSE)			
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)**	-
		29,788	(11,932)
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)
		7,142	(1,643)
Other comprehensive income (expense) for the period, net of tax		**36,930**	(13,575)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**25,198**	17,199

Unaudited 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** **(Unaudited)** ***HK$'000***	2019 (Unaudited) *HK$'000*
(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
(LOSS) EARNINGS PER SHARE	*8*		
Basic		**(3.68) HK cents**	10.98 HK cents
Diluted		**(3.68) HK cents**	10.98 HK cents

Unaudited Condensed Consolidated Statement of Financial Position
At 30 June 2020

	Notes	At 30 June 2020 (Unaudited) HK$'000	At 31 December 2019 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**509,348**	528,462
Right-of-use assets		**70,774**	80,246
Investment properties		**2,237,929**	2,120,188
Interests in joint ventures		**6,552**	7,556
Equity instruments at fair value through other comprehensive income		**19,009**	19,009
Deferred tax assets		**29,111**	29,111
Other non-current assets		**32,324**	32,199
		2,905,047	2,816,771
CURRENT ASSETS			
Inventories		**305,024**	404,452
Properties held for sale		**80,825**	167,258
Trade receivables	*10*	**466,776**	535,813
Deposits, prepayments and other receivables		**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
		2,026,636	2,199,439
CURRENT LIABILITIES			
Trade payables	*11*	**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		**1,131,963**	812,223
		1,821,677	1,685,706

Unaudited Condensed Consolidated Statement of Financial Position (Cont'd)
At 30 June 2020

	At 30 June 2020 (Unaudited) *HK$'000*	At 31 December 2019 (Audited) *HK$'000*
NET CURRENT ASSETS	**204,959**	513,733
TOTAL ASSETS LESS CURRENT LIABILITIES	**3,110,006**	3,330,504
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**270,335**	254,202
Bank borrowings	**320,000**	582,500
Lease liabilities	**11,587**	11,443
Provision for long service payments	**2,777**	2,729
	604,699	850,874
NET ASSETS	**2,505,307**	2,479,630
CAPITAL AND RESERVES		
Share capital	**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)
TOTAL EQUITY	**2,505,307**	2,479,630

Notes to the Condensed Consolidated Financial Statements

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. Principal Accounting Policies

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

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.

3. Revenue and Segment Information

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(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

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	**Brand business**	**Property investment and development**
	HK$'000	***HK$'000***	***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**

3. Revenue and Segment Information (Cont'd)

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

For the six months ended 30 June 2019 (unaudited)

	Manufacturing and trading of garments	Brand business	Property investment and development
	HK$'000	*HK$'000*	*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

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	Brand business	Property investment and development	Segment total	Elimina-tions	Consoli-dated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE						
External sales	**882,689**	**13,445**	**141,924**	**1,038,058**	**-**	**1,038,058**
Inter-segment sales (note i)	**10,496**	**-**	**-**	**10,496**	**(10,496)**	**-**
Segment revenue	**893,185**	**13,445**	**141,924**	**1,048,554**	**(10,496)**	**1,038,058**
RESULTS						
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 (note ii)						**(5,305)**
Other expenses						**(1,774)**
Unallocated items						**(1,417)**
Loss before taxation						**(965)**

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*	Elimina-tions *HK$'000*	Consoli-Dated *HK$'000*
REVENUE						
External sales	1,285,196	54,267	23,434	1,362,897	-	1,362,897
Inter-segment sales (note i)	21,981	-	-	21,981	(21,981)	-
Segment revenue	1,307,177	54,267	23,434	1,384,878	(21,981)	1,362,897
RESULTS						
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 (note ii)						(5,366)
Other expenses						(6,372)
Unallocated items						(4,584)
Profit before taxation						44,613

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	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
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**	-
	18,444	43,666

5. Finance Costs

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

6. Income Tax Expenses

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
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
	9,398	8,367
Overprovision in prior periods:		
Hong Kong	**-**	(6)
The PRC	**(1,091)**	-
	(1,091)	(6)
Deferred taxation - current period	**2,460**	5,478
	10,767	13,839

7. (Loss) Profit for the Period

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
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	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(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

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 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. 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 (Unaudited) ***HK$'000***	At 31 December 2019 (Audited) *HK$'000*
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
	466,776	535,813

11. 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 (Unaudited) ***HK$'000***	At 31 December 2019 (Audited) *HK$'000*
Within 90 days	**176,341**	130,138
91 to 180 days	**31,165**	8,975
181 to 360 days	**16,379**	2,969
Over 360 days	**12,610**	10,447
	236,495	152,529
Accrued purchases	**159,948**	264,631
	396,443	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.

12. Contingent Liabilities

(i) 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.

(ii) In June 2016, a judgement (the "Judgement") was made by the Intermediate People's Court Shaoxing, Zhejiang Province (the "Shaoxing Intermediate People's Court") 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 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 Judgement to the High People's Court of Zhejiang Province.

Further appeal proceedings were held in 2017, 2018 and 2019 respectively. Management of the Group had sought advice from PRC legal professionals, who advised that the evidence relied upon by the Shaoxing Intermediate People's 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 judgement from the Court, the deposit has been remained as a current asset in the condensed consolidated statement of financial position.

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. Our Group's apparel business 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 stated 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's product development has covered life-style health products. 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.

Property projects in China and Hong Kong are going well. The revitalization project of the High Fashion Centre in Hong Kong was completed, and the Hong Kong Headquarters has 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 are 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 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 expenses for professional and consultancy fees on various projects decreased by HK$4.6 million to HK$1.8 million.

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.

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 were 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*
By principal activities:				
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
	1,038,058	1,362,897	**1,314**	23,453
By geographical segments:				
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
	1,038,058	1,362,897	**1,314**	23,453

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 branded customers have had to close a significant number of their retail stores for months 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 month 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.

Brand business

Revenue from brand business for the six months ended 30 June 2020 has further 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.

In Xiaoshan Economic and Technologic Development Zone, we have started the earth excavation, the underground and above-ground main construction on a piece of land of the Group. The Group plans to develop commercial units for leasing on the land with the Group’s existing contiguous properties in order 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.

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 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 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, we have attained the STANDARD 100 label by OEKO-TEX® for our silk scarf series, 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 centers, 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 to the way we made our products and invested in facilities upgrades 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.

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, purchase of 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 was 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.

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$0.91 billion at 31 December 2019. Bank borrowings, mainly dominated in HK$ 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.

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 12 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 according to 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.

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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the accounting period for the six months ended 30 June 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, the Company complied with this code provision.

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.

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 (the "2020 Interim Report").

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

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.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The 2020 Interim Report will be despatched to the shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 31 August 2020

As at the date of this announcement, the Board comprises of (1) Executive Directors: Mr. Lam Foo Wah, Mr. Lam Gee Yu, Will, Mr. Lam Din Yu, Well and Ms. So Siu Hang, Patricia; (2) Non-executive Directors: Professor Yeung Kwok Wing and Mr. Hung Ka Hai, Clement; and (3) Independent Non-executive Directors: Mr. Wong Shiu Hoi, Peter, Mr. Leung Hok Lim and Mr. Chung Kwok Pan.