



# High Fashion International Limited

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



2016  
INTERIM REPORT

# CONTENTS

	Page(s)
Chairman's Statement	2
Management Discussion And Analysis	4
Condensed Consolidated Financial Statements	
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	7
Condensed Consolidated Statement of Financial Position	10
Condensed Consolidated Statement of Changes in Equity	12
Condensed Consolidated Statement of Cash Flows	13
Notes to the Condensed Consolidated Financial Statements	15
Other Information	38
Corporate Information	44

# CHAIRMAN'S STATEMENT

2016 was characterized by the global uncertainty which greatly impacted the market as witnessed in the tightened consumer market confidence in the first half of the year. The industry pressure, the slowdown in the Mainland growth, the Brexit reality and the rising signs of softness in the US economy have further cast doubt over the macro economic outlook that will remain very challenging in the near term.

In these turbulent times, our export businesses were further exposed to heightened currency exchange rate volatility, particular to the UK and Eurozone regions. Thanks to our diversified business model and geographic customer profile, the Group has weathered this period with little effect and continued to deliver a decent set of 2016 interim results despite profit being dragged down by one-off expenses. This again demonstrated our resilience in difficult market conditions supported by strategically upscale customer segmentation through product innovation and operational excellence in multiple channels.

- Net profit at HK\$15.38 million
- Gearing ratio of non-current liabilities to shareholders' fund at 9%. Current ratio at 1.2
- Basic earnings per share landed at HK\$0.05
- Net asset value per share amounted to HK\$7.37
- An interim dividend per share of HK\$0.03

Our core business remains solid with promising future, albeit mixed results among different manufacturing units were reported in the first 6 months of the year. We will continue to accelerate growth through our designated strategies on speed, innovation and technological advancements to adapt to the fast changing market needs.

The Group is in the process of restructuring & reshaping the multi-brand, multi-channel brand business operating in different geographic areas. Positive profitability enhancement has been realized in the first half of the year versus last year while full potential of the brand business has yet to be unlocked. These will be driven by dedicated strategies & initiatives including a new e-commerce operating model leveraging the Group's smart technologies, superb product quality & innovation as well as strong value chain capabilities.

# CHAIRMAN'S STATEMENT

The quality portfolio of property projects at different stage of investment & development serve as additional growth drivers for the Group with progressive value realization to enhance long-term shareholders' value.

Proactive refinement of the FX management and hedging strategies has been executed to mitigate the exposure from the unforeseeable RMB volatility.

Looking ahead, while we stay cautious about the pace of macroeconomic recovery, we are convinced of the ample opportunities available through our strategic business transformation efforts building on the "Internet +" and "One Belt and One Road Initiative" implemented by the China government. We believe these initiatives will over time deliver the planned benefits to the Group over the long run.

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

**Lam Foo Wah**

*Chairman & Managing Director*

Hong Kong, 30 August 2016

# MANAGEMENT DISCUSSION AND ANALYSIS

## Results

Revenue of the Group declined 5.4% to HK\$1.27 billion for the six months ended 30 June 2016 versus last year dragged down partly by the reduction in gain from RMB Par Forward contracts compared to last year as a result of unfavorable swing in RMB/USD rate.

Correspondingly, gross margin % comparison between first half 2016 versus same period last year was also unfavorably distorted by the reduction in gain from RMB Par Forward contracts in 2016 compared to last year.

Selling & distribution expenses and administrative expenses managed to maintain at similar level last year in spite of escalating operating cost pressure in China. Overall operating expenses for the year 2016 included also professional & consultancy fees on a number of different projects as well as one-off expenses totaled HK\$18.3 million which is classified under "Other Expenses".

Profit attributable to shareholders for the six months ended 30 June 2016 landed at HK\$15.4 million, compared with last corresponding period of HK\$30.3 million. Basic earnings per share were 5 HK cents. Net asset value per share was HK\$7.37.

## Review of Operations

The segmental information is as follows:

	Revenue		Contribution	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
By principal activity:				
Manufacturing and trading	1,162,039	1,242,936	77,582	97,367
Brand business	106,807	98,288	(22,265)	(32,267)
	<b>1,268,846</b>	1,341,224	<b>55,317</b>	65,100

# MANAGEMENT DISCUSSION AND ANALYSIS

Initial benefits has been realized in the first half of 2016 in the process underway in restructuring & reshaping the multi-brand, multi-channel brand business operating in different geographic areas. Mixed results were reported in 2016 among different manufacturing units while business foundation stays strong in the challenging macro-economic environment.

Profit for the first half of 2016 included an exceptional gain on fair value change of derivative financial instruments of HK\$24 million (2015: HK\$27 million) and an increase in fair value of investment properties, net of tax, amounted to HK\$49 million (2015: HK\$12 million) in the current period.

## Liquidity and Financial Resources

The Group's total outstanding bank borrowings were decreased to HK\$1,203 million at the end of interim reporting period compared to HK\$1,365 million as at 31 December 2015. The decrease in bank borrowing was mainly due to refinement of our hedging strategies during the year in response of increased volatility of RMB. Our gearing ratio of non-current liabilities to shareholders' funds was 9% at the end of interim reporting period. Current ratio maintained at a healthy level of 1.2.

The Group's total cash and bank balances including structured deposits of HK\$459 million (2015: HK\$550 million) were HK\$1,070 million at the end of interim reporting period compared to HK\$1,362 million as at 31 December 2015. Based on the ample banking facilities available, the Group had a strong working capital and liquidity to meet the operating needs and future growth.

The Group's trade receivables were mainly denominated in US dollars. Bank borrowings were denominated in US dollars and Hong Kong dollars. Since the Hong Kong dollar is pegged to the US dollar, the Group considers that its foreign exchange risk is minimal. The Group has taken conservative approach to handle foreign currency risk with adequate hedging reserve. The Group had no borrowings at fixed interest rates during the period.

# MANAGEMENT DISCUSSION AND ANALYSIS

As disclosed in note 23, the Group has no other material contingent liabilities. Barring the pledge of trade receivables of certain subsidiaries of HK\$14 million, there were no charges on the Group's assets.

## Tax Audit

The Inland Revenue Department (IRD) initiated a tax audit on certain group companies in February 2006 for the years of assessment from 1999/2000 onwards. The management is of the opinion that, in all the years, adequate Hong Kong tax provision were made on the Hong Kong sourced income. Since the tax audit is still at a fact-finding stage, the outcome of the tax audit cannot be readily ascertained. After consulting with professional advisers, the management is of the opinion that the existing provisions are adequate.

## Human Resources

The total number of employees of the Group including joint ventures as at the end of interim reporting period was about 7,500. 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 options were granted to employees during the period.

## Capital Expenditure

The Group purchased the plant and equipment and construction in progress of HK\$14 million in order to upgrade its manufacturing capabilities during the period. Except for the above, there was no material capital expenditure during the period.

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors (the “Board”) of High Fashion International Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2016 together with the comparative figures.

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

For the six months ended 30 June 2016

		Six months ended 30 June	
	NOTES	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
<b>Revenue</b>	3	<b>1,268,846</b>	1,341,224
Cost of sales		<b>(1,037,694)</b>	(1,026,243)
<b>Gross profit</b>		<b>231,152</b>	314,981
Other income		<b>35,898</b>	49,486
Other gains and losses	4	<b>88,068</b>	19,923
Administrative expenses		<b>(199,337)</b>	(199,074)
Selling and distribution expenses		<b>(81,858)</b>	(84,362)
Other expenses		<b>(18,320)</b>	(27,146)
Finance costs	5	<b>(16,011)</b>	(22,859)
Share of losses of joint ventures		<b>(286)</b>	(8,708)
<b>Profit before taxation</b>		<b>39,306</b>	42,241
Income tax expenses	6	<b>(26,262)</b>	(12,379)
<b>Profit for the period</b>	7	<b>13,044</b>	29,862



# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income *(Continued)*

For the six months ended 30 June 2016

		Six months ended 30 June	
	NOTE	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
<b>Other comprehensive income</b>	8		
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		(45,404)	(16,946)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		(2,563)	264
Fair value gain on hedging instruments under cash flow hedges		39,033	62,420
Reclassified to profit or loss on realisation of cash flow hedges		24,151	(22,302)
Income tax relating to items that may be reclassified subsequently		(8,358)	(6,618)
		52,263	33,764
Other comprehensive income for the period, net of tax		6,859	16,818
<b>Total comprehensive income for the period</b>		<b>19,903</b>	<b>46,680</b>

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income *(Continued)*

For the six months ended 30 June 2016

		Six months ended 30 June	
	NOTE	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		15,380	30,321
Non-controlling interests		(2,336)	(459)
		<b>13,044</b>	<b>29,862</b>
Total comprehensive income (expense) attributable to:			
Owners of the Company		22,300	46,955
Non-controlling interests		(2,397)	(275)
		<b>19,903</b>	<b>46,680</b>
<b>Earnings per share</b>			
Basic	9	<b>5.03 HK cents</b>	9.92 HK cents

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Condensed Consolidated Statement of Financial Position

At 30 June 2016

		At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
	NOTES		
<b>Non-current assets</b>			
Property, plant and equipment		706,073	732,329
Prepaid lease payments		111,903	115,593
Investment properties	11	1,154,457	1,088,754
Investments in joint ventures		17,545	18,024
Available-for-sale investments		6,523	675
Deferred tax assets		34,100	32,033
Deposit placed and prepayment of premium for a life insurance		26,357	26,439
Derivative financial instruments	12	606	–
		<b>2,057,564</b>	<b>2,013,847</b>
<b>Current assets</b>			
Inventories		466,551	479,824
Trade receivables	13	415,584	405,299
Bills receivable	13	12,486	11,466
Prepaid lease payments		3,168	3,231
Deposits, prepayments and other receivables	14	150,908	155,649
Amounts due from joint ventures		27,142	27,762
Tax recoverable		163,390	151,445
Derivative financial instruments	12	17,524	–
Structured deposits	15	458,787	550,246
Short-term bank deposits		202,743	201,402
Bank balances and cash		408,290	610,597
		<b>2,326,573</b>	<b>2,596,921</b>

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Condensed Consolidated Statement of Financial Position

(Continued)

At 30 June 2016

		At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
	NOTES		
<b>Current liabilities</b>			
Trade payables	16	324,152	310,691
Other payables and accruals		183,427	201,249
Amounts due to joint ventures		2,754	1,773
Amount due to an associate		585	585
Tax payable		157,096	157,072
Derivative financial instruments	12	62,389	125,524
Obligations under finance leases		86	52
Bank borrowings	17	1,202,925	1,364,930
Bank overdrafts		410	3
		<b>1,933,824</b>	<b>2,161,879</b>
<b>Net current assets</b>		<b>392,749</b>	<b>435,042</b>
<b>Total assets less current liabilities</b>		<b>2,450,313</b>	<b>2,448,889</b>
<b>Non-current liabilities</b>			
Obligations under finance leases		126	–
Deferred tax liabilities		177,786	152,848
Derivative financial instruments	12	17,249	50,308
Provision for long service payments		3,215	3,289
Other payable		–	1,242
		<b>198,376</b>	<b>207,687</b>
<b>Net assets</b>		<b>2,251,937</b>	<b>2,241,202</b>
<b>Capital and reserves</b>			
Share capital	18	30,562	30,562
Share premium and reserves		2,247,350	2,234,218
Equity attributable to owners of the Company		<b>2,277,912</b>	<b>2,264,780</b>
Non-controlling interests		<b>(25,975)</b>	<b>(23,578)</b>
<b>Total equity</b>		<b>2,251,937</b>	<b>2,241,202</b>

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Attributable to owners of the Company							Attributable to non-controlling interests	Total			
	Share capital	Share premium	Share Translation reserve	Reserve funds	Property revaluation reserve	Capital redemption reserve	Hedging reserve			Other reserve	Accumulated profits	Sub-total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2016 (audited)	30,562	287,656	236,107	74,196	112,607	8,511	(107,937)	39,853	1,583,225	2,264,780	(23,578)	2,241,202
Profit (loss) for the period	-	-	-	-	-	-	-	-	15,380	15,380	(2,336)	13,044
Other comprehensive (expense) income for the period	-	-	(47,906)	-	-	-	54,826	-	-	6,920	(61)	6,859
Total comprehensive (expense) income for the period	-	-	(47,906)	-	-	-	54,826	-	15,380	22,300	(2,397)	19,903
Dividends (note 10)	-	-	-	-	-	-	-	-	(9,168)	(9,168)	-	(9,168)
Exchange differences transferred upon deregistration of a subsidiary	-	-	2,833	-	-	-	-	-	(2,833)	-	-	-
	-	-	2,833	-	-	-	-	-	(12,001)	(9,168)	-	(9,168)
<b>At 30 June 2016 (unaudited)</b>	<b>30,562</b>	<b>287,656</b>	<b>191,034</b>	<b>74,196</b>	<b>112,607</b>	<b>8,511</b>	<b>(53,111)</b>	<b>39,853</b>	<b>1,586,604</b>	<b>2,277,912</b>	<b>(25,975)</b>	<b>2,251,937</b>
At 1 January 2015 (audited)	30,562	287,656	403,536	66,070	112,607	8,511	(4,990)	39,853	1,569,376	2,513,181	(1,650)	2,511,531
Profit (loss) for the period	-	-	-	-	-	-	-	-	30,321	30,321	(459)	29,862
Other comprehensive (expense) income for the period	-	-	(16,866)	-	-	-	33,500	-	-	16,634	184	16,818
Total comprehensive (expense) income for the period	-	-	(16,866)	-	-	-	33,500	-	30,321	46,955	(275)	46,680
Dividends (note 10)	-	-	-	-	-	-	-	-	(15,281)	(15,281)	-	(15,281)
At 30 June 2015 (unaudited)	30,562	287,656	386,670	66,070	112,607	8,511	28,510	39,853	1,584,416	2,544,855	(1,925)	2,542,930

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
NOTES		HK\$'000 (unaudited)	HK\$'000 (unaudited)
		<b>(60,373)</b>	(3,333)
<b>INVESTING ACTIVITIES</b>			
	15	<b>(207,143)</b>	(303,750)
		<b>(103,214)</b>	(99,622)
	15	<b>289,286</b>	865,000
		<b>99,622</b>	408,606
		<b>(5,848)</b>	–
		–	37,736
		<b>16,086</b>	50,818
		<b>(21,624)</b>	(13,647)
		<b>3,328</b>	260
		<b>(15,007)</b>	(26,687)
		<b>(54)</b>	(1,952)
		<b>295</b>	8,137
		<b>55,727</b>	924,899
<b>FINANCING ACTIVITIES</b>			
	17	<b>458,126</b>	601,638
	17	<b>(620,279)</b>	(1,368,886)
		<b>(15,546)</b>	(24,012)
	10	<b>(9,168)</b>	(15,281)
		–	(1,771)
		<b>(60)</b>	(68)
		<b>(186,927)</b>	(808,380)

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Condensed Consolidated Statement of Cash Flows *(Continued)*

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Net (decrease) increase in cash and cash equivalents	(191,573)	113,186
Cash and cash equivalents at beginning of the period	610,594	562,690
Effect of foreign exchange rate changes, net	(11,141)	(2,333)
Cash and cash equivalents at end of the period	<b>407,880</b>	<b>673,543</b>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	408,290	674,170
Bank overdrafts	(410)	(627)
	<b>407,880</b>	<b>673,543</b>

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

### 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, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.



# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

(Continued)

### 3. 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 2016 (unaudited)

	Manufacture and trading of garments HK\$'000	Brand business HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>					
External sales	1,162,039	106,807	1,268,846	-	1,268,846
Inter-segment sales (note a)	19,462	-	19,462	(19,462)	-
Segment revenue	<u>1,181,501</u>	<u>106,807</u>	<u>1,288,308</u>	<u>(19,462)</u>	<u>1,268,846</u>
<b>RESULT</b>					
Segment profit (loss) (note b)	<u>78,814</u>	<u>(22,265)</u>	<u>56,549</u>	<u>(1,232)</u>	<u>55,317</u>
Finance costs					<u>(16,011)</u>
Profit before taxation					<u>39,306</u>

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

(Continued)

### 3. Segment Information (Continued)

For the six months ended 30 June 2015 (unaudited)

	Manufacture and trading of garments HK\$'000	Brand business HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>					
External sales	1,242,936	98,288	1,341,224	-	1,341,224
Inter-segment sales (note a)	43,842	-	43,842	(43,842)	-
Segment revenue	<u>1,286,778</u>	<u>98,288</u>	<u>1,385,066</u>	<u>(43,842)</u>	<u>1,341,224</u>
<b>RESULT</b>					
Segment profit (loss) (note b)	<u>100,039</u>	<u>(32,267)</u>	<u>67,772</u>	<u>(2,672)</u>	<u>65,100</u>
Finance costs					<u>(22,859)</u>
Profit before taxation					<u>42,241</u>

Notes:

- (a) Inter-segment sales are charged at agreed terms set out in the subcontracting agreement entered into between group companies.
- (b) Segment profit (loss) includes i) fair value gain on investment properties of approximately HK\$60,722,000 and nil (30 June 2015: HK\$13,367,000 and nil); and ii) fair value gain on derivative financial instruments of approximately HK\$23,655,000 and nil (30 June 2015: HK\$27,340,000 and nil) attributed to manufacture and trading of garments segment and brand business segment, respectively.

Segment profit (loss) represents the profit (loss) earned by each segment without allocation of finance costs. This is the measure reported to the Company's executive directors for the purposes of resources allocation and performance assessment.

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

(Continued)

### 4. Other Gains and Losses

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Increase in fair value of investment properties	60,722	13,367
Change in fair value of derivative financial instruments	23,655	27,340
Gain on disposal of property, plant and equipment and prepaid lease payments	1,479	77
Net foreign exchange gain (loss)	3,231	(9,063)
Net (allowance for) reversal of allowance for bad and doubtful debts	(1,019)	508
Impairment loss recognised on amounts due from joint ventures ( <i>note</i> )	–	(12,306)
	<b>88,068</b>	<b>19,923</b>

*Note:* At the end of each reporting period, the directors made an assessment of the recoverability of the amounts due from joint ventures based on the expected timing of the estimated future cash flows. Impairment loss of HK\$12,306,000 had been recognised for the period ended 30 June 2015 on the amounts due from joint ventures as the directors considered that the joint venture companies had been incurring significant loss and might not be able to fully repay the amounts due to the Group.

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

(Continued)

### 5. Finance Costs

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Interests on:		
– bank borrowings and overdrafts	13,609	20,024
– finance leases	6	8
Bank charges	2,396	2,827
	<b>16,011</b>	<b>22,859</b>

### 6. Income Tax Expenses

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Current tax charge:		
Hong Kong	979	4,052
The People's Republic of China (the "PRC")	2,803	6,787
Other jurisdictions	497	536
	<b>4,279</b>	<b>11,375</b>
Underprovision in prior years:		
The PRC	6,939	2,259
Other jurisdictions	–	13
	<b>6,939</b>	<b>2,272</b>
Deferred taxation – current period	15,044	(1,268)
	<b>26,262</b>	<b>12,379</b>

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

(Continued)

### 6. Income Tax Expenses (Continued)

#### *Current tax*

As disclosed in the Group's annual reports published in previous years, the Inland Revenue Department ("IRD") has initiated a tax audit on certain group companies in Hong Kong for the year of assessment from 1999/2000 onwards. As a matter of IRD's practice, the IRD has issued estimated/additional assessments ("Assessments") demanding for tax to the relevant group companies for the years of assessment from 1999/2000 to 2009/2010. During the course of the tax audit, there may be a possibility that estimated additional assessments for subsequent years will be issued by the IRD to these group companies.

Up to 30 June 2016, the Group has purchased tax reserve certificates of approximately HK\$159,541,000 (31 December 2015: HK\$144,300,000) for conditional standover order of objection against the Assessments for the years of assessment from 1999/2000 to 2009/2010 and the amount is included in tax recoverable.

Since the tax audit is still at a fact-finding stage with different views being exchanged with the IRD, the outcome of the tax audit cannot be readily ascertained with reasonable accuracy. Management has in the current period followed the same basis for making provision as adopted in prior years. In the opinion of the directors, the provision made is adequate for the purpose mentioned above.

#### *Deferred tax*

Included in tax charge for the period is approximately HK\$12,066,000 (2015: HK\$1,138,000) deferred tax charged on increase in fair value of investment properties.

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

(Continued)

### 7. Profit for the Period

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

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Amortisation of prepaid lease payments	1,617	1,701
Net allowance for inventory obsolescence (included in cost of sales)	8,260	9,066
Realisation of cash flow hedges reclassified from other comprehensive income ( <i>note a</i> )	24,151	(22,302)
Investment income earned on:		
– bank interest income	(4,348)	(9,462)
– interest income on other receivables	(407)	(1,497)
– interest income from structured deposits	(11,461)	(14,512)
Written back of customs provision in prior years ( <i>note b</i> )	–	(8,525)

Notes:

- (a) Loss of HK\$23,507,000 (six months ended 30 June 2015: gain of HK\$23,084,000) is included in revenue and the remaining balance of a loss of HK\$644,000 (six months ended 30 June 2015: HK\$782,000) is included in finance costs.
- (b) The Group had been in disputes with the relevant authority in the United States of America on the customs duty and penalty imposed, on which full provision was made in the condensed consolidated financial statements in prior years. During the period ended 30 June 2015, the relevant authority discharged its order and released the Group's obligation for the penalty payment. Accordingly, provision previously made was written back.

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

(Continued)

### 8. Other Comprehensive Income

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Cash flow hedges:		
Fair value gain on hedging instruments	39,033	62,420
Reclassification adjustments upon recognition of hedged items in profit or loss	24,151	(22,302)
	<b>63,184</b>	40,118
Exchange differences arising on translation	<b>(47,967)</b>	(16,682)
	<b>15,217</b>	23,436
Income tax relating to components of other comprehensive income – fair value change in hedging instruments under cash flow hedges	<b>(8,358)</b>	(6,618)
Other comprehensive income for the period, net of tax	<b>6,859</b>	16,818

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

(Continued)

### 9. Earnings Per Share

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

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Profit for the purpose of basic earnings per share attributable to owners of the Company	<b>15,380</b>	30,321
	<b>Number of shares</b>	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>305,615,420</b>	305,615,420

No diluted earnings per share has been presented as there is no potential ordinary share outstanding during both periods or at the end of the respective reporting periods.

### 10. Dividends

During the current interim period, a final dividend of 3 HK cents (six months ended 30 June 2015: 5 HK cents) per share was declared to the shareholders for the year ended 31 December 2015 (six months ended 30 June 2015: for the year ended 31 December 2014) and paid in cash.



# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

*(Continued)*

### 10. Dividends *(Continued)*

The Board declared that an interim dividend of 3 HK cents per share for the six months ended 30 June 2016 (six months ended 30 June 2015: 3 HK cents) which will be paid to shareholders whose names appear in the register of members on 23 September 2016. This dividend was declared after the end of the reporting period, and therefore it has not been included as a liability in the condensed consolidated statement of financial position.

### 11. Investment Properties

During the current interim period, the Group spent HK\$15,007,000 (six months ended 30 June 2015: HK\$6,008,000) on the construction of certain investment properties. In addition, during the period ended 30 June 2015, the Group paid HK\$20,679,000 at the request of the Xinchang County Land & Resources Bureau for the use of the existing investment properties for commercial purpose.

All investment properties held by the Group are measured using fair value model. The fair value of the Group's investment properties at 30 June 2016 and 31 December 2015 has been arrived at on the basis of the valuation carried out by Centaline Surveyors Limited, 新昌信安達資產評估有限公司 and 深圳市戴德梁行土地房地產評估有限公司, which are independent qualified professional valuers not connected with the Group. An increase in fair value of investment properties of HK\$60,722,000 (six months ended 30 June 2015: HK\$13,367,000) has been recognised directly in the profit or loss for the six months ended 30 June 2016.

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

(Continued)

### 12. Derivative Financial Instruments

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
<b>Financial assets</b>		
Cash flow hedges		
– Foreign exchange forward contracts ( <i>note</i> )	1,407	–
Other derivatives (not under hedge accounting)		
– Foreign exchange forward contracts	16,723	–
	<b>18,130</b>	–
<b>Financial liabilities</b>		
Cash flow hedges		
– Foreign exchange forward contracts ( <i>note</i> )	62,144	124,045
– Interest rate swaps	391	266
	<b>62,535</b>	124,311
Other derivatives (not under hedge accounting)		
– Dual currency interest rate swap	6,825	8,619
– Capped forward contract	1,265	8,583
– Knock out forward contracts	9,013	30,589
– Foreign exchange forward contract	–	3,730
	<b>17,103</b>	51,521
	<b>79,638</b>	175,832
Analysed for reporting purposes as:		
Non-current assets	606	–
Current assets	17,524	–
	<b>18,130</b>	–
Non-current liabilities	17,249	50,308
Current liabilities	62,389	125,524
	<b>79,638</b>	175,832

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

*(Continued)*

### 12. Derivative Financial Instruments *(Continued)*

*Note:* The Group entered into foreign exchange forward contracts to sell United States Dollar (“US\$”) for Renminbi (“RMB”) to manage the Group’s exposure to foreign currency in relation to highly probable forecast sales to end customers denominated in US\$ as disclosed in the Group’s annual report published in previous years. At the end of the reporting period, the Group has outstanding foreign exchange forward contracts with an aggregate notional amount of US\$166 million (31 December 2015: US\$325 million) that require the Group to sell US\$ for RMB at exchange rates ranging from RMB6.192 to RMB6.66 (31 December 2015: RMB6.192 to RMB6.74) for US\$1 with maturity periods up to 18 months (31 December 2015: 24 months). During the current interim period, the Group requested for early termination of certain contracts with an aggregate contract value of US\$67.5 million by cash settlement based on the fair values of the respective contracts at the date of termination. The cumulative net fair value gain of these early terminated contracts of approximately HK\$1,001,000 recognised in other comprehensive income continues to be separately classified in equity at the date of termination until the respective forecast sales transactions occur, at which the gain will be reclassified from equity to profit or loss.

The above derivatives are measured at fair values at the end of the reporting period. Their fair values are determined based on the valuation carried out by financial institutions, which are measured using the present values of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and quoted forward exchange rates at the end of the reporting period.

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

(Continued)

### 13. Trade Receivables and Bills Receivable

The credit terms granted by the Group to its customers normally range from 30 days to 90 days.

The aged analysis of the Group's trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximates the respective revenue recognition dates, is as follows:

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Within 90 days	372,644	384,569
91 to 180 days	30,063	11,919
181 to 360 days	6,883	4,238
Over 360 days	5,994	4,573
	<b>415,584</b>	<b>405,299</b>

At the end of the reporting period, bills receivable of HK\$12,486,000 (31 December 2015: HK\$11,466,000) are aged within 90 days (31 December 2015: 90 days). Included in the bills receivable is discounted bills with recourse of HK\$10,010,000 (31 December 2015: HK\$10,249,000) of which the corresponding financial liabilities are included in bank borrowings.

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

*(Continued)*

### 14. Deposits, Prepayments and Other Receivables

Included in deposits, prepayments and other receivables is a deposit of RMB30,000,000 (equivalent to HK\$35,088,000) (31 December 2015: RMB30,000,000, equivalent to HK\$35,714,000) paid to the customs authority in Shaoxing City of Zhejiang Province in the PRC in relation to an ongoing enquiry of customs duty for import of certain machinery parts and apparel accessories for manufacturing by the PRC factories into China.

On 30 June 2016, the Group received a judgment made by the Intermediate People's Court of the Shaoxing City of Zhejiang Province (the "Judgment") regarding the aforesaid case. According to the Judgment, the Group was convicted an offence of illicit transportation of common goods or articles without paying customs duty and was required to pay a penalty of RMB28 million (the "Fine") and customs of RMB27 million (the "Customs") on these imported machinery parts and apparel accessories, out of which RMB30,000,000 deposit previously detained by the Customs Authority would be confiscated by the Customs Authority and used to offset the amount payable. No payment for the Fine and Customs were made up to the date of this report. After seeking advices from the legal and tax professionals, the PRC counsel has advised that the facts set out in the Judgment were unclear and without merit, and the Group has submitted an appeal application against the Judgment subsequent to the end of the reporting period. Accordingly, no provision is considered necessary by the directors to be made in the condensed consolidated financial statements.

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

*(Continued)*

### 15. Structured Deposits

During the current interim period, the Group entered into certain structured deposits with aggregate amount of RMB174,000,000 (equivalent to HK\$207,143,000) (six months ended 30 June 2015: RMB243,000,000, equivalent to HK\$303,750,000) which will mature in various dates from September 2016 to December 2016 (six months ended 30 June 2015: February 2016 to June 2016). The structured deposits are designated as financial assets at fair value through profit or loss on initial recognition. The annual coupon rate is dependent on whether the spot rate for conversion of Australian Dollar or European Dollar for US\$ as prevailing in the international foreign exchange market falls under certain ranges as specified in the relevant agreements. The issuing banks have the right to early redeem the structured deposits by repaying the principal and any accrued interest on the structured deposits before maturity. Structured deposits with aggregate carrying amount on maturity date of RMB243,000,000 (equivalent to HK\$289,286,000) (six months ended 30 June 2015: RMB692,000,000, equivalent to HK\$865,000,000) were settled during the current interim period.

At the end of the reporting period, the structured deposits are measured at fair values. The fair values are calculated using discounted cash flow analysis based on the applicable yield curves of the relevant exchange rates.

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

(Continued)

### 16. Trade Payables

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

	At 30 June 2016 HK\$'000 (unaudited)	At 31 December 2015 HK\$'000 (audited)
Within 90 days	81,582	111,852
91 to 180 days	7,388	8,462
181 to 360 days	8,015	2,282
Over 360 days	5,657	6,639
	<b>102,642</b>	129,235
Accrued purchases	<b>221,510</b>	181,456
	<b>324,152</b>	310,691

The average credit period on purchases of goods is 90 days.

### 17. Bank Borrowings

During the current interim period, the Group obtained several new bank borrowings from various banks amounted to HK\$458 million (six months ended 30 June 2015: HK\$602 million) and repaid HK\$620 million (six months ended 30 June 2015: HK\$1,369 million). The loans carry interest at market rates ranging from 1.01% to 3.47% (31 December 2015: 1.02% to 3.43%) per annum.

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

(Continued)

### 18. Share Capital

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Issued and fully paid:		
At 1 January 2015 (audited), 30 June 2015 (unaudited), 1 January 2016 (audited) and 30 June 2016 (unaudited)	305,616	30,562

### 19. Capital Commitments

As at 30 June 2016, the Group is committed to capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided for amounted to HK\$11,928,000 (31 December 2015: HK\$5,047,000).

### 20. Related Party Transactions

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

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Purchases of raw materials and finished goods from joint ventures	6,720	7,209
Sales of raw materials and finished goods to joint ventures	497	15,352
Key management personnel compensation ( <i>note</i> )	8,043	5,936

*Note:* The remuneration of directors and key executives during the period are determined by the remuneration committee having regard to the performance of individuals and market trends.



# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

(Continued)

### 21. Fair Value Measurements of Financial Instruments

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

The Group's derivative financial instruments and structured deposits are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable. For valuation technique using discounted cash flows, the discount rates used take into consideration the credit risk of the relevant counterparties of the Group, as appropriate.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

(Continued)

### 21. Fair Value Measurements of Financial Instruments (Continued)

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2016	31 December 2015		
Foreign exchange forward contracts	<b>Assets – HK\$18,130,000 Liabilities HK\$62,144,000</b>	Liabilities HK\$127,775,000	Level 2	Valuation technique: Discounted cash flow.  Key inputs: Forward exchange rates, contracted exchange rates and discount rates.
Capped forward contract	<b>Liability – HK\$1,265,000</b>	Liability – HK\$8,583,000	Level 2	Valuation techniques: Discounted cash flow and option pricing model.  Key inputs: Forward exchange rates, contracted exchange rates, discount rates and volatility of exchange rate of RMB vs US\$.
Knock out forward contracts	<b>Liabilities – HK\$9,013,000</b>	Liabilities – HK\$30,589,000	Level 2	Valuation techniques: Discounted cash flow and option pricing model.  Key inputs: Forward exchange rates, contracted exchange rates, discount rates and volatility of exchange rate of RMB vs US\$.
Interest rate swaps (designated for hedging)	<b>Liabilities – HK\$391,000</b>	Liabilities – HK\$266,000	Level 2	Valuation technique: Discounted cash flow.  Key inputs: Forward interest rates, contracted interest rates and discount rates.

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

(Continued)

### 21. Fair Value Measurements of Financial Instruments (Continued)

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2016	31 December 2015		
Dual currency interest rate swap	Liability – HK\$6,825,000	Liability – HK\$8,619,000	Level 2	Valuation technique: Discounted cash flow and option pricing model.  Key inputs: Forward interest rates, forward exchange rates, contracted interest rates, discount rate and HSBC Dynamic Term Premium Index 10 as published on Bloomberg Screen and its volatility.
Structured deposits	Assets – HK\$458,787,000	Assets – HK\$550,246,000	Level 2	Valuation technique: Discounted cash flow and option pricing model.  Key inputs: Forward interest rates, forward exchange rates, contracted interest rates, contracted exchange rates and volatility of exchange rates.

The directors of the Company consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

### 22. Financial Assets and Financial Liabilities Subject to Enforceable Master Netting Arrangements

The Group has entered into certain derivative transactions that are covered by the International Swaps and Derivatives Association Master Netting Agreements (“ISDA Agreements”) signed with various banks. These derivative instruments are not offset in the condensed consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts.

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

(Continued)

### 22. Financial Assets and Financial Liabilities Subject to Enforceable Master Netting Arrangements (Continued)

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

	Carrying amounts of financial assets in the condensed consolidated statement of financial position	Related amounts not set off in the condensed consolidated statement of financial position – derivative financial liabilities	Net amount HK\$'000
	Bank balances HK\$'000	Derivative financial instruments HK\$'000	HK\$'000
<b>At 30 June 2016</b>			
Bank A	201	5,714	(5,915)
Bank B	437	579	(1,016)
Bank C	322	1,725	(2,047)
Bank E	424	1,466	(1,890)
Bank F	4,608	3,787	(8,395)
Bank G	5,247	4,859	(10,106)
Bank H	960	–	(10)
<b>Total</b>	<b>12,199</b>	<b>18,130</b>	<b>(29,379)</b>
<b>At 31 December 2015</b>			
Bank A	1,413	–	(1,413)
Bank B	384	–	(384)
Bank C	226	–	(226)
Bank D	152	–	(152)
Bank E	203	–	(203)
Bank F	302	–	(302)
Bank G	509	–	(509)
Bank H	938	–	(938)
<b>Total</b>	<b>4,127</b>	<b>–</b>	<b>(4,127)</b>

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

(Continued)

### 22. Financial Assets and Financial Liabilities Subject to Enforceable Master Netting Arrangements (Continued)

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

	Carrying amounts of financial liabilities presented as “Derivative financial instruments” in the condensed consolidated statement of financial position HK\$'000	Related amounts not set off in the condensed consolidated statement of financial position – financial assets HK\$'000	Net amount HK\$'000
<b>At 30 June 2016</b>			
Bank A	(13,401)	5,915	(7,486)
Bank B	(9,607)	1,016	(8,591)
Bank C	(9,702)	2,047	(7,655)
Bank E	(7,085)	1,890	(5,195)
Bank F	(25,910)	8,395	(17,515)
Bank G	(13,923)	10,106	(3,817)
Bank H	(10)	10	–
Total	<b>(79,638)</b>	<b>29,379</b>	<b>(50,259)</b>
<b>At 31 December 2015</b>			
Bank A	(33,130)	1,413	(31,717)
Bank B	(21,791)	384	(21,407)
Bank C	(17,698)	226	(17,472)
Bank D	(1,100)	152	(948)
Bank E	(20,411)	203	(20,208)
Bank F	(48,873)	302	(48,571)
Bank G	(31,595)	509	(31,086)
Bank H	(1,234)	938	(296)
Total	<b>(175,832)</b>	<b>4,127</b>	<b>(171,705)</b>

# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

*(Continued)*

### 22. Financial Assets and Financial Liabilities Subject to Enforceable Master Netting Arrangements *(Continued)*

The gross amounts of the recognised financial assets and financial liabilities disclosed in the above tables, which are subject to enforceable master netting arrangements, are measured at as follows:

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

### 23. Contingent Liabilities

In addition to the tax audit on certain group companies, and the Judgment received by the Group, as disclosed in notes 6 and 14, respectively, the Group has the following contingent liabilities:

As disclosed in the Group's annual report for the year ended 31 December 2015, there were disputes amongst the Group, Hansen International Limited ("Hansen"), Ms. Leong Ma Li Mary, the beneficial owner of Hansen, and certain directors of the Company and several legal proceedings are taking place. The aforesaid parties in the action have agreed to generally extend the deadlines of filing various documents with court. Given that the evidence is still at an early stage, in the opinion of director, the ultimate outcome is unable to be determined and no provision has been made accordingly.

### 24. Event after the Reporting Period

On 5 August 2016, the Group acquired a land use right in respect of a land located in the PRC for investment purpose at a consideration of approximately RMB46,000,000 (equivalent to approximately HK\$54,000,000). Up to the date of this interim report, a deposit of approximately US\$1,430,000 (equivalent to approximately HK\$11,000,000) was paid as security deposit.

## OTHER INFORMATION

### Interim Dividend

The Board has resolved to declare an interim dividend of 3 HK cents per share for the six months ended 30 June 2016 (six months ended 30 June 2015: interim dividend of 3 HK cents) on the shares in issue amounting to HK\$9,168,000 (six months ended 30 June 2015: HK\$9,168,000), to the shareholders whose names appear on the Register of Members on 23 September 2016. The dividend will be payable on or about 13 October 2016.

### Closure of Register of Members

The Register of Members will be closed from Thursday, 22 September 2016 to Friday, 23 September 2016, both days inclusive, during which period no transfer of shares will be registered. In order to determine members who are entitled to qualify for the proposed interim 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 of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by not later than 4:30 p.m. on Wednesday, 21 September 2016.

### Corporate Governance

The Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited throughout the accounting period for the six months ended 30 June 2016, except for the following deviation:

#### 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 is the Chairman and Managing Director of the Company. The Board considers that the function of the Chairman and the Managing Director in the Company's strategic planning and development process are overlapping and it may not be for the benefit of the Company to have separate individuals occupying these two offices in the condition of the Group and its stage of development.

## OTHER INFORMATION

### **Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Following a specific enquiry, all directors confirmed that they have complied with the aforesaid Model Code during the six months ended 30 June 2016.

The Company has also adopted a Guideline for Securities Transactions by Relevant Employees to govern securities transactions of those employees who may possess or have access to inside information.

### **Purchase, Sale or Redemption of the Company's Listed Securities**

During the six months ended 30 June 2016, 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.

### **Review of Accounts**

The Audit Committee of the Company has reviewed the Group's unaudited condensed consolidated financial information and interim report for the six months ended 30 June 2016.



## OTHER INFORMATION

### Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2016, the interests and short positions of the directors, chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) and have been recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which have been notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, were as follows:

#### (i) Long Positions in the Company's Shares

Name of Directors	Notes	Capacity	Nature of interests	Numbers of ordinary shares held	Percentage of the Company's issued capital (Note 3)
Lam Foo Wah		Beneficial owner	Personal	1,789,901	0.58%
	1,2	Other interest	Other	161,321,327	52.79%
So Siu Hang, Patricia		Beneficial owner	Personal	2,963,207	0.97%

#### (ii) Long Position in Shares of Associated Corporation

Name of Directors	Note	Name of associated corporation	Relationship with the Company	Capacity	Number of ordinary shares held	Percentage of the associated corporation's issued capital
Lam Foo Wah	4	High Fashion Knitters Limited	Subsidiary	Interest of controlled corporations	5,339,431	35.60%

## OTHER INFORMATION

### Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures *(Continued)*

Notes:

1. Mr. Lam Foo Wah is deemed to have interests in 119,733,487 ordinary shares which are beneficially owned by Hinton Company Limited, the entire issued share capital of which is held under a related discretionary trust. Mr. Lam is regarded as a founder of the trust.
2. Mr. Lam Foo Wah is deemed to have interests in 41,587,840 ordinary shares which are beneficially owned by High Fashion Charitable Foundation Limited, the entire issued share capital of which is held under a related discretionary trust. Mr. Lam is regarded as a founder of the trust.
3. The issued share capital of the Company is 305,615,420 shares as at 30 June 2016.
4. These shares are held through three companies beneficially owned by Mr. Lam Foo Wah.

Save as disclosed above, as at 30 June 2016, none of the directors, chief executives of the Company nor their associates had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which has been notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

Furthermore, save as disclosed in the "Share Option Scheme" section below, at no time during the six months ended 30 June 2016 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## OTHER INFORMATION

### Share Option Scheme

At the annual general meeting of the Company held on 30 May 2012, a share option scheme ("Scheme") of the Company was adopted by the shareholders of the Company. Pursuant to the Scheme, there was no outstanding options at the beginning and at the end of the six months period ended 30 June 2016. During the period, no share options were granted, exercised, cancelled or lapsed.

Apart from the Scheme, during the six months ended 30 June 2016, no rights were granted to the directors, chief executives of the Company or its subsidiaries, or any of their spouses or children under 18 years of age to subscribe for equity or debt securities of the Company or its subsidiaries.

### Substantial Shareholders

As at 30 June 2016, the following substantial shareholders, other than directors and chief executives of the Company, had the interests and short positions in the shares and underlying shares of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, have been recorded in the register kept by the Company pursuant to Section 336 of SFO:

### Long Positions in the Company's Shares:

<b>Name of Shareholders</b>	<b>Note</b>	<b>Capacity</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued share capital (Note 2)</b>
Hinton Company Limited	1	Beneficial owner	119,733,487	39.18%
High Fashion Charitable Foundation Limited	1	Beneficial owner	41,587,840	13.61%

# OTHER INFORMATION

## Substantial Shareholders *(Continued)*

Notes:

1. These interests have been disclosed as interests of Mr. Lam Foo Wah in the "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.
2. The issued share capital of the Company is 305,615,420 shares as at 30 June 2016.

Save as disclosed above, as at 30 June 2016, no person, other than the directors or chief executives of the Company, whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the shares, underlying shares and debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## Changes in Information of Director

Pursuant to Rule 13.51B(1) of the Listing Rules, there is no change in information of directors of the Company since the disclosure made in the 2015 annual report of the Company up to the date of this report.

# CORPORATE INFORMATION

High Fashion International Limited is incorporated in Bermuda with limited liability.

## BOARD OF DIRECTORS

### Executive Directors

Mr. Lam Foo Wah  
(*Chairman and Managing Director*)  
Ms. So Siu Hang, Patricia  
Mr. Lam Gee Yu, Will  
Mr. Lam Din Yu, Well

### Non-executive Director

Professor Yeung Kwok Wing

### Independent Non-executive Directors

Mr. Woo King Wai  
Mr. Wong Shiu Hoi, Peter  
Mr. Leung Hok Lim

## AUDIT COMMITTEE

Mr. Leung Hok Lim (*Chairman*)  
Professor Yeung Kwok Wing  
Mr. Woo King Wai  
Mr. Wong Shiu Hoi, Peter

## REMUNERATION COMMITTEE

Mr. Wong Shiu Hoi, Peter (*Chairman*)  
Professor Yeung Kwok Wing  
Mr. Woo King Wai  
Mr. Leung Hok Lim

## NOMINATION COMMITTEE

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11th Floor, High Fashion Centre  
1-11 Kwai Hei Street, Kwai Chung  
New Territories, Hong Kong

## HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Secretaries Limited  
Level 22, Hopewell Centre  
183 Queen's Road East, Hong Kong

## COMPANY WEBSITE

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