

High Fashion International Limited

(Incorporated in Bermuda with limited liability)

INTERIM RESULTS

The Board of Directors of High Fashion International Limited (the "Company") is pleased to announce that the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 31st March, 2000, with the comparative figures are set out as follows:-

Consolidated Profit and Loss Account

	Six months ended 31st
March,	
	2000
1999	
	(Unaudited)
(Unaudited)	
	HK\$' 000
HK\$' 000	
TURNOVER	934, 694
905, 153	
Cost of sales	(693, 459)
(700, 215)	

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Gross profit	241,235
204,938	
Other revenue	7,224
10,479	
Selling expenses	(65,038)
(63,598)	
Administrative expenses	(105,623)
(99,351)	
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PROFIT FROM OPERATING ACTIVITIES	77,798
52,468	
Finance costs	(13,025)
(13,790)	
Share of profits of	
jointly-controlled entities	4,512
2,552	
Share of profit of an associate	140
502	
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PROFIT BEFORE TAX	69,425
41,732	

Tax (Note 1)	(6,987)	
(1,772)		
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PROFIT BEFORE MINORITY INTERESTS	62,438	
39,960		
Minority interests	(250)	
(773)		
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NET PROFIT ATTRIBUTABLE TO		
SHAREHOLDERS	62,188	
39,187		
	=====	
=====		
INTERIM DIVIDEND	21,403	
12,722		
	=====	
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EARNINGS PER SHARE (Note 2)		
Basic	19.0 cents	11.2
cents		
	=====	
=====		

Diluted	18.8 cents
N/A	

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Consolidated Balance Sheet

	31st March,	30th
September,		
	2000	
1999		
	(Unaudited)	
(Audited)		
	HK\$' 000	
HK\$' 000		
NON-CURRENT ASSETS		
Fixed assets	113,017	
101,354		
Trademarks	6,873	
6,873		
Interests in jointly-controlled entities	44,710	
54,383		
Interest in an associate	6,094	
4,906		
Long term investments	18,078	
18,078		

Investment in debentures of Theme	64,063	
-		

	252,835	
185,594		

CURRENT ASSETS		
Cash and bank balances	104,745	
95,324		
Time deposits	193,100	
281,403		
Trade and bills receivable	198,318	
137,187		
Inventories	139,520	
151,400		
Raw materials	31,352	
48,659		
Work in progress	39,314	
28,360		
Finished goods	68,854	
74,381		
Deposits, prepayments and other receivables	39,792	
46,601		

Amount due from a jointly-controlled entity	43,482	
-		

	718,957	
711,915		

CURRENT LIABILITIES		
Bank loans and overdrafts	58,766	
61,512		
Other loans, secured	7,845	
6,332		
Finance lease payables	282	
210		
Trade and bills payable	141,181	
136,439		
Other payables and accruals	125,741	
86,879		
Tax payable	6,688	
1,051		
Proposed dividend	21,403	
38,725		
Amount due to an associate	3,466	
2,000		

Amounts due to jointly-controlled entities	39,088	
20,694		
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	404,460	
353,842		
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NET CURRENT ASSETS	314,497	
358,073		
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TOTAL ASSETS LESS CURRENT LIABILITIES	567,332	
543,667		
NON-CURRENT LIABILITIES	1,245	
1,420		
Minority interests	15,509	
15,181		
	-----	-----
	550,578	
527,066		
	=====	
=====		
CAPITAL AND RESERVES		

Issued capital	31,925	
33,524		
Reserves	518,653	
493,542		
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	550,578	
527,066		
	=====	
=====		

Notes:

1. TAX

Hong Kong profits tax has been provided for at the rate of 16% (1999: 16%) on the estimated assessable profits arising in Hong Kong during the period under review. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates based on existing legislation, practices and interpretations in respect thereof.

Six months ended 31st

March,

2000

1999

	HK\$' 000	
HK\$' 000		
Group :		
Hong Kong	1,484	
1,000		
Elsewhere	4,879	
226		
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	6,363	
1,226		
Share of tax attributable to:		
Jointly-controlled entities	624	
537		
Associate	-	
9		
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Tax charge for the period	6,987	
1,772		
	=====	
=====		

2. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders of HK\$62,188,000 (1999: HK\$39,187,000) and the weighted average of 327,286,232 (1999: 350,809,692) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the six months ended 31st March, 2000 is based on the net profit attributable to shareholders for the period of HK\$62,188,000. The weighted average number of ordinary shares used in the calculation is 327,286,232 ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average of 4,021,657 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

Diluted earnings per share for the six months ended 31st March, 1999 has not been calculated as no diluting events existed during that period.

3. TRANSFER TO AND FROM RESERVES

During the period, an amount of HK\$18,120,000 (1999: HK\$4,998,000) was utilised from the retained profits as a result of the repurchase of the Company's shares as described in the section "Purchase, Sale or Redemption of Listed Securities" below. This amount represents:

	Six months ended 31st
March,	
	2000
1999	

	HK\$' 000
HK\$' 000	
Transfer to capital redemption reserve	
relating to nominal value of shares	
repurchased	1,599
1,147	
Premium paid on repurchase of shares	16,521
3,851	

	18,120
4,998	
	=====
=====	

DIVIDEND

The Board of Directors declared an interim dividend of 7 cents (1999: 3.8 cents) per share on the shares in issue aggregating a total of HK\$21,403,000 (1999: HK\$12,722,000), which will be payable on or about 10th July, 2000 to shareholders whose names appear on the Register of Members on 5th July, 2000.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 29th June, 2000 to 5th July, 2000, both days inclusive. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's sub-

registrar and transfer agent in Hong Kong, Secretaries Limited of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, not later than 4:00 p.m. on Wednesday, 28th June, 2000 for registration.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period, the Company repurchased a total of 15,988,000 ordinary shares of HK\$ 0.10 each of the Company on The Stock Exchange of Hong Kong Limited at prices ranging from HK\$0.90 to HK\$1.39 per share for an aggregate consideration of HK\$18,120,000. All of the repurchased shares were cancelled. The repurchases of the Company's shares during the period were 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 Company. Details of the repurchased shares are as follows:

Aggregate

Month of	Number of shares	Price per share	
consideration	repurchased	Highest	Lowest
repurchase			
paid			
HK\$	HK\$	HK\$' 000	

October 1999	2,706,000	0.93	0.90
2,485			
November 1999	1,878,000	0.93	0.92
1,756			
December 1999	2,476,000	0.97	0.90
2,278			
January 2000	2,400,000	1.39	1.27
3,256			
February 2000	3,676,000	1.32	1.20
4,706			
March 2000	2,852,000	1.28	1.24
3,639			
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Total	15,988,000		
18,120			
	=====		
=====			

Save as disclosed above, the Company did not redeem any of its listed securities during the period. Neither the Company, nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the period.

SUBSEQUENT EVENT

On 5th June, 2000, a conditional Debt Restructuring and Subscription Agreement ("the Agreement") was entered into by Navigation Limited ("Navigation"), a wholly-owned subsidiary of the Company, with Theme International Holdings Limited ("Theme"), a company listed on The Stock Exchange of Hong Kong Limited, and its subsidiaries (the "Theme Group") to restructure the share capital of Theme and the indebtedness of the Theme Group. If the Agreement is completed, Navigation would become the controlling shareholder of Theme with approximately 75% of its enlarged share capital and an application for the Whitewash Waiver would be submitted by Navigation to the Securities and Futures Commission of Hong Kong.

REVIEW OF OPERATIONS

Marketing

During the six-month period under review, the Group's profit from its core businesses improved despite continued pricing pressures for textile retail products worldwide. Our success was mainly attributed to the adoption of "Total Customer Satisfaction" approach, which enabled us to keep with the current demands of the apparel market.

Our principal marketing subsidiary in USA, August Silk Inc., has taken advantage of the continued strong performance of the US economy, and has become a leading brand in the U.S. of silk apparel products. August Silk's plan for continued growth is based on extending its success to strong customer recognition of our brand name and new product development. With a broader range of the products offered and encouraging response from its customer base, August Silk Inc. will be a fast growing division of the Group.

Similar marketing efforts are being implemented in Europe to enhance our presence as a global player in the apparel trade. During the period under review, we have concluded agency arrangements in Italy and Germany, with an additional agency arrangement for France under negotiation. We believe the marketing arrangements will bring significant improvement in turnover and profit from the European market.

Manufacturing operations

As a leading fully integrated silk garment producer, High Fashion has distinguished itself from other silk garment manufacturers by forming strategic partnership relationships with its major customers, suppliers and alliance partners, in such a manner that a steady stream of new concepts and ideas lead to a steady stream of innovative products. The successful implementation of Total Quality Management has led to significant improvement in our profit margins despite continued pricing pressure. Major re-engineering programmes covering the entire Group are being undertaken. Upon completion, our printing and dyeing capability will be upgraded and strengthened, and cross-enterprise information flow will be improved, enabling quick response, shorter production lead-time and competitive production efficiency. Our productivity will be improved to make room for greater sales.

The installation of advanced weaving machinery has enhanced our new product development and production capability. All these innovations will enable High Fashion to maintain its leadership and provide a much wider range of improved quality products to meet changing and expanding market demands.

New business developments

Retailing

It has always been the Group's objective to expand into retailing. The proposed acquisition of Theme International Holdings Limited ("Theme"), a retailing company listed on The Stock Exchange of Hong Kong Limited, is in line with this long term goal.

On 30th December, 1999, the Group purchased approximately HK\$212 million debts owed by Theme and its subsidiaries to their bank creditors and China Everbright Limited at a cost of about HK\$44 million. Up to the end of March 2000, a bridging loan of HK\$20 million was provided to Theme to enable it to capture the business for the 2000 spring and summer seasons. All funding for such debts and bridging loan ("Debts") was provided from our internal reserves.

A conditional Debt Restructuring and Subscription Agreement was executed on 5th June, 2000 with a view to converting the Debts into new Theme shares, thus enabling High Fashion to acquire a controlling interest in Theme. If completed, the total commitment would amount to approximately HK\$94 million, including the HK\$64 million already paid and a further amount of HK\$30 million to be advanced. We view the combination of High Fashion's strength in manufacturing, finance and management and Theme's retail expertise and network a perfect synergy to both companies. We are confident that Theme, together with High Fashion, will succeed and it will prove to be an attractive investment to High Fashion shareholders.

E-commerce

With the rapid advancement in technology and the wide application of computers, internet emerges as the important impetus for leading business to success. It thereby changes the way in which business is done in all industries. In view of this, we plan to develop a comprehensive intranet system within our Group. In order to create more business

opportunities and provide better service for our existing customers, we are studying carefully the ways to achieve these objectives by making intelligent use of the internet.

The first strategic investment made by the Group will be an internet portal to be developed jointly with the Hong Kong Polytechnic University, targeting mainly the youth group of 15-25 year old. What differentiates us from others is that our target group forms the basis of the e-business. It is by the provision of exciting contents that a group of loyal customers are guaranteed and this can thus generate sales and revenues. The proposed portal will be a business-to-customer internet venture, aimed at our customers' tastes to further develop improved and long term relationships.

Outlook

We have entered the new millennium in strong financial condition. After providing for the Group's investments in Theme and internet portal, the Group still remains in a liquid position.

With "Total Quality Management" as the corporate commitment, we have placed strong emphasis on "Total Customer Satisfaction" and "Total Employee Satisfaction". The management culture of the Group is a blend of Chinese and Western management philosophy in which staff harmonious working relationship, training and quality as well as customer satisfaction are well catered.

In light of the above, we are confident about the Group's future development and performance.

DIRECTORS' INTERESTS IN SHARES

As at 31st March, 2000, the interests of the Directors and their associates in the share capital of the Company, its subsidiaries and associated corporations as recorded in the register required to be kept under section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

(i) The Company

			Number
of			
Name of director	Nature of interest	Notes	ordinary shares held
Poon Hon Kam	Other	1, 5	59,269,074
Lam Foo Wah	Other	2, 3, 5	111,306,655
Ip Weng Kun	Other	4, 5	33,492,198
So Siu Hang, Patricia	Personal		1,386,961
Hui Yip Wing	Family		2,652,007
Wong Shing Loong, Raymond	Personal		2,300,000

(ii) Subsidiary - High Fashion Knitters Limited

Number

of

Name of director	Nature of interest	Note	ordinary shares held
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Lam Foo Wah	Corporate	6	5,339,431
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Notes:

1. Mr. Poon Hon Kam is deemed to have an interest in 31,404,724 ordinary shares which are beneficially owned by Excel Investments Ltd., the entire issued share capital of which is held under a related discretionary trust.

2. Mr. Lam Foo Wah is deemed to have an interest in 10,164,569 ordinary shares which are beneficially owned by Annick Investment Limited, the entire issued share capital of which is held under a related discretionary trust.

3. Mr. Lam Foo Wah is deemed to have an interest in 73,277,736 ordinary shares which are beneficially owned by Hinton Company Limited, the entire issued share capital of which is held under a related discretionary trust.

4. Mr. Ip Weng Kun is deemed to have an interest in 5,627,848 ordinary shares which are beneficially owned by Major Rank Holdings Limited, the entire issued share capital of which is held under a related discretionary trust.

5. Messrs. Poon Hon Kam, Lam Foo Wah and Ip Weng Kun are deemed to have interests in 27,864,350 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.

6. These shares are held through three companies beneficially owned by Mr. Lam Foo Wah.

The interests of the directors in the share options of the Company are separately disclosed in the section "Directors' rights to acquire shares".

Save as disclosed above, none of the Directors, chief executives or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company, its subsidiaries or any of its associated corporations (as defined in the SDI Ordinance) as recorded in the register required to be kept under section 29 of the SDI Ordinance as at 31st March, 2000.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Company's share option scheme, the Company has granted options on the Company's ordinary shares in favour of certain directors, the details of which are as follows:

	Number of share options outstanding		Exercise price of share options
Name of director	at end of period	Date of grant	

HK\$

Lam Foo Wah	3,800,000	1st June, 1999
0.505		
Ip Weng Kun	1,500,000	1st June, 1999
0.505		
So Siu Hang, Patricia	1,200,000	1st June, 1999
0.505		
Wong Shing Loong, Raymond	1,000,000	1st June, 1999
0.505		

	7,500,000	
	=====	

Note: 40% of the options granted are exercisable during the period from 5th May, 2002 to 4th May, 2009, 30% of the options granted are exercisable during the period from 5th May, 2003 to 4th May, 2009 and the remaining 30% are exercisable during the period from 5th May, 2004 to 4th May, 2009.

No options were granted pursuant to the existing share option scheme during the six months ended 31st March, 2000.

Save as disclosed above, at no time during the six months ended 31st March, 2000 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2000, according to the register kept by the Company under Section 16(1) of the SDI Ordinance, the only shareholder with an interest in 10% or more of the issued share capital of the Company was Hinton Company Limited which held 73,277,736 shares. This interest has also been disclosed as an interest of Mr. Lam Foo Wah in the Directors' interests in shares above.

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the period under review.

By Order of the Board

Lam Foo Wah

Managing Director

Hong Kong, 13th June, 2000

Source: High Fashion International Limited