



# High Fashion International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 608)



Interim Report 2010



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## CHAIRMAN'S STATEMENT

Revenue for the six months ended 30 June 2010 increased to HK\$1.3 billion, up 11% as compared with last corresponding period. Net profit attributable to shareholders for the six months ended 30 June 2010 was HK\$97 million, compared with last corresponding period of HK\$48 million. The Board of Directors has declared an interim dividend of 5 HK cents per share. The Company's net asset value per share at the end of interim reporting period was HK\$5.5.

The global economy continues to develop in a diversified manner, which will inevitably bring about different challenges, competition, and crises. In anticipation of the advent of these great changes, our staff have vigorously made preparation for and are ready to respond to them rapidly. With the award of "Backbone Enterprise in the Leading Industries of Zhejiang Province" by the government, we will undertake the glorious responsibility as a backbone enterprise in silk industry.

In the first half, the whole Group had made cohesive efforts and taken initiatives to plan ahead, while at the same time earnestly put our plan in action, with a view to transform the Group into the next level of development.

Our three brand businesses, silk brand  绸世界,  丝绸故事 and  August Moon, fashion brand  OS,  august silk,  Theme and  CSLR, and silk fabric brand  High Fashion, which were mainly established to develop the PRC market, have achieved satisfactory growth and progress in the first half. We are forging ahead to power up our brand businesses and create and attain our competitive edge in the market. The businesses of "Theme" and "CSLR" started to record profit in the first half while our brand in the USA "August silk" continued its sound growth and consistently provided satisfactory profit contribution. We are fully confident and excited with, and hold high expectations of, the future of our Group's brand businesses, especially our brand businesses in the PRC.



## CHAIRMAN'S STATEMENT

In the first half, while the manufacturing business in the global markets was still very difficult, we managed to progress. Faced with an extremely challenging, diversified and unstable future, we need to speed up our business transformation with concentration and dedication. In respect of our established direction and goals, including proactively exploring the market and developing new products and techniques, the Group will confront the future with determination and conviction. We have full confidence in establishing our leadership as the number one silk enterprise in the world through “growth through establishing strength” and “advancement by transformation and innovation”.

I would like to take this opportunity to express my gratitude to all shareholders, customers, suppliers and my fellow Directors for their support. I would also like to thank our loyal staff from various regions for their dedication and contribution in furthering the mission of the Group.

**LAM FOO WAH**

*Chairman*

Hong Kong, 26 August 2010



# MANAGEMENT DISCUSSION AND ANALYSIS

## Results

Revenue for the six months ended 30 June 2010 increased to HK\$1.3 billion, up 11%. Net profit attributable to shareholders for the six months ended 30 June 2010 was HK\$97 million, compared with last corresponding period of HK\$48 million. Basic earnings per share was 31.6 HK cents. Net asset value per share was HK\$5.5.

## Review of Operations

The segmental information is as follows:

	Revenue		Contribution	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
By principal activity:				
Manufacturing and trading	<b>912,685</b>	788,756	<b>117,552</b>	125,515
Brand business	<b>355,582</b>	354,943	<b>30,411</b>	(37,571)
	<b>1,268,267</b>	1,143,699	<b>147,963</b>	87,944
By geographical segments:				
USA	<b>711,190</b>	656,125	<b>57,672</b>	46,633
Europe	<b>246,042</b>	242,714	<b>7,579</b>	12,674
Greater China	<b>252,201</b>	208,583	<b>79,933</b>	25,342
Others	<b>58,834</b>	36,277	<b>2,779</b>	3,295
	<b>1,268,267</b>	1,143,699	<b>147,963</b>	87,944

The revenue of our own brand business increased in the first half of 2010. The contribution improved sharply, which was mainly contributed from the Greater China brand business of Theme and CSLR. We have achieved encouraging results in the first half of 2010.

We have delivered an encouraging set of results against an uncertain and unstable external environment in not only our major export market, the USA, but also the European nations in the period under review. Our August Silk brand in the USA, to the contrary, has demonstrated its resilience with remarkable profit contribution recorded in the third consecutive year. We will continue to leverage on our proven success on brand building strategic initiatives with full implementation to capitalize on emerging opportunities in the vibrant, affluent consumer market in Mainland China.



# MANAGEMENT DISCUSSION AND ANALYSIS

## **Review of Operations** *(Continued)*

Our strategic penetration in the European market continues to be on a healthy track albeit in a mist of relatively sharp depreciation of Euro currency. We will be very cautious of the fragile recovery and expect to have an increase of our market share in the region in accordance with our diversification business plan.

The profit for the Greater China of the first half of 2010 included an exceptional gain on fair value gain of derivative financial instrument of HK\$40 million, which is the financial instruments for hedging Rmb for the year from 2010 to 2012 and an increase in fair value of investment properties of HK\$19 million in the current period profit.

## **Liquidity and Financial Resources**

The Group's total outstanding bank borrowings were increased to HK\$1,285 million at the end of interim reporting period compared to HK\$990 million as at 31 December 2009. The increase in bank borrowing was mainly due to our hedging facilities arrangement during the period. Our gearing ratio of non-current liabilities to shareholders' funds was 19% at the end of interim reporting period. Current ratio maintained at a healthy level of 1.43.

The Group's total cash and bank balances were HK\$1,398 million at the end of interim reporting period compared to HK\$1,034 million as at 31 December 2009. Based on the net cash position and the ample banking facilities available, the Group had a very 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, Hong Kong dollars and Renminbi. 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.

The Group has no material contingent liabilities. Barring the pledge of trade receivables of certain subsidiaries of HK\$33 million, there were no charges on the Group's assets.



# MANAGEMENT DISCUSSION AND ANALYSIS

## **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 jointly-controlled entities as at the end of interim reporting period was about 10,300. 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\$23 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 2010 together with the comparative figures.

## Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

		Six months ended 30 June	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
<b>REVENUE</b>	Notes		
	3	<b>1,268,267</b>	1,143,699
Cost of sales		<b>(917,504)</b>	(775,525)
Gross profit		<b>350,763</b>	368,174
Other income		<b>31,224</b>	28,773
Other gains and losses	4	<b>64,982</b>	10,289
Administrative expenses		<b>(165,661)</b>	(173,594)
Selling and distribution expenses		<b>(132,420)</b>	(145,918)
Finance costs	5	<b>(20,392)</b>	(24,698)
Share of (loss) profit of jointly controlled entities		<b>(925)</b>	220
<b>PROFIT BEFORE TAXATION</b>		<b>127,571</b>	63,246
Income tax expense	6	<b>(30,508)</b>	(30,201)
<b>PROFIT FOR THE PERIOD</b>	7	<b>97,063</b>	33,045





# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Condensed Consolidated Statement of Comprehensive Income

(Continued)

For the six months ended 30 June 2010

		Six months ended 30 June	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
	Notes		
<b>OTHER COMPREHENSIVE INCOME (EXPENSE)</b>	8		
Exchange differences arising on translation		13,593	342
(Loss) gain on fair value changes on cash flow hedges		(9,349)	2,917
Reclassification to profit and loss on cash flow hedges		(24,377)	(41,249)
Income tax relating to components of other comprehensive income		4,529	6,520
Other comprehensive income (expense) for the period, net of tax		(15,604)	(31,470)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>81,459</b>	<b>1,575</b>
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO:</b>			
Owners of the Company		97,063	48,348
Non-controlling interests		-	(15,303)
		<b>97,063</b>	<b>33,045</b>
<b>TOTAL COMPREHENSIVE INCOME (EXPENSE) ATTRIBUTABLE TO:</b>			
Owners of the Company		81,459	17,272
Non-controlling interests		-	(15,697)
		<b>81,459</b>	<b>1,575</b>
<b>EARNINGS PER SHARE</b>	9		
Basic and diluted		<b>31.61 HK cents</b>	15.20 HK cents



# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Condensed Consolidated Statement of Financial Position

At 30 June 2010

	Notes	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000 (Restated)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	840,239	862,842
Prepaid lease payments		60,791	67,131
Deposits for property, plant and equipment and prepaid lease payments		49,769	31,877
Investment properties	11	234,857	211,568
Intangible assets		859	1,203
Investments in associates		–	–
Investments in jointly controlled entities		18,811	19,620
Available-for-sale investments		675	675
Deferred tax assets		10,763	9,064
Long-term receivables	14	–	31,813
Deposit placed for a life insurance	12	22,012	–
Derivative financial instruments		–	2,422
		<b>1,238,776</b>	<b>1,238,215</b>
<b>CURRENT ASSETS</b>			
Inventories		399,696	333,964
Trade receivables	13	354,752	292,836
Bills receivable	13	42,062	63,868
Prepaid lease payments		1,326	1,167
Deposits, prepayments and other receivables	14	188,925	302,799
Amounts due from jointly controlled entities	15	2,957	1,985
Tax recoverable	6	75,684	63,532
Derivative financial instruments		54,595	34,850
Structured deposits	16	391,123	280,607
Short-term deposits		449,898	301,714
Bank balances and cash		557,546	452,125
		<b>2,518,564</b>	<b>2,129,447</b>



# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Condensed Consolidated Statement of Financial Position

(Continued)

At 30 June 2010

	Notes	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000 (Restated)
<b>CURRENT LIABILITIES</b>			
Trade payables	17	337,021	251,723
Bills payable	17	37	20,721
Other payables and accruals		174,473	194,447
Amounts due to jointly controlled entities	15	301	4,637
Amount due to an associate		592	595
Tax payable		226,297	185,049
Derivative financial instruments		8,663	10,209
Obligations under finance leases		237	297
Bank borrowings	18	1,014,460	908,354
Bank overdrafts		266	51
		<b>1,762,347</b>	<b>1,576,083</b>
<b>NET CURRENT ASSETS</b>			
		<b>756,217</b>	<b>553,364</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>1,994,993</b>	<b>1,791,579</b>
<b>NON-CURRENT LIABILITIES</b>			
Obligations under finance leases		285	411
Bank borrowings	18	271,000	82,000
Deferred tax liabilities		44,015	62,576
Derivative financial instruments		7,188	4,181
Provision for long service payments		2,384	2,948
		<b>324,872</b>	<b>152,116</b>
		<b>1,670,121</b>	<b>1,639,463</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	19	30,462	30,913
Share premium and reserves		1,639,659	1,608,550
Equity attributable to owners of the Company		<b>1,670,121</b>	<b>1,639,463</b>



# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Translation reserve	Statutory reserve funds	Property revaluation reserve	Capital redemption reserve	Hedging reserve	Other reserve	Accumulated profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Note i)	(Note ii)			(Note iii)				
At 1 January 2010 (audited)	30,913	273,413	193,661	22,160	51,530	7,319	27,978	39,853	992,636	1,639,463	-	1,639,463
Profit for the period	-	-	-	-	-	-	-	-	97,063	97,063	-	97,063
Other comprehensive income (expense) for the period	-	-	13,593	-	-	-	(29,197)	-	-	(15,604)	-	(15,604)
Total comprehensive income (expense) for the period	-	-	13,593	-	-	-	(29,197)	-	97,063	81,459	-	81,459
Shares repurchased and cancelled, including direct costs	(451)	(3,989)	-	-	-	451	-	-	(7,153)	(11,142)	-	(11,142)
Final dividend and special dividend paid (Note 10)	-	-	-	-	-	-	-	-	(39,659)	(39,659)	-	(39,659)
	(451)	(3,989)	-	-	-	451	-	-	(46,812)	(50,801)	-	(50,801)
<b>At 30 June 2010 (unaudited)</b>	<b>30,462</b>	<b>269,424</b>	<b>207,254</b>	<b>22,160</b>	<b>51,530</b>	<b>7,770</b>	<b>(1,219)</b>	<b>39,853</b>	<b>1,042,887</b>	<b>1,670,121</b>	<b>-</b>	<b>1,670,121</b>
At 1 January 2009 (audited)	31,998	283,007	189,655	18,690	19,594	6,234	81,009	39,853	658,013	1,528,053	65,263	1,593,316
Profit for the period	-	-	-	-	-	-	-	-	48,348	48,348	(15,303)	33,045
Other comprehensive income (expense) for the period	-	-	302	-	-	-	(31,378)	-	-	(31,076)	(394)	(31,470)
Total comprehensive income (expense) for the period	-	-	302	-	-	-	(31,378)	-	48,348	17,272	(15,697)	1,575
Decrease in non-controlling interest as a result of acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	(167)	(167)
Shares repurchased and cancelled, including direct costs	(276)	(2,446)	-	-	-	276	-	-	(1,530)	(3,976)	-	(3,976)
Final dividend paid (Note 10)	-	-	-	-	-	-	-	-	(9,516)	(9,516)	-	(9,516)
	(276)	(2,446)	-	-	-	276	-	-	(11,046)	(13,492)	(167)	(13,659)
At 30 June 2009 (unaudited)	31,722	280,561	189,957	18,690	19,594	6,510	49,631	39,853	695,315	1,531,833	49,399	1,581,232



# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## **Condensed Consolidated Statement of Changes in Equity**

*(Continued)*

*For the six months ended 30 June 2010*

**Notes:**

- (i) As stipulated by the relevant People's Republic of China ("PRC") laws and regulations, before distribution of profit each year, the subsidiaries established in the PRC with limited liability shall set aside 10% of their profit to the statutory surplus reserve. The statutory surplus reserve can only be used upon approval by the board of directors of the relevant subsidiaries and by the relevant authority, to offset accumulated losses or increase capital.
- (ii) Property revaluation reserve represents the revaluation reserve arising upon the transfer of owner-occupied property and respective prepaid lease payments to investment property, net of deferred tax. The property revaluation reserve will be transferred to accumulated profits when the relevant properties are disposed of.
- (iii) Other reserve represents capitalisation of accumulated profits of a subsidiary as capital contribution to another subsidiary.





# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Net increase in cash and cash equivalents	97,995	195,320
Cash and cash equivalents at beginning of the period	452,074	400,007
Effect of foreign exchange rate changes, net	7,211	134
Cash and cash equivalents at end of the period	<b>557,280</b>	595,461
Analysis of balances of cash and cash equivalents		
Bank balances and cash	557,546	595,461
Bank overdrafts	(266)	-
	<b>557,280</b>	595,461



# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

*For the six months ended 30 June 2010*

### 1. Basis of Preparation

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

The functional currency of the Company is Renminbi, the currency of the primary economic environment in which the Company and its major subsidiaries operate. For the purpose of the preparation of the condensed consolidated financial statements and convenience of the financial statements users, the results and financial position of the Group are presented in Hong Kong dollars (“HK\$”).

### 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 used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2009 except as described below.





# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

(Continued)

### 2. Principal Accounting Policies (Continued)

In current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.



# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

(Continued)

### 2. Principal Accounting Policies (Continued)

Except as described below, the application of other new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

#### *Amendment to HKAS 17 Leases*

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the condensed consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payments to property, plant, and equipment retrospectively. This resulted in a reclassification of prepaid lease payments with previous carrying amounts of HK\$4,282,000 and HK\$3,987,000 as at 1 January 2009 and 31 December 2009 respectively to property, plant and equipment that are measured at cost model. In addition, the depreciation charge for the period had been increased by HK\$52,000 (six months ended 30 June 2009: HK\$55,000) whereas the amortisation of prepaid lease payments had been decreased by HK\$52,000 (six months ended 30 June 2009: HK\$55,000) accordingly. Both depreciation charge and amortisation of prepaid lease payments are included in administrative expenses.



# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

(Continued)

### 2. Principal Accounting Policies (Continued)

#### *Summary of the effect of the above changes in accounting policies*

The effect of changes in accounting policies described above on the condensed consolidated statements of financial position of the Group as at 31 December 2009 and 1 January 2009 are as follows:

	31 December 2009 HK\$'000 (originally stated)	Adjustments HK\$'000	31 December 2009 HK\$'000 (restated)
Property, plant and equipment	858,855	3,987	862,842
Prepaid lease payments	72,285	(3,987)	68,298
Total effects on net assets	<u>931,140</u>	–	<u>931,140</u>
	1 January 2009 HK\$'000 (originally stated)	Adjustments HK\$'000	1 January 2009 HK\$'000 (restated)
Property, plant and equipment	911,227	4,282	915,509
Prepaid lease payments	79,952	(4,282)	75,670
Total effects on net assets	<u>991,179</u>	–	<u>991,179</u>



# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

(Continued)

### 2. Principal Accounting Policies (Continued)

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 <sup>1</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>4</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>2</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>3</sup>
HKFRS 9	Financial Instruments <sup>5</sup>
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>4</sup>
HK(IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

<sup>2</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.



# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

*(Continued)*

### 2. Principal Accounting Policies *(Continued)*

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

### 3. Segment Information

In previous years, the Group's operating segments are determined based on the types of business carries out by the Group including two operating divisions – (i) manufacture and trading of garments and (ii) retailing of garments. As disclosed in the Group's annual report for 2009, the Group changed the structure of internal organisation in January 2010, which resulted in redesignation of its operating segments. Under the new structure of internal organisation, the information reported to the chief operating decision maker, the Group's executive directors, for the purposes of resources allocation and performance assessment, is analysed based on the types of goods sold, including (i) manufacture and trading of garments and (ii) brand business. Accordingly, the redesignation of operating segments resulted in a change in the basis of measurement of the Group's operating segment revenue and results and the amounts reported for prior period have also been restated to conform to such redesignation.

Information regarding the above segments is reported below.



# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

(Continued)

### 3. Segment Information (Continued)

The following is an analysis of the Group's revenue and results by operating segment for the periods under review:

**For the six months ended 30 June 2010 (Unaudited)**

	Manufacture and trading of garments HK\$'000	Brand business HK\$'000	Segment total HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>					
External sales	912,685	355,582	1,268,267	-	1,268,267
Inter-segment sales (Note)	33,747	-	33,747	(33,747)	-
Segment revenue	<b>946,432</b>	<b>355,582</b>	<b>1,302,014</b>	<b>(33,747)</b>	<b>1,268,267</b>
<b>RESULT</b>					
Segment profit	<b>117,552</b>	<b>30,411</b>	<b>147,963</b>	-	<b>147,963</b>
Finance costs					(20,392)
Profit before taxation					<b>127,571</b>

Note: Inter-segment sales are charged at agreed terms set out in the subcontracting agreement entered into between group companies.



# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

(Continued)

### 3. Segment Information (Continued)

For the six months ended 30 June 2009 (Unaudited)

	Manufacture and trading of garments HK\$'000	Brand business HK\$'000	Segment total HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>					
External sales	788,756	354,943	1,143,699	-	1,143,699
Inter-segment sales (Note)	20,614	-	20,614	(20,614)	-
Segment revenue	<u>809,370</u>	<u>354,943</u>	<u>1,164,313</u>	<u>(20,614)</u>	<u>1,143,699</u>
<b>RESULT</b>					
Segment profit (loss)	<u>125,515</u>	<u>(37,571)</u>	<u>87,944</u>	-	87,944
Finance costs					<u>(24,698)</u>
Profit before taxation					<u>63,246</u>

Note: Inter-segment sales are charged at agreed terms set out in the subcontracting agreement entered into between group companies.

Segment profit (loss) represents the profit (loss) earned or incurred 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.

As the assets and liabilities for operating segments are not provided to the Company's executive directors for the purposes of resources allocation and performance assessment, no segment assets and liabilities are presented accordingly.



# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

(Continued)

### 4. Other Gains and Losses

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Changes in fair value of derivative financial instruments	54,552	868
Increase in fair value of investment properties	22,749	100
Reversal of allowance for bad and doubtful debts	464	4,986
Impairment loss recognised in respect of property, plant and equipment	(10,237)	(10,460)
Impairment loss recognised in respect of amount due from a jointly controlled entity	(1,382)	(11,313)
Impairment loss recognised in respect of goodwill	-	(28,215)
Net foreign exchange (loss) gain	(912)	845
(Loss) gain on disposal of property, plant and equipment and prepaid lease payments	(252)	53,387
Discount on acquisition of additional interest in a subsidiary	-	91
	<b>64,982</b>	<b>10,289</b>





# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

(Continued)

### 5. Finance Costs

	Six months ended	
	30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	16,336	21,201
Finance leases	25	6
Bank charges	2,892	3,491
Loss on derivative financial instruments designated as cash flow hedge reclassified from other comprehensive income	1,139	–
	<b>20,392</b>	<b>24,698</b>

### 6. Income Tax Expense

	Six months ended	
	30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Current tax charge:		
Hong Kong	12,207	11,000
PRC	29,581	6,550
Other jurisdictions	4,453	1,295
	<b>46,241</b>	<b>18,845</b>
Deferred taxation – Current period	(15,733)	11,356
	<b>30,508</b>	<b>30,201</b>



# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

*(Continued)*

### 6. Income Tax Expense *(Continued)*

As disclosed in the Group's annual reports published in previous years, the Inland Revenue Department ("IRD") initiated a tax audit on certain group companies for the years of assessment from 1999/2000 onwards. As a matter of IRD's practice, the IRD has issued estimated additional assessments to these group companies for the years of assessment 1999/2000 to 2003/2004. During the course of the tax audit, there may be a possibility that estimated additional assessments for subsequent years be issued by the IRD to these group companies.

Up to 30 June 2010, the Group has purchased tax reserve certificates of approximately HK\$75,684,000 (31 December 2009: HK\$60,570,000), in aggregate, for conditional standover order of objection against the notices of estimated additional assessment for the years of assessment 1999/2000 to 2003/2004 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 any degree of accuracy. The 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 provisions so made are adequate for the purpose mentioned above.



# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

*(Continued)*

### 6. Income Tax Expense *(Continued)*

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for current and prior periods.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for current and prior periods, except for the following PRC subsidiaries entitled to preferential tax rates.

High Fashion (China) Co., Ltd. and High Fashion Silk (Zhejiang) Co., Ltd. have been recognised as advanced technology enterprises in the PRC in 2008 and 2009, respectively. They are subject to an income tax rate of 15% for three years starting from the year being recognised as advanced technology enterprises.

During current and prior periods, certain PRC subsidiaries were subject to income tax rate of 12.5% pursuant to the relevant laws and regulations in the PRC.

Taxation arising in other jurisdictions is recognised at the rates prevailing in the relevant jurisdictions for current and prior periods.



# 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	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000 (Restated)
Depreciation and amortisation		
Owned assets	36,530	40,565
Leased assets	137	136
Amortisation of trademarks (included in selling and distribution expenses)	344	344
Amortisation of prepaid lease payments	842	699
	<b>37,853</b>	41,744
(Written back) allowance for inventory obsolescence (included in cost of sales) (Note)	<b>(9,448)</b>	1,154
Gain on derivative financial instruments reclassified from other comprehensive income (included in cost of sales)	<b>(25,516)</b>	(41,249)
Investment income earned on:		
– bank interest income	<b>(7,223)</b>	(10,244)
– structured deposits	<b>(5,680)</b>	(5,575)
– derivative financial instruments	–	(3,334)

Note: For the period ended 30 June 2010, excess obsolete inventory provisions are written back when the relevant inventories are sold.



# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

(Continued)

### 8. Other Comprehensive Income (Expense)

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Exchange differences arising on translating foreign operations:		
Exchange differences arising during the period	13,593	342
Cash flow hedges:		
(Loss) gain on fair value changes on cash flow hedges	(9,349)	2,917
Reclassification adjustments to profit or loss	(24,377)	(41,249)
Other comprehensive income (expense)	(33,726)	(38,332)
Income tax relating to components of other comprehensive income:		
Fair value changes on cash flow hedge	4,529	6,520
Other comprehensive income (expense) for the year, net of tax	(15,604)	(31,470)



# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

(Continued)

### 9. Earnings Per Share

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

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Profit for the purpose of basic and diluted earnings per share attributable to owners of the Company	<b>97,063</b>	48,348
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<b>307,064,624</b>	318,154,657

### 10. Dividends

During current interim period, a final dividend of 5 HK cents (six months ended 30 June 2009: 3 HK cents) per share, amounting to HK\$15,253,000 (six months ended 30 June 2009: HK\$9,516,000), and a special dividend of 8 HK cents per share, amounting to HK\$24,406,000, were declared and paid to the shareholders for the year ended 31 December 2009.

The Board declared an interim dividend of 5 HK cents per share for the six months ended 30 June 2010 (six months ended 30 June 2009: 3 HK cents) which will be paid to shareholders whose names appear in the register of members on 15 September 2010. This dividend was declared after the end of the interim reporting date, and therefore has not been included as a liability in the condensed consolidated statement of financial position.



# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

*(Continued)*

### 11. Movements in Property, Plant and Equipment and Investment Properties

During current interim period, the Group disposed of certain property, plant and equipment and prepaid lease payment to independent third parties with an aggregated carrying amount of HK\$9,964,000 (six months ended 30 June 2009: HK\$10,070,000) for total sales proceeds of HK\$9,712,000 (six months ended 30 June 2009: HK\$72,485,000), resulting in a loss on disposal of HK\$252,000 (six months ended 30 June 2009: gain on disposal of HK\$53,387,000) net of removal costs of nil (six months ended 30 June 2009: HK\$9,028,000).

During the current interim period, the Group spent HK\$23,669,000 (six months ended 30 June 2009: HK\$66,847,000) on the acquisition of property, plant and equipment for expanding and upgrading its manufacturing capabilities.

As the cash-generating unit in which certain furniture and fixtures attached to incurred operating losses, the directors of the Company determined that the future cash flows expected to be generated by this cash-generating unit is less than its carrying amounts and an impairment loss of HK\$10,237,000 has been recognised during the current interim period. During the six months ended 30 June 2009, the directors of the Company decided to lease a Group's office premises to outsiders and certain furniture and fixtures of premises were written down to their estimated recoverable amounts, an impairment loss of HK\$10,460,000 had been provided in the profit or loss.

The fair value of the Group's investment properties at 30 June 2010 and 2009 have been arrived at on the basis of the valuation carried out by Centaline Surveyors Ltd., an independent qualified professional valuer not connected with the Group. An increase in fair value of investment properties of HK\$22,749,000 (six months ended 30 June 2009: HK\$100,000) has been recognised directly in profit or loss for the six months ended 30 June 2010.



# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

*(Continued)*

### 12. Deposit Placed for a Life Insurance

In June 2010, the Group entered into a life insurance policy with an insurance company to insure an executive director. Under the policy, the beneficiary and policy holder is High Fashion Garments Management Limited (“HFGML”), a wholly owned subsidiary of the Company, and the total insured sum is approximately US\$10,000,000 (equivalent to HK\$77,500,000). HFGML is required to pay a gross premium of US\$3,582,000 (equivalent to HK\$27,763,000), including a premium charge at inception of the policy amounting to US\$214,941 (equivalent to HK\$1,666,000). HFGML may request a partial surrender or full surrender of the policy at any time and receive cash back based on the cash value (“Cash Value”) of the policy at the date of withdrawal, which is determined by the gross premium paid plus accumulated guaranteed interest earned and minus insurance premium charged at inception. In addition, if withdrawal is made between the 1st to 15th policy year, there is a specified surrender charge. At the inception date, the gross premium is separated into deposit placed and prepayment of life insurance premium. The prepayment of life insurance premium is amortised to profit or loss over the insured period and the deposit placed is carried at amortised cost using the effective interest method. The insurance company will pay HFGML a guaranteed interest rate of 5.2% per annum for the first year, followed by minimum guaranteed interest rate of 3% per annum for the following years.

The effective interest rate for the deposit placed on initial recognition is 4.61% per annum, which was determined by discounting the estimated future cash receipts through the expected life of the policy of 15 years, excluding the financial effect of surrender charge. At 30 June 2010, the expected life of the policy remained unchanged from the initial recognition and the directors considered that the financial impact of the option to terminate the policy was insignificant.





# 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 is as follows:

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Within 90 days	<b>335,756</b>	284,470
91 to 180 days	<b>15,072</b>	6,203
181 to 360 days	<b>2,674</b>	1,780
Over 360 days	<b>1,250</b>	383
	<b>354,752</b>	292,836

At the end of the reporting period, bills receivable of HK\$35,081,000 (31 December 2009: HK\$41,124,000) are aged within 90 days and the remaining amount of HK\$6,981,000 (31 December 2009: HK\$22,744,000) are aged between 91 days and 180 days. Included in the bills receivable are approximately HK\$33,174,000 (31 December 2009: HK\$37,445,000) discounted bills with recourse, the respective bank borrowings were set out in note 18.



# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

*(Continued)*

### 14. Deposits, Prepayments and Other Receivables and Long-term Receivables

During current interim period, the Group received partial remaining proceeds on disposal of property, plant and equipment and prepaid lease payments of approximately RMB177 million (equivalent to HK\$201 million). The remaining proceeds of RMB28 million (equivalent to HK\$31.8 million) will be due in January 2011 and are, therefore, classified as deposits, prepayments and other receivables as at 30 June 2010 and long-term receivables as at 31 December 2009. The directors of the Company considered such amount is recoverable within 1 year and therefore is classified as current asset.

### 15. Amounts Due from and to Jointly Controlled Entities

The amounts due from and to jointly controlled entities are unsecured, interest-free and are repayable on demand. Amounts due to jointly controlled entities represented payables for purchases of raw materials and finished goods and are aged within 90 days. All amounts due from jointly controlled entities are aged within 90 days (31 December 2009: within 90 days).



# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

(Continued)

### 16. Structured Deposits

During current interim period, the Group entered into certain structured deposits with aggregate amount of RMB157,000,000 (equivalent to HK\$179,429,000) which will be matured in January, April and May 2011. The structured deposits are subject to the option for early termination by issuing banks and they are designated as fair value through profit or loss at initial recognition. The annual coupon rate is dependent on whether the spot rate for conversion of Euro for United States dollar as prevailing in the international foreign exchange market falls within certain ranges as specified in the relevant agreements during the period from inception date to maturity date of the relevant agreements. Besides, structured deposits with aggregate amount of RMB65,000,000 (equivalent to HK\$74,593,000) matured during the current interim period. At the end of the reporting period, the structured deposits are stated at fair values based on valuation reports provided by respective counterparties. The fair values are calculated using discounted cash flow analyses based on the applicable yield curves of the relevant interest rates and exchange rates.

### 17. Trade Payables and Bills Payable

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

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Trade payables:		
Within 90 days	<b>151,682</b>	117,081
91 to 180 days	<b>13,724</b>	8,744
181 to 360 days	<b>3,629</b>	11,529
Over 360 days	<b>11,096</b>	4,714
	<b>180,131</b>	142,068
Accrued purchases	<b>156,890</b>	109,655
	<b>337,021</b>	251,723

The average credit period on purchase of goods is 90 days. All bills payable are aged within 90 days.



# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

(Continued)

### 18. Bank Borrowings

During the current interim period, the Group obtained several new bank loans from various banks amounting to HK\$809 million (six months ended 30 June 2009: HK\$136 million) and repaid HK\$514 million (six months ended 30 June 2009: HK\$467 million). The loans carry interest at market rates ranging from 1.02% to 5.31% (six months ended 30 June 2009: 0.99% to 4.34%) per annum.

### 19. Share Capital

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Issued and fully paid:		
At 1 January 2010 (audited)	309,133	30,913
Shares repurchased and cancelled	(4,510)	(451)
<b>At 30 June 2010 (unaudited)</b>	<b>304,623</b>	<b>30,462</b>
At 1 January 2009 (audited)	319,980	31,998
Shares repurchased and cancelled	(2,764)	(276)
At 30 June 2009 (unaudited)	317,216	31,722

### 20. Capital Commitments

As at 30 June 2010, the Group was committed to capital expenditure of HK\$1,919,000 (31 December 2009: HK\$2,090,000) for the acquisition of property, plant and equipment.



# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Notes to the Condensed Consolidated Financial Statements

(Continued)

### 21. Related Party Transactions

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

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Purchases of raw materials and finished goods from jointly controlled entities	9,845	27,685
Sales of raw materials and finished goods to jointly controlled entities	643	1,517
Professional fees paid to Wilkinson & Grist (Note i)	9	81
Training fee paid to Clothing Industry Training Authority (Note ii)	25	235
Key management personnel compensation (Note iii)	<b>5,498</b>	<b>5,348</b>

Notes:

- (i) Mr. Chan Wah Tip, Michael, a director of the Company, is also a partner of Wilkinson & Grist.
- (ii) Professor Yeung Kwok Wing, a director of the Company, is also a director of Clothing Industry Training Authority.
- (iii) The remuneration of directors and key executives during the period were determined by the remuneration committee having regard to the performance of individuals and market trends.



## OTHER INFORMATION

### Interim Dividend

The Board has resolved to declare an interim dividend of 5 HK cents per share for the six months ended 30 June 2010 (six months ended 30 June 2009: interim dividend of 3 HK cents) on the shares in issue amounting to HK\$15,222,000 (six months ended 30 June 2009: HK\$9,516,000), to the shareholders whose names appear on the Register of Members on 15 September 2010. The dividend will be payable on or about 27 September 2010.

### Closure of Register of Members

The Register of Members will be closed from Monday, 13 September 2010 to Wednesday, 15 September 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's sub-registrar and transfer agent in Hong Kong, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration by not later than 4:30 p.m. on Friday, 10 September 2010.

### Code on Corporate Governance Practices

The Company has complied with all the code provisions set out in Appendix 14 Code on Corporate Governance Practices (the "CG Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the accounting period for the six months ended 30 June 2010, except for the following deviation:

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.

The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the six months ended 30 June 2010, and they all confirmed that they have fully complied with the required standard set out in the Model Code and its code of conduct regarding directors’ securities transactions.

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

During the period, the Company repurchased a total of 4,510,000 shares (six months ended 30 June 2009: 2,764,000 shares) of HK\$0.10 each of the Company on the Stock Exchange as follows:

Month of the repurchase	Number of shares repurchased	Highest	Lowest	Aggregate
		price paid per share	price paid per share	consideration paid (including direct costs)
		HK\$	HK\$	HK\$
January 2010	50,000	1.80	1.80	90,425.10
February 2010	1,652,000	1.90	1.78	3,086,715.76
April 2010	460,000	2.79	2.73	1,275,950.73
May 2010	2,348,000	2.90	2.73	6,689,128.83
	<u>4,510,000</u>			<u>11,142,220.42</u>



## OTHER INFORMATION

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

The above repurchase shares were cancelled during the period and the issued share capital of the Company was reduced by the par value thereof. An amount equivalent to the par value of the shares cancelled has been transferred from the accumulated profits of the Company to the capital redemption reserve.

The repurchase of the Company's shares during the period was effected by the Directors, pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value and earnings per share of the Group.

Save as disclosed herein, the Company had not redeemed any of the Company's listed securities, and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the period.

### **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 2010.





## OTHER INFORMATION

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

As at 30 June 2010, 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	Number of ordinary shares held	Percentage of the Company's issued capital (Note 3)
Lam Foo Wah	1,2	Other interest	Other	143,719,986	47.18%
So Siu Hang, Patricia		Beneficial owner	Personal	2,824,309	0.93%

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

Name of Director	Note	Name of associated corporation	Relationship with the Company	Capacity	Number of ordinary shares held	Percentage of the associated corporation's issued 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 108,802,419 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 34,917,567 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 304,623,550 shares as at 30 June 2010.
4. These shares are held through three companies beneficially owned by Mr. Lam Foo Wah.

Save as disclosed above, as at 30 June 2010, none of the directors, chief executives of the Company nor their associates had or was deemed to have any interests or short positions 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 2010 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

Pursuant to the Company's share option scheme adopted on 26 March 2002 (the "Scheme"), there was no outstanding options at the beginning and at the end of the six months period ended 30 June 2010. No options were granted, exercised, cancelled or lapsed under the Scheme during the period.

Apart from the Scheme, during the six months ended 30 June 2010, 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 2010, the interests of the following substantial shareholders, other than directors and chief executives of the Company, 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:

Name of Shareholders	Note	Capacity	Number of ordinary shares held	Percentage of
				the Company's issued share capital (Note 3)
Hinton Company Limited	1	Beneficial owner	108,802,419	35.72%
High Fashion Charitable Foundation Limited	1	Beneficial owner	34,917,567	11.46%
VPV Bankiers NV (Formerly known as Dresdner VPV N.V.) ("VPV")	2	Investment manager	18,383,800	6.03%
Dresdner Bank Aktiengesellschaft ("DBAG")	2	Interest of controlled corporations	18,383,800	6.03%



## OTHER INFORMATION

### **Substantial Shareholders** *(Continued)*

#### **Long Positions in the Company's Shares:** *(Continued)*

Notes:

1. These interests have been disclosed as interests of Mr. Lam Foo Wah in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.
2. The 18,383,800 ordinary shares are held directly by VPV, of which is indirectly controlled by DBAG and therefore are deemed to have indirect interests in the 18,383,800 ordinary shares.
3. The issued share capital of the Company is 304,623,550 shares as at 30 June 2010.

Save as disclosed above, as at 30 June 2010, 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 Directors**

Pursuant to Rule 13.51(B) of the Listing Rules, the changes in information of directors of the Company since the date of 2009 annual report of the Company are set out below:

As passed by the shareholders at the Company's annual general meeting held on 9 June 2010, a director's fee for the year ending 31 December 2010 has been increased to HK\$200,000.



## 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

#### **Non-executive Directors**

Mr. Chan Wah Tip, Michael

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)*

Mr. Chan Wah Tip, Michael

Professor Yeung Kwok Wing

Mr. Woo King Wai

Mr. Wong Shiu Hoi, Peter

### **REMUNERATION COMMITTEE**

Mr. Wong Shiu Hoi, Peter *(Chairman)*

Mr. Chan Wah Tip, Michael

Professor Yeung Kwok Wing

Mr. Woo King Wai

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

### **SUB-REGISTRAR AND TRANSFER AGENT IN HONG KONG**

Tricor Secretaries Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East, Hong Kong

### **COMPANY WEBSITE**

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