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High Fashion International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 608)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021 AND PROPOSED AMENDMENTS TO EXISTING BYE-LAWS

CHAIRMAN'S STATEMENT

While the 2021 world economy is still largely in recession due to the coronavirus, the Russia-Ukraine war and escalating tension has brought further uncertainties to global finance and consumer market. The unstable energy supply, fluctuating energy price and the constantly changing logistic have imposed huge risks for trade activities. However, despite the undesirable market environment, High Fashion is able to deliver an improving and decent result.

Our key results for the year ended 31 December 2021 are as follow:

- Net profit attributable to shareholders at HK\$147.2 million
- Gearing ratio of non-current liabilities to shareholders' fund at 45.8%. Current ratio at 1.5
- Basic earnings per share landed at HK\$0.48
- Net asset value per share amounted to HK\$10.22
- Proposed final dividend per share is HK\$0.06 and the dividend for the year will be HK\$0.08

High Fashion has transcended in the midst of all crises with our highest sense of urgency. We are dedicated to pushing for breakthroughs in our sustainability, green and smart manufacturing and supply chain reforms. Coupled with the pursuit of environment protection, innovation, quality and efficiency, High Fashion has become a leading innovative green fashion enterprise. We have answered to dynamic market needs proactively and continue to provide high quality offerings for our clientele, helping them to build a stronger competitive advantage.

High Fashion aims to be the leader of fashion and market trend and being green is one of the milestones. We have integrated sustainability into our product development, supply chain reform and constantly challenge ourselves into higher sustainability standard on peak emission, carbon neutrality, water footprints and material traceability. On green production development, we have partnered with world renowned research institutes on diversified fabric studies, including bio-based fabric, recycled fabric and upcycling. With scientific advancement and sustainability, High Fashion is making remarkable progress on the journey to sustainable fashion.

Digitalization is the most important governing strategy and goal and is also now the Group's core management doctrine. Departments are using intelligent management to assist analysis and decision making, enhancing efficiency on production and risk management. High Fashion is also using big data to forecast market trends and digital marketing to create greater advantages for our future growth. A comprehensive and complete digitalization has ensured an objective and scientific management approach, optimized operating cost and built a solid foundation for constructing our global supply chain network.

High Fashion Silk in Xinchang has made delightful achievement in digitalization and smart manufacturing in 2021. High Fashion Silk has performed well despite the circumstances and delivered satisfying results in her business development and performance.

The adverse effect of the pandemic is still clouding the global macro-economic landscape. European and US market remained weak in 2021 and High Fashion has also laid the groundwork for markets with greater potential, including China and other Asian markets. Although there are ever-changing challenges, we anticipate a positive growth in our business. High Fashion is going to seize the opportunity and evolve. We are fully confident about the future.

Regarding our property projects, the projects in mainland China and Hong Kong have continued to generate stable cashflow for our group. The WL District in Hangzhou and Hong Kong has achieved notable successes in 2021 and we expect its full potential would be realized in near future. Meanwhile, High Fashion has been developing a fashion eco-system, facilitating communications and collaborations among businesses, creating alliances between best of the best and providing opportunities for cross-industry synergies to develop. Hangzhou WL District has not only been accredited by local government, it has also demonstrated and alleviated how government, industry, business, universities and research could work together, in order to steer full upgrade of the apparel industry.

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 2021 together with the comparative figures for 2020 are set out as follows:-

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
REVENUE			
Goods and services		2,812,148	2,133,734
Rental		75,712	23,367
TOTAL REVENUE	3	<u>2,887,860</u>	<u>2,157,101</u>
Cost of sales		<u>(2,389,328)</u>	<u>(1,770,408)</u>
Gross profit		498,532	386,693
Other income		42,119	51,923
Other gains and losses	4	140,130	148,539
Impairment losses under expected credit loss model, net of reversal		(4,601)	(3,628)
Administrative expenses		(280,531)	(245,895)
Selling and distribution expenses		(173,482)	(142,218)
Other expenses		(7,337)	(4,236)
Finance costs	5	(28,976)	(29,146)
Share of losses of joint ventures		-	(365)
PROFIT BEFORE TAXATION		<u>185,854</u>	<u>161,667</u>
Income tax expense	6	(38,240)	(36,503)
PROFIT FOR THE YEAR	7	<u>147,614</u>	<u>125,164</u>
OTHER COMPREHENSIVE INCOME (EXPENSE)	8		
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements to presentation currency		122,708	171,254
Fair value gain on equity instruments at fair value through other comprehensive income (“FVTOCI”)		-	27,895
Gain on revaluation of owner-occupied properties		38,074	105,504
Income tax relating to items that will not be reclassified to profit or loss		(9,519)	(19,755)
		<u>151,263</u>	<u>284,898</u>
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		(32,235)	(10,117)
Other comprehensive income for the year, net of tax		<u>119,028</u>	<u>274,781</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>266,642</u></u>	<u><u>399,945</u></u>

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Cont'd)
For the year ended 31 December 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
PROFIT FOR THE YEAR			
ATTRIBUTABLE TO:			
Owners of the Company		147,214	124,518
Non-controlling interests		400	646
		<u>147,614</u>	<u>125,164</u>
TOTAL COMPREHENSIVE INCOME			
FOR THE YEAR ATTRIBUTABLE			
TO:			
Owners of the Company		266,242	399,303
Non-controlling interests		400	642
		<u>266,642</u>	<u>399,945</u>
EARNINGS PER SHARE			
Basic	<i>10</i>	<u>HK\$0.48</u>	<u>HK\$0.41</u>
Diluted		<u>HK\$0.48</u>	<u>HK\$0.41</u>

Consolidated Statement of Financial Position

At 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		474,369	554,627
Right-of-use assets		74,582	84,035
Investment properties		3,101,216	2,630,916
Interest in joint ventures		7,559	7,299
Equity instruments at FVTOCI		16,416	16,416
Derivative financial instruments		1,989	-
Deferred tax assets		42,865	30,821
Other non-current assets		89,268	32,674
		<u>3,808,264</u>	<u>3,356,788</u>
CURRENT ASSETS			
Inventories		600,337	347,823
Properties held for sale		22,042	40,449
Trade receivables	<i>11</i>	517,730	453,348
Deposits, prepayments and other receivables		113,434	128,751
Amounts due from joint ventures		5,395	5,395
Equity instruments at FVTOCI		-	9,381
Derivative financial instruments		1,663	3,091
Other financial assets at fair value through profit or loss		660,250	610,389
Short-term bank deposits		19,981	13,988
Bank balances and cash		417,527	710,079
		<u>2,358,359</u>	<u>2,322,694</u>
CURRENT LIABILITIES			
Trade payables	<i>12</i>	581,592	414,795
Other payables and accruals		284,133	238,076
Provision		-	2,371
Lease liabilities		6,006	7,254
Amount due to an associate		583	583
Contract liabilities		64,141	58,619
Tax payable		56,422	54,982
Derivative financial instruments		-	577
Bank borrowings		608,246	639,362
		<u>1,601,123</u>	<u>1,416,619</u>
NET CURRENT ASSETS		<u>757,236</u>	<u>906,075</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,565,500</u>	<u>4,262,863</u>

Consolidated Statement of Financial Position (Cont'd)*At 31 December 2021*

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	348,307	299,691
Derivative financial instruments	-	1,081
Bank borrowings	1,068,833	1,070,000
Lease liabilities	12,404	18,162
Provision for long service payments	2,721	2,645
Provision	2,445	-
Deferred income	8,144	-
	<u>1,442,854</u>	<u>1,391,579</u>
NET ASSETS	<u>3,122,646</u>	<u>2,871,284</u>
CAPITAL AND RESERVES		
Share capital	30,562	30,562
Share premium and reserves	<u>3,122,177</u>	<u>2,871,215</u>
Equity attributable to owners of the Company	3,152,739	2,901,777
Non-controlling interests	<u>(30,093)</u>	<u>(30,493)</u>
TOTAL EQUITY	<u>3,122,646</u>	<u>2,871,284</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 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

Except as described below, 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.

Impacts on application of Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform - Phase 2*

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures.

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year.

3. Revenue and Segment Information

Revenue

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Recognised at a point in time under HKFRS 15:		
Manufacturing and trading of garments	2,743,006	1,913,949
Sales of properties	51,736	187,038
Sales of brand garments	17,406	32,747
Revenue from contracts with customers	<u>2,812,148</u>	<u>2,133,734</u>
Rental income recognised under HKFRS 16	75,712	23,367
	<u>2,887,860</u>	<u>2,157,101</u>
Geographical markets		
China	1,557,526	1,075,138
United States of America (“USA”)	539,217	504,199
Europe	335,081	291,019
Others	456,036	286,745
	<u>2,887,860</u>	<u>2,157,101</u>

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

For the year ended 31 December 2021

	Manufacturing and trading of garments	Brand business	Property investment and development
	<u><i>HK\$'000</i></u>	<u><i>HK\$'000</i></u>	<u><i>HK\$'000</i></u>
Segment revenue	2,779,990	17,406	127,448
Less: rental income recognised under HKFRS 16	-	-	(75,712)
Less: inter-segment sales	<u>(36,984)</u>	-	-
Revenue from contracts with customers	<u>2,743,006</u>	<u>17,406</u>	<u>51,736</u>

3. Revenue and Segment Information (Cont'd)

Revenue (Cont'd)

For the year ended 31 December 2020

	Manufacturing and trading of garments	Brand business	Property investment and development
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Segment revenue	1,938,937	32,747	210,405
Less: rental income recognised under HKFRS 16	-	-	(23,367)
Less: inter-segment sales	<u>(24,988)</u>	<u>-</u>	<u>-</u>
Revenue from contracts with customers	<u><u>1,913,949</u></u>	<u><u>32,747</u></u>	<u><u>187,038</u></u>

Segment information

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Segment revenue:		
Manufacturing and trading of garments	2,779,990	1,938,937
Brand business	17,406	32,747
Property investment and development	127,448	210,405
	<u>2,924,844</u>	<u>2,182,089</u>
Inter-segment sales eliminated		
Manufacturing and trading of garments (note i)	(36,984)	(24,988)
Revenue – external sales	<u>2,887,860</u>	<u>2,157,101</u>
Segment results		
Manufacturing and trading of garments	29,353	3,755
Brand business	(3,450)	(14,447)
Property investment and development	65,961	44,244
	<u>91,864</u>	<u>33,552</u>
Change in fair value of derivative financial instruments	17,108	3,858
Change in fair value of investment properties	129,443	150,479
Unallocated corporate overhead and other expenses (note ii)	(52,561)	(26,222)
Profit before taxation	<u>185,854</u>	<u>161,667</u>

Notes:

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

3. Revenue and Segment Information (Cont'd)

Other segment information

For the year ended 31 December 2021

	Manufacturing and trading of garments HK\$'000	Brand business HK\$'000	Property investment and development HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit or loss:				
Depreciation of property, plant and equipment	59,046	22	4,187	63,255
Depreciation of right-of-use assets	7,344	3,248	-	10,592
Loss on disposal/written off of property, plant and equipment, net	796	-	-	796
Impairment losses under expected credit loss model, net of reversal	4,586	15	-	4,601
Interest income	(19,466)	-	(502)	(19,968)
Finance costs	<u>17,867</u>	<u>-</u>	<u>11,109</u>	<u>28,976</u>
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
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)

Other segment information (Cont'd)

For the year ended 31 December 2020

	Manufacturing and trading of garments <i>HK\$'000</i>	Brand business <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 or loss:				
Depreciation of property, plant and equipment	42,806	525	3,342	46,673
Depreciation of right-of-use assets	7,862	3,407	387	11,656
Loss on disposal/written off of property, plant and equipment, net	5,387	-	-	5,387
Impairment losses under expected credit loss model, net of reversal	3,573	55	-	3,628
Interest income	(16,221)	(23)	(736)	(16,980)
Finance costs	26,965	-	2,181	29,146
Share of losses of joint ventures	365	-	-	365
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
Fair value gain on derivative financial instruments				(3,858)
Increase in fair value of investment properties				<u>(150,479)</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	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
China	1,557,526	1,075,138	3,645,689	3,264,040
USA	539,217	504,199	149	234
Europe	335,081	291,019	-	51
Others	456,036	286,745	4,329	5,253
	<u>2,887,860</u>	<u>2,157,101</u>	<u>3,650,167</u>	<u>3,269,578</u>

Information about major customer

During the years ended 31 December 2021 and 2020, there is no customer from manufacture and trading of garments segment, brand business nor property investment and development segment which contributed over 10% of the total revenue of the Group.

4. Other Gains and Losses

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Change in fair value of derivative financial instruments	17,108	3,858
Change in fair value of financial assets at FVTPL	3,956	6,047
Loss on disposal/written-off of property, plant and Equipment, net	(796)	(5,387)
Net foreign exchange loss	(9,581)	(6,458)
Increase in fair value of investment properties	129,443	150,479
	<u>140,130</u>	<u>148,539</u>

5. Finance Costs

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interests on:		
Bank borrowings and overdrafts	26,747	35,382
Lease liabilities	993	830
Borrowings on discounted bills	1,236	2,135
Total borrowing costs	<u>28,976</u>	<u>38,347</u>
Less: Amount capitalised in investment properties and construction in progress that is arisen from specific borrowings	<u>-</u>	<u>(9,201)</u>
	<u>28,976</u>	<u>29,146</u>

6. Income Tax Expense

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax charge:		
Hong Kong	3,817	4,749
Mainland China	13,253	17,174
Other jurisdictions	3	-
	<u>17,073</u>	<u>21,923</u>
(Over)underprovision in prior years:		
Hong Kong	118	98
Mainland China	(1,307)	(1,810)
	<u>(1,189)</u>	<u>(1,712)</u>
Deferred taxation :		
Current year	22,356	16,292
	<u>38,240</u>	<u>36,503</u>

7. Profit for the Year

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Costs of inventories recognised as expenses (including allowance for inventory obsolescence)	2,360,069	1,588,401
Research and development costs recognised as expenses (included in cost of sales)	45,600	38,185
Cost of properties sold (included in cost of sales)	25,098	135,966
Depreciation of property, plant and equipment	63,255	46,673
Depreciation of right-of-use assets	10,592	11,656
Auditor's remuneration	3,200	3,200
Government grants (included in other income)	(8,838)	(21,819)
Bank interest income (included in other income)	<u>(19,968)</u>	<u>(16,980)</u>

8. Other Comprehensive Income

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Fair value gain on equity instruments at FVTOCI	-	27,895
Gain on revaluation of owner-occupied properties	38,074	105,504
Exchange differences on translation to presentation currency	122,708	171,254
Exchange differences on translation of foreign operations	<u>(32,235)</u>	<u>(10,117)</u>
Other comprehensive income	<u>128,547</u>	<u>294,536</u>
Income tax relating to components of other comprehensive income		
Revaluation of owner-occupied properties	<u>(9,519)</u>	<u>(19,755)</u>
Other comprehensive income for the year, net of tax	<u>119,028</u>	<u>274,781</u>

9. Dividends

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividends recognised as distribution and paid during the year:		
Interim dividend – 2 HK cents per ordinary share for 2021 (2020: nil per ordinary share for 2020)	6,112	-
Final dividend - 3 HK cents per ordinary share for 2020 (2020: 3 HK cents per ordinary share for 2019)	<u>9,168</u>	<u>9,168</u>
	<u>15,280</u>	<u>9,168</u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of 6 HK cents (2020: final dividend in respect of the year ended 31 December 2020 of 3 HK cents) per ordinary share, in an aggregate amount of HK\$18,337,000 (2020: HK\$9,168,000) 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. Earnings Per Share

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<u>Earnings</u>		
Earnings for the purpose of basic and diluted earnings per share attributable to owners of the Company	<u>147,214</u>	<u>124,518</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	<u>305,616</u>	<u>305,616</u>

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

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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 90 days	460,373	352,223
91 to 180 days	46,310	27,436
181 to 360 days	3,260	66,843
Over 360 days	7,787	6,846
	<u>517,730</u>	<u>453,348</u>

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:

	2021 <i>HK\$'000</i>	2020 HK\$'000
Within 90 days	517,560	235,287
91 to 180 days	12,258	19,252
181 to 360 days	11,671	4,975
Over 360 days	12,908	10,737
	554,397	270,251
Accrued purchases	27,195	144,544
	581,592	414,795

13. Contingent Liabilities

- (i) 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 legal proceeding is still at an early stage and the amount of claim is not yet provided by the counterparty, it is not probable that a material outflow of resources will be required and no provision has been made accordingly.
- (ii) 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 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\$2,445,000). The Group has made a provision for penalty for the same amount according since 2018.

In May 2019, a court hearing was held by the Higher People’s Court of Zhejiang Province to hear the defense opinion from the Group. In July 2019, the Zhejiang People’s Procuratorate (浙江省人民檢察院) visited the Group’s office in Hangzhou and performed various verification of defense evidence. According to the external lawyer, the verification process is a common judicial practice in China and it implies a favourable outlook to the Group. As at 31 December 2021, the Group has not yet received the judgment from the Court.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The coronavirus has continued to spread in 2021. However, with governments worldwide pushing forward compulsory Covid-19 vaccination, trade activities have been resumed in the second half of the year. There is also a growth in consumer spending on apparel products after the prolonged lockdown due to the pandemic. China was the first country to normalize after coronavirus, domestic sales volume has witnessed robust growth. In 2021, High Fashion had significant growth of revenue from manufacturing and trading of garments. High Fashion is optimistic that with our diversified product development, smart and green manufacturing and speed-to-market strategy, we are going to achieve a promising result in the coming years.

The pandemic has changed people's life and spending pattern. Businesses have adjusted to working from home; hence comfort and functionality have become top priorities in daily attire. E-commerce has registered strong growth and reshaped traditional supply chain models. With our core value of "being market-oriented" deeply ingrained, High Fashion has been able to adjust our market strategy with forward-looking mindset to answer to changing market needs.

Sustainability and green are the essence of our business. We have reformed our production process and improved efficiency to achieve waste and carbon footprint reduction. High Fashion has been pushing for breakthroughs in green product development, including advocating bio-based fabric, recycled fabric and upcycling and is working hand-in-hand with suppliers to reduce carbon emissions. We anticipate our effort on sustainability and innovation would bring synergy to the group and enhance our profitability. Together High Fashion is advancing to the world of green fashion with our clients.

Digitalization and our information technology infrastructure have enabled a comprehensive upgrade of our business operation and High Fashion is able to amplify our general operational and management efficiency in the ever-changing business environment. Information technology has empowered our group to achieve real-time and seamless communication and has become a major driving force for High Fashion to strive for breakthroughs.

In 2021, High Fashion also started the construction of Phase II of our WL District in Hangzhou upon our solid property management foundation. This project has not only generated stable income for our group but also facilitated the creation of our supply chain platform, bringing a golden opportunity for High Fashion to upgrade and transform into a diversified business.

FINANCIAL REVIEW

The Group's revenue in 2021 increased by 33.9% to HK\$2,888 million (2020: HK\$2,157 million). Revenue was mainly derived from the Manufacturing and Trading of Garment business, benefiting from the recovery of consumers' demand and a substantial increase in domestic orders in Mainland China. However, the rising raw material and higher fuel price resulting in a slightly decrease in gross profit margin. In response to the soaring cost of sales, we have adopted certain cost management measures and restructuring projects to reduce costs. With the operation flexibility, the Group keep adjusting our business and operating environment. The Group's profit for the year of 2021 was HK\$147.6 million (2020: HK\$125.2 million).

Geographically, revenue derived from China in 2021 was HK\$1,557.5 million, accounting for 53.9% of total revenue, and it represented an increase of 44.9% (2020: HK\$1,075.1 million, representing 49.8% of total revenue). The Group's export sales to Southeast Asian countries (including in Others) also increased, accounting for 15.8% of total revenue (2020: 13.3% of total revenue). Selling in the USA and European countries have not yet returned to pre-pandemic levels but have rebounded steadily, accounting for 30.3% of total revenue (2020: 36.9% of total revenue). This change reflects the Group's shifting and diversifying our development focus to different markets and regions in order to expand the sales network and reduce risks.

Other gains for the year of 2021 was HK\$140.1 million (2020: HK\$148.5 million), consisting mainly of fair value gains from investment properties of HK\$129.4 million (2020: HK\$150.5 million). The fair value gain from investment properties in both years earnings attributed to the increased property prices in Hong Kong. 2020 is higher than that in 2021 due to the revitalization works of the Hong Kong properties was completed in mid-2020 and ready to lease out.

Administrative expenses as a percentage of total revenue decreased from 11.4% in 2020 to 9.7% in 2021. Selling and distribution expenses as a percentage of total revenue decreased from 6.6% in 2020 to 6.0% in 2021. The decreases were mainly due to the leveraging of the Group's expenses resulted from streamlined operating processes and increased revenue.

The Group recorded income tax expense of HK\$38.2 million (2020: HK\$36.5 million), which including deferred tax of HK\$24.8 million (2020: HK\$28.3 million) related to fair value gains on investment properties.

For the year ended 2021, basic earnings per share were HK\$0.48, an increase of 17.1% compared to HK\$0.41 in 2020. As at 31 December 2021, net asset value per share was HK\$10.22, an increase of 8.8% compared to HK\$9.39 as at 31 December 2020.

SEGMENT INFORMATION

The segment information for the year ended 31 December 2021 is as follows:

	Revenue		Contribution	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activities:				
Manufacturing and trading of garments	2,743,006	1,913,949	29,353	3,755
Property investment and development	127,448	210,405	65,961	44,244
Brand business	17,406	32,747	(3,450)	(14,447)
	2,887,860	2,157,101	91,864	33,552
By geographical segments:				
China	1,557,526	1,075,138	73,859	56,305
USA	539,217	504,199	6,408	(19,350)
Europe	335,081	291,019	907	(2,876)
Others	456,036	286,745	10,690	(527)
	2,887,860	2,157,101	91,864	33,552

Manufacturing and trading of garments

Revenue from garment manufacturing and trading business in 2021 was HK\$2,743 million, an increase of HK\$829 million or 43.3%, compared to revenue of HK\$1,914 million in 2020. Profit for 2021 was HK\$29.4 million, representing a significant increase of 673.7% compared to HK\$3.8 million for 2020.

The Group incorporated largely sustainable elements in product development and production design, which is highly recognized by customers in China and overseas. Through lean management to reduce production costs, optimize workflows to improve operational profitability, and create a green fashion ecosystem with our supply chain, we provided the more innovative and comprehensive services to our customers.

Amid the swiftly markets change, the Group has adopted an active, rapid and flexible strategy to explore the China and Southeast Asian markets, which enabling us to quickly fulfil the needs of existing and new customers after recovering from the epidemic.

Property investment and development

Income from property investment and development business was HK\$127 million in 2021, compared to HK\$210 million in 2020. The decrease in revenue was due to the completion of the Tonglu's residential unit sales in 2020.

The Group is now vigorously expanding the scale of WL District project. The WL District in Hangzhou has received recognition and support from the local government, we will continue to optimize the combination of enterprises stationed in the districts, and collaborate with more high-quality partners for the creation and innovative co-research projects. The first phase of WL District project under development in Hangzhou has been completed and will gradually reflect the return on investment in future.

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

Brand business

As mentioned in the audited report of 2020, the Group will continue to scale down the retail brand business. Sales from brand business was mainly attributed to internal orders and clearance of inventory.

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

Over the years, the Group has vigorously adopted the concept of sustainable development and green, from procurement, production processes, product research and development, centered on environmental and green enterprise. We committed to solve the problems of high energy consumption and pollution that are common in traditional manufacturing business. With the celebration of our traceable accomplishments of the four-year Sustainable Development Goals set in 2016, the Group has set a five-year Sustainable Development Goals in 2020, which covering green procurement, sustainable product research and development, carbon emission reduction, resource conservation and corporate social responsibility to further strengthen and embody its commitment as an industry leader and promoter of sustainable development. In response to the Mainland China's goal of achieving carbon neutrality by 2060, the Group integrates sustainable development into its corporate strategy and day-to-day management, with the mission of establishing a green supply chain.

The Group's efforts in sustainability have been widely recognized in recent years at various levels. Internationally, our Dongguan branch has received the Gold Label of Low Carbon Manufacturing Programme ("LCMP") Certification and Global Recycle Standard ("GRS") Certification. At regional level, our Hangzhou factory has been awarded the "Green Factory in Low Carbon Emission" Certification by the Zhejiang Provincial Government. The above accolades highlight our mindfulness in unwavering commitment to pursuing the highest standards in achieving carbon neutral goals.

Being a socially responsible corporate citizen, the Group also devotes efforts in providing a safe and supportive working environment. Furthermore, the Group creates a more connected and vibrant society by continuing to assist a wide range of social segments by making financial and in-kind contributions to charitable organizations and individuals in need. Our care to employees and the society have been acknowledged with the awards of "Harmonious Labour Relations Enterprise Certification" and "Spring Action 20th Anniversary Compassion Award Excellent Enterprise" respectively by the Xiaoshan Local Government in Hangzhou.

The Group values and emphasizes our Board and employees at all levels to commit and participate in dedication of sustainability. Through adopting a comprehensive environmental, social and governance ("ESG") structure, the Board takes a leading role in overseeing the Group ESG goals and strategy formulation with the support of ESG Committee in monitoring and evaluating the execution of various ESG policies and projects. Various ESG working groups have been formed in different regions to execute and lead the regional sustainability operations. Interval meetings with ESG Committee are held to report the project progress and challenges and risks in project execution. The Risk Management Committee also plays an important role in assessing the ESG risks involved in the Group business and providing appropriate risk management advice. We believe that a well-established ESG framework is an essential component in achieving sustainability.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group's total bank balance and cash, bank deposit and financial assets amounted to HK\$1.1 billion, compared to HK\$1.33 billion as at 31 December 2020. The decrease in total balances was mainly due to the increase in capital expenditures.

Bank loans decreased from HK\$1.71 billion as at 31 December 2020 to HK\$1.68 billion as at 31 December 2021, bank loans were mainly dominated by HKD. Bank loans are mainly used for a number of property construction, development projects and fixed asset investment for the development and upgrading of the production plants in Mainland China.

The ratio of non-current liabilities to shareholders' funds improved to 45.8% as at 31 December 2021 (31 December 2020: 48.0%) and current ratio is 1.5 (1.6 as at 31 December 2020), revealing that the Group has a solid capital base. The Group's current assets are transformed into long-term investment projects to facilitate the Group's long-term development.

Net cash from operating activities decreased from approximately HK\$107 million in 2020 to approximately HK\$21 million in 2021, mainly due to purchase of raw material to fulfill customers' demand in early 2022. With adequate bank financing and stable income from its own properties, the Management is confident to maintain healthy working capital and liquidity to meet operational needs and future growth.

FOREIGN CURRENCY RISK EXPOSURE

Foreign currency risk is primarily related to RMB and USD, which is due to the fact that most of our operating expenses are denominated in RMB and most of our sales are denominated in US dollars. The Group complies with the policy of monitoring foreign exchange risks and, where appropriate, will use short-term foreign exchange contracts to minimize its foreign exchange losses. As the Hong Kong dollar is pegged to the USD, the Group management considers that the relevant foreign exchange risks are minimal. Management will continue to take prudential measures to mitigate risks.

CHARGES ON ASSETS

Apart from HK\$1,390 million for mortgaged properties in Hong Kong (31 December 2020: HK\$1,289 million), the Group has no collateral for other assets.

CAPITAL EXPENDITURE

The Group has purchased the plant and equipment, leasehold improvement and construction in progress of around HK\$97.3 million in order to upgrade the manufacturing capabilities and improve the environmental protection facilities during the year. The Group also injects HK\$158.0 million into certain properties construction and development projects during the reporting period.

CAPITAL COMMITMENTS

As at 31 December 2021, 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\$182.0 million.

CONTINGENT LIABILITIES

Please refer to note 13 to the consolidated financial statements for details of contingent liabilities.

HUMAN RESOURCES

The total number of employees of the Group including joint ventures as at the end of the reporting year was about 4,800. 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.

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 Tuesday, 14 June 2022 at 11:00 a.m. Notice of AGM will be published on the websites of the Company (www.highfashion.com.hk) and the Stock Exchange (www.hkexnews.hk) and despatched to shareholders of the Company in due course.

PROPOSED AMENDMENTS TO EXISTING BYE-LAWS

The Board proposes to amend the Bye-laws of the Company to grant the Company the flexibility in the conduct of general meetings, allowing the Company to hold (i) hybrid general meetings where shareholders may participate by means of electronic facilities in addition to physical attendance and (ii) electronic general meetings. Proposed amendments are also made to explicitly set out other related powers of the Board and the Chairman of the general meeting, including making arrangements for attendance at the meetings, and orderly conduct of the meetings. Other minor amendments also include incorporating certain housekeeping changes. Further, some amendments are also made to reflect the certain updates in relation to the applicable laws of Bermuda and the Listing Rules.

The above proposed amendments are subject to the approval of the shareholders by a special resolution at the AGM. A circular containing, among other things, details of the proposed amendments will be despatched to the shareholders of the Company together with the 2021 Annual Report.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of 6 HK cents (2020: 3 HK cents) per share for the year ended 31 December 2021 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 22 June 2022. 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 despatched on Friday, 15 July 2022.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Friday, 10 June 2022 to Tuesday, 14 June 2022, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by not later than 4:30 p.m. on Thursday, 9 June 2022.

In addition, the Register of Members will also be closed from Tuesday, 21 June 2022 to Wednesday, 22 June 2022, both days inclusive, during which period no transfer of shares will be registered. In order to determine shareholders who are entitled to qualify for the 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by not later than 4:30 p.m. on Monday, 20 June 2022.

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 which was in effect before 1 January 2022, except for the following deviations as described below:

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 although there are no formal letters of appointment entered into between the Company and the directors of the Company, 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 of the Company also have a clear understanding of the terms and conditions of their appointment with close communication with the Company and awareness on their 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 2021.

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) and the Stock Exchange (www.hkexnews.hk).

The 2021 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 29 April 2022.

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

Hong Kong, 31 March 2022

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 Director: Mr. Hung Ka Hai, Clement; and (3) Independent Non-executive Directors: Professor Yeung Kwok Wing, Mr. Leung Hok Lim and Mr. Chung Kwok Pan.