High Fashion International Limited

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

INTERIM REPORT 2018

CONTENTS

Chairman's Statement

In 2018, the global economy is filled with challenges and opportunities. We continued to deliver a decent set of interim results for the period with satisfactory growth in top line sales. We are confident that we can enhance our competitive advantage by deepening our re-engineering processes, in order to respond effectively to the complex market environment. Our key results for the period ended 30 June 2018 are as follows:

- Net profit attributable to shareholders at HK$23.6 million
- Gearing ratio of non-current liabilities to shareholders' fund at 40%. Current ratio at 1.6
- Basic earnings per share landed at HK$0.077
- Net asset value per share amounted to HK$8.17
- Interim dividend per share of HK$0.03

We will pursue proactively our focused strategy on breadth and quality of global customer portfolio for healthy growth. Coupled with our strategic goals in strengthening our supply chain management and effectively monitoring production costs, we aim at building a strong platform for the development of our core manufacturing business.

While product innovation and operational excellence have always been our key pillars to create growth momentum, we are committed to invest and nurture innovation through digitalization to improve competitiveness and create new business opportunities to add value to the Group in the long run.

We also focus on sharpening the cost structure of our brand business and exploring new models so as to establish more direct interface with customers.

We have excellent property assets which are being developed progressively, including the renovation project in Hong Kong. We believe these assets can add further value to the Group in future.

While prevailing economic challenges in China over the international trade and protectionism are expected to persist in the foreseeable future, we will continue to monitor closely on the businesses, currency and interest risks. We believe that with our ongoing efforts on key growth drivers, we will deliver enhanced synergies across our platforms of unique and differentiated fashion product creation for sustainable development.

Chairman's Statement

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

LAM FOO WAH
Chairman & Managing Director

Hong Kong, 30 August 2018

Management Discussion and Analysis

RESULTS AND REVIEW OF OPERATIONS

High Fashion International Limited and its subsidiaries (collectively referred to as the "Group") recorded a total revenue of HK$1.55 billion for the six months ended 30 June 2018, an increase of 24.1% compared with the same period last year. Due to the significant appreciation of CNY in average during the period as compared with same period last year, the gross profit margin fell to 17.6% (versus 20.2% same period last year) though overall gross profit increased by 8.2% in the first half of 2018 compared with the same period in 2017. Excluding the factor of exchange movement, the gross profit margin for the period was 22.2%, resulting in an increase of 2.0% compared with the same period of last year.

The increase of administrative and selling expenses was also driven by the CNY exchange movement during the period. Excluding the exchange factor, administrative expenses were only increased year-on-year by 2.8% whilst selling and distribution expenses increased by 12.0% year-on-year which was far less than the growth in sales revenue. These results reveal the continuous improvement in streamlining our cost structure as well as process flows. The increase of other expenses was due to certain one-off expenses including ad-hoc professional & consultancy fees.

Net profit attributable to shareholders for the six months ended 30 June 2018 landed at HK$23.6 million, an increase of 3.2% compared with HK$22.9 million at the same period last year. Basic earnings per share achieved a corresponding year-over-year increase to 7.72 HK cents. Net asset value per share is HK$8.17.

SEGMENT INFORMATION

The segment information is as follows:

	Revenue		Segment results		Revenue		Segment results	
	For six months ended 30 June				For year ended 31 December			
	2018	2017	**2018**	2017	2017	2016	2017	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
By principal activities:								
Manufacturing and trading	**1,421,440**	1,150,827	**33,851**	11,193	2,492,109	2,204,317	30,233	(17,522)
Brand business	**73,913**	84,700	**(32,347)**	(6,913)	175,663	218,228	(28,012)	(36,262)
Property investment and development	**55,245**	14,235	**12,193**	9,544	65,202	–	24,313	12,135
	1,550,598	1,249,762	**13,697**	13,824	2,732,974	2,422,545	26,534	(41,649)

Note: With effect from the interim period for six months ended 30 June 2018, the management decided to change the presentation basis of the segment information included in the "Management Discussion and Analysis" so as to follow the disclosure of segment revenue and results in the notes to the consolidated financial statements, which reflects a new measurement basis as reported as from the consolidated audited financial statements of the Company for the year ended 31 December 2017. Under the new presentation basis, change in fair value of derivative financial instruments not designated for hedge accounting, change in fair value of investment properties, certain portion of the central administration costs and other expenses have not been allocated to segment result. For comparison purpose, segment information for the six months ended 30 June 2017, the years ended 31 December 2016 and 2017, respectively using the same presentation basis is disclosed above.

The manufacturing and trading business is the largest profit contributor of the Group. The Group will focus on optimizing its costs and benefit to create greater competitiveness. For the brand business, costs are and to be provided for rationalizing its structure. The brand business will progressively demonstrate its contribution in the process of restructuring into e-commerce.

Management Discussion and Analysis

With the investment and development of property projects, the property business will start generating significant recurring income so as to strengthen the cash flow and enhance the value of the Group.

Manufacturing and trading

In spite of the immense inflation pressure with rising raw material costs and other operational overheads, the Group continued to deliver solid results in our manufacturing and trading business, through implementation of a series of effective measures, constant operation integration and process automation to enhance our efficiency and competitiveness over the years. Not only we depicted encouraging results in our major export market, the U.S.A., but also continuous improvement in the European market through strategised quality product innovation to capture the unexplored high-end market at an affordable price level.

For the six months ended 30 June 2018, the revenue from manufacturing and trading business recorded an increase of HK$270.6 million or 23.5% from HK$1,150.8 million for the six months ended 30 June 2017. The increase in revenue was mainly attributable to the increase of the demands for apparel of international brands and the spinning and weaving products in the US market and mainland China, respectively. Apparel in silk and synthetic fabrics continued to be the major products of the Group, which contributed a significant portion of the total revenue of manufacturing and trading business. The increase in segment profit of HK$22.7 million or 202.4% for the six months ended 30 June 2018 from segment profit of HK$11.2 million for the six months ended 30 June 2017 was mainly due to the loss from cash flow hedge of USD against RMB for the six months ended 30 June 2017 of HK$17.3 million.

For the year ended 31 December 2017, the revenue from manufacturing and trading business recorded an increase of HK$287.8 million or 13.1% from HK$2,204.3 million for the year ended 31 December 2016. The increase in revenue was mainly attributable to the increase of the demands for apparel of international brands and the spinning and weaving products in the European market and mainland China, respectively. The increase in segment profit of HK$47.8 million for the year ended 31 December 2017 from segment loss of HK$17.5 million for the year ended 31 December 2016 was mainly due to the decrease in loss from cash flow hedge of USD against RMB for the year ended 31 December 2017 of HK$41.7 million from HK$63.5 million for the year ended 31 December 2016.

Management Discussion and Analysis

Brand business

With the extensive development of e-commerce in the market, more and more customers have changed their shopping behavior from traditional retail stores to online shopping. In view of our brand business facing intense competition for the year ended 31 December 2017 and during the six months ended 30 June 2018, the Group continued to exercise stringent cost control and develop e-commerce. The Group continued its store relocation and has closed down certain underperforming stores in order to optimise its sales network structure. In addition, the Group continued to introduce more diversified products to reinforce its business competitiveness.

For the six months ended 30 June 2018, the revenue from brand business decreased by HK$10.8 million or 12.7% from HK$84.7 million for the six months ended 30 June 2017. For the year ended 31 December 2017, the revenue from brand business decreased by HK$42.6 million or 19.5% from HK$218.2 million for the year ended 31 December 2016. The decrease in revenue for the six months ended 30 June 2018 and for the year ended 31 December 2017 (compared with the corresponding period of 2017 and the financial year 2016, respectively) was both affected by the continuing sluggish demands in the retail industry, mainly in the U.S.A. as reflected in the reducing orders from the department stores.

Property investment and development

Our core businesses are mainly focused on manufacturing and trading as well as brand businesses. However, in order to utilize our resources more effectively, we have commenced in recent years our property investment and development business. Our quality portfolio of property projects in the mainland China and Hong Kong at different stage of investment and development continued to create value to the Group for the six months ended 30 June 2018 and will serve as additional growth drivers for the Group, with more progressive value realization to enhance long-term shareholders' value. The property development projects in Zhejiang Province are in progress and a project has started generating sales proceeds since 2017 in addition to the recurring rental income stream from the commercial properties in both Hong Kong and the mainland China.

Management Discussion and Analysis

For the six months ended 30 June 2018, the revenue from our property investment and development business increased by HK$41.0 million from HK$14.2 million for the six months ended 30 June 2017. Since 2017, property investment and development has been reported as a separate component due to the substantial increase of such activities and revenue contribution to the Group. The increase in revenue for the six months ended 30 June 2018 and the year ended 31 December 2017 (compared with the corresponding period of 2017 and the financial year 2016, respectively) was both mainly attributable to the sale of properties in Zhejiang Province.

To cope with the challenges and competition faced by the Group, the Group will continue to strengthen its data analysis through implementation of the Enterprise Resource Planning (ERP) system, and adopt a series of measures and Key Performance Indicator (KPI) to enhance the development of the Group's core businesses. The Group targets to improve the product design and the product cycle, and will continue to control the inventory level.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total outstanding bank borrowings increased to HK$1,445 million at the end of interim reporting period compared to HK$1,388 million as at 31 December 2017. Our gearing ratio of non-current liabilities to shareholders' funds was 40% at the end of interim reporting period. Current ratio maintained at a robust level of 1.6.

The Group's total cash and bank balances were HK$926 million at the end of interim reporting period, a slight decline compared to HK$993 million at the end of 2017. 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 dollar. Bank borrowings were denominated in US dollar and Hong Kong dollar. Since the Hong Kong dollar is pegged to the US dollar, the Group considers that its foreign exchange risk in this aspect is minimal. The Group has taken conservative approach to handle foreign currency risk with adequate hedging reserve.

Save as the pledge of trade and bill receivables of certain subsidiaries of HK$19 million and the pledge of certain properties of HK$723 million, there were no charges on the Group's assets.

Management Discussion and Analysis

CAPITAL EXPENDITURE

The Group purchased the plant and equipment and construction in progress of HK$20.7 million in order to upgrade its manufacturing capabilities and improve the environmental protection system during the period. The Group also input HK$49.6 million into certain properties construction and development projects during the period.

CAPITAL COMMITMENTS

At 30 June 2018, the Group is committed to capital expenditure in respect of acquisition of property, plant and equipment and construction work contracted but not provided for amounted to HK$331 million.

CONTINGENT LIABILITIES

Please refer to note 22 to the condensed consolidated financial statements for details of contingent liabilities at 30 June 2018.

TAX AUDIT

Since February 2006, the Hong Kong Inland Revenue Department (the "IRD") has initiated a tax audit on certain group companies for the years of assessment as from 1999/2000. The Group has been pro-actively liaising with the IRD, but the tax audit remains at the stage of fact finding and verification, thus the Group still cannot ascertain the final outcome of the tax audit with reasonable accuracy. Based on the communication and understanding with the IRD since the beginning of the year, the directors of the Group is of the opinion that, in all the years, adequate tax provision was made for the Hong Kong chargeable income.

HUMAN RESOURCES

The total number of employees of the Group including joint ventures as at the end of interim reporting period was about 6,400. 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.

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 2018 together with the comparative figures.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	**HK$'000**	HK$'000
REVENUE	*3*		
Goods and services		**1,535,728**	1,235,527
Rental		**14,870**	14,235
Total revenue		**1,550,598**	1,249,762
Cost of sales		**(1,277,911)**	(997,656)
Gross profit		**272,687**	252,106
Other income		**12,193**	19,614
Other gains and losses	*4*	**49,091**	42,880
Administrative expenses		**(167,432)**	(154,296)
Selling and distribution expenses		**(99,965)**	(84,266)
Other expenses		**(10,225)**	(5,665)
Finance costs	*5*	**(16,237)**	(16,989)
Share of losses of joint ventures		**(94)**	(1,177)
PROFIT BEFORE TAXATION		**40,018**	52,207
Income tax expenses	*6*	**(18,390)**	(28,770)
PROFIT FOR THE PERIOD	*7*	**21,628**	23,437

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont'd)

For the six months ended 30 June 2018

	Note	Six months ended 30 June 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
OTHER COMPREHENSIVE (EXPENSE) INCOME	*8*		
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements from functional currency to presentation currency		**(37,780)**	74,826
Fair value gain on equity instruments at fair value through other comprehensive income		**1,064**	–
Gain on revaluation of owner-occupied properties		**238**	68,253
Income tax relating to items that will not be reclassified to profit or loss		**(59)**	(17,063)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(1,715)**	(1,782)
Fair value (loss) gain on hedging instruments under cash flow hedges		**(22,195)**	25,218
Reclassified to profit or loss on realisation of cash flow hedges		**–**	17,263
Income tax relating to items that may be reclassified to profit or loss		**3,662**	(5,730)
Other comprehensive (expense) income for the period, net of tax		**(56,785)**	160,985
TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD		**(35,157)**	184,422

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont'd)

For the six months ended 30 June 2018

	Note	Six months ended 30 June 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Profit for the period attributable to:			
Owners of the Company		**23,589**	22,862
Non-controlling interests		**(1,961)**	575
		21,628	23,437
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(33,269)**	184,332
Non-controlling interests		**(1,888)**	90
		(35,157)	184,422
EARNINGS PER SHARE	*9*		
Basic		**7.72 HK cents**	7.48 HK cents

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	At 30 June 2018 (Unaudited) HK$'000	At 31 December 2017 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**603,201**	609,975
Prepaid lease payments		**67,185**	68,717
Investment properties	*11*	**1,717,607**	1,649,855
Intangible assets		**7,723**	6,529
Interests in joint ventures		**17,076**	17,070
Available-for-sale investments	*12*	**–**	675
Equity instruments at fair value through other comprehensive income	*12*	**25,530**	–
Deposit placed and prepayment of premium for a life insurance		**25,974**	26,074
Deferred tax assets		**25,703**	26,012
Derivative financial instruments	*15*	**4**	–
		2,490,003	2,404,907
CURRENT ASSETS			
Inventories		**586,556**	522,524
Properties held for sale		**205,929**	188,891
Trade receivables	*13*	**445,319**	403,249
Bills receivable	*13*	**14,591**	5,807
Prepaid lease payments		**1,960**	2,001
Deposits, prepayments and other receivables	*14*	**182,289**	175,968
Amounts due from joint ventures		**27,463**	27,050
Tax recoverable		**187,134**	175,872
Derivative financial instruments	*15*	**24**	–
Short-term bank deposits		**427,006**	490,131
Restricted bank balances	*16*	**74,227**	–
Bank balances and cash		**425,109**	503,357
		2,577,607	2,494,850

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

At 30 June 2018

	Notes	At 30 June 2018 (Unaudited) HK$'000	At 31 December 2017 (Audited) HK$'000
CURRENT LIABILITIES			
Trade payables	*17*	**336,754**	360,773
Bills payable		**–**	602
Other payables and accruals		**145,079**	203,089
Amount due to an associate		**583**	583
Contract liabilities		**194,790**	–
Tax payable		**168,086**	167,239
Derivative financial instruments	*15*	**24,027**	4,485
Obligations under finance leases		**57**	75
Bank borrowings	*18*	**712,180**	1,387,004
Bank overdrafts		**1**	694
		1,581,557	2,124,544
NET CURRENT ASSETS		**996,050**	370,306
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,486,053**	2,775,213
NON-CURRENT LIABILITIES			
Bank borrowings	*18*	**732,500**	–
Deferred tax liabilities		**254,129**	251,492
Derivative financial instruments	*15*	**–**	734
Provision for long service payments		**2,556**	2,859
Obligations under finance leases		**–**	20
		989,185	255,105
NET ASSETS		**2,496,868**	2,520,108
CAPITAL AND RESERVES			
Share capital	*19*	**30,562**	30,562
Share premium and reserves		**2,493,510**	2,514,862
Equity attributable to owners of the Company		**2,524,072**	2,545,424
Non-controlling interests		**(27,204)**	(25,316)
TOTAL EQUITY		**2,496,868**	2,520,108

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Reserve funds HK$'000	Property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Capital redemption reserve HK$'000	Hedging reserve HK$'000	Other reserve HK$'000	Accumulated profits HK$'000	Sub-total HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
At 31 December 2017 (audited)	30,562	287,656	282,817	79,173	192,856	-	8,511	-	39,853	1,623,996	2,545,424	(25,316)	2,520,108
Adjustments *(note 2)*	-	-	-	-	-	23,791	-	-	-	(2,706)	21,085	-	21,085
At 1 January 2018 (restated)	30,562	287,656	282,817	79,173	192,856	23,791	8,511	-	39,853	1,621,290	2,566,509	(25,316)	2,541,193
Profit for the period	-	-	-	-	-	-	-	-	-	23,589	23,589	(1,961)	21,628
Other comprehensive (expense) income for the period	-	-	(39,568)	-	179	1,064	-	(18,533)	-	-	(56,858)	73	(56,785)
Total comprehensive (expense) income for the period	-	-	(39,568)	-	179	1,064	-	(18,533)	-	23,589	(33,269)	(1,888)	(35,157)
Dividends *(note 10)*	-	-	-	-	-	-	-	-	-	(9,168)	(9,168)	-	(9,168)
At 30 June 2018 (unaudited)	30,562	287,656	243,249	79,173	193,035	24,855	8,511	(18,533)	39,853	1,635,711	2,524,072	(27,204)	2,496,868
At 1 January 2017 (audited)	30,562	287,656	73,737	76,948	116,955	-	8,511	(48,341)	39,853	1,602,581	2,188,462	(25,306)	2,163,156
Profit for the period	-	-	-	-	-	-	-	-	-	22,862	22,862	575	23,437
Other comprehensive income (expense) for the period	-	-	73,529	-	51,190	-	-	36,751	-	-	161,470	(485)	160,985
Total comprehensive income for the period	-	-	73,529	-	51,190	-	-	36,751	-	22,862	184,332	90	184,422
Dividends *(note 10)*	-	-	-	-	-	-	-	-	-	(9,168)	(9,168)	-	(9,168)
At 30 June 2017 (unaudited)	30,562	287,656	147,266	76,948	168,145	-	8,511	(11,590)	39,853	1,616,275	2,363,626	(25,216)	2,338,410

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Net cash used in operating activities		**(17,688)**	(86,370)
INVESTING ACTIVITIES			
New short-term bank deposits placed		**(55,556)**	(107,955)
Withdrawal of short-term bank deposits		**117,284**	200,795
New restricted bank balances placed		**(161,788)**	–
Withdrawal of restricted bank balances		**84,812**	–
Interests received		**5,491**	7,214
Purchases of property, plant and equipment		**(36,038)**	(26,211)
Additions to investment properties		**(32,790)**	(6,734)
Additions to intangible assets		**(1,194)**	(7,676)
Other investing cash flows		**(889)**	31
Net cash (used in) from investing activities		**(80,668)**	59,464
FINANCING ACTIVITIES			
New bank borrowings raised	*18*	**1,017,112**	561,850
Repayment of bank borrowings	*18*	**(960,085)**	(429,349)
Interests paid		**(22,458)**	(17,704)
Dividends paid	*10*	**(9,168)**	(9,168)
Other financing cash flows		**(38)**	(23)
Net cash from financing activities		**25,363**	105,606
Net (decrease) increase in cash and cash equivalents		**(72,993)**	78,700
Cash and cash equivalents at beginning of the period		**502,663**	330,195
Effect of foreign exchange rate changes, net		**(4,562)**	13,739
Cash and cash equivalents at end of the period		**425,108**	422,634
Analysis of balances of cash and cash equivalents			
Bank balances and cash		**425,109**	423,959
Bank overdrafts		**(1)**	(1,325)
		425,108	422,634

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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.

Other than the changes in accounting policies resulting from application of the new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

2. Principal Accounting Policies (Cont'd)

Application of new and amendments to HKFRSs (Cont'd)

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following operations:

- Manufacturing and trading of garments;
- Brand business; and
- Property investment and development, including rental income from leasing of properties and revenue from sale of properties.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

2. Principal Accounting Policies (Cont'd)

Application of new and amendments to HKFRSs (Cont'd)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Cont'd)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

2. Principal Accounting Policies (Cont'd)

Application of new and amendments to HKFRSs (Cont'd)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Cont'd)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Cont'd)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

2. Principal Accounting Policies (Cont'd)

Application of new and amendments to HKFRSs (Cont'd)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Cont'd)

2.1.2 Summary of effects arising from initial application of HKFRS 15

The following adjustments are made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that are not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under HKFRS 15 at 1 January 2018
	HK$'000	HK$'000	HK$'000
Current liabilities			
Other payables and accruals	203,089	(36,375)	166,714
Contract liabilities	–	36,375	36,375

As at 1 January 2018, advances from customers of HK$36,375,000 in respect of sales orders previously included in other payables and accruals have been reclassified to contract liabilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

2. Principal Accounting Policies (Cont'd)

Application of new and amendments to HKFRSs (Cont'd)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities; 2) expected credit losses ("ECL") for financial assets; and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated profits, without restating comparative information.

In addition, the Group applied the hedge accounting prospectively.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

2. Principal Accounting Policies (Cont'd)

Application of new and amendments to HKFRSs (Cont'd)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Cont'd)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

2. Principal Accounting Policies (Cont'd)

Application of new and amendments to HKFRSs (Cont'd)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Cont'd)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Cont'd)

Classification and measurement of financial assets (Cont'd)

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/ initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

2. Principal Accounting Policies (Cont'd)

Application of new and amendments to HKFRSs (Cont'd)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Cont'd)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Cont'd)

Classification and measurement of financial assets (Cont'd)

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

2. Principal Accounting Policies (Cont'd)

Application of new and amendments to HKFRSs (Cont'd)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Cont'd)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Cont'd)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, bills receivable, deposits and other receivables, amounts due from joint ventures, short-term deposits, restricted bank balances and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

2. Principal Accounting Policies (Cont'd)

Application of new and amendments to HKFRSs (Cont'd)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Cont'd)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Cont'd)

Impairment under ECL model (Cont'd)

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

2. Principal Accounting Policies (Cont'd)

Application of new and amendments to HKFRSs (Cont'd)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Cont'd)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Cont'd)

Impairment under ECL model (Cont'd)

Significant increase in credit risk (Cont'd)

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; or

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

2. Principal Accounting Policies (Cont'd)

Application of new and amendments to HKFRSs (Cont'd)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Cont'd)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Cont'd)

Impairment under ECL model (Cont'd)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

At 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in note 2.2.2.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

2. Principal Accounting Policies (Cont'd)

Application of new and amendments to HKFRSs (Cont'd)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Cont'd)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Cont'd)

Hedge accounting

The Group has elected to adopt the new general hedge accounting in HKFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

2. Principal Accounting Policies (Cont'd)

Application of new and amendments to HKFRSs (Cont'd)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Cont'd)

2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Notes	Available-for-sale investments HK$'000	Equity instruments at FVTOCI HK$'000	Trade receivables HK$'000	Deferred tax assets HK$'000	Deferred tax liabilities HK$'000	Share premium and reserves HK$'000
Closing balance at 31 December 2017 – HKAS 39		675	–	403,249	26,012	251,492	2,514,862
Effects arising from initial application of HKFRS 9:							
Reclassification							
From available-for-sale investments	*(a)*	(675)	675	–	–	–	–
Remeasurement							
From cost less impairment to fair value	*(a)*	–	23,791	–	–	–	23,791
Impairment under ECL model	*(b)*	–	–	(3,079)	129	(244)	(2,706)
Opening balance at 1 January 2018		–	24,466	400,170	26,141	251,248	2,535,947

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

2. Principal Accounting Policies (Cont'd)

Application of new and amendments to HKFRSs (Cont'd)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Cont'd)

2.2.2 Summary of effects arising from initial application of HKFRS 9 (Cont'd)

Notes:

(a) Available-for-sale investments

The Group elected to present in OCI for the fair value change of all its equity investments previously classified as available-for-sale investments, which related to unlisted equity investments previously measured at cost less impairment under HKAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$675,000 was reclassified from available-for-sale investments to equity instruments at FVTOCI. The fair value gain of HK$23,791,000 was adjusted to equity instruments at FVTOCI and investment revaluation reserve as at 1 January 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

2. Principal Accounting Policies (Cont'd)

Application of new and amendments to HKFRSs (Cont'd)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Cont'd)

2.2.2 Summary of effects arising from initial application of HKFRS 9 (Cont'd)

Notes: (Cont'd)

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprise of bills receivable, deposits and other receivables, amounts due from joint ventures, short-term bank deposits, restricted bank balances and bank balances, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

At 1 January 2018, the additional credit loss allowance of HK$3,079,000 has been recognised against accumulated profits. The additional loss allowance is charged against the respective asset. At 1 January 2018, deferred tax assets increased by HK$129,000 and deferred tax liabilities decreased by HK$244,000.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

3. Revenue and Segment Information

Disaggregation of revenue

	Six months ended 30 June 2018 (Unaudited) HK$'000
Types of goods or services	
Manufacturing and trading of garments	1,421,440
Brand business	73,913
Rental income	14,870
Sales of properties	40,375
	1,550,598
Geographical markets	
United States of America	555,041
Europe	245,234
Greater China	584,078
Others	166,245
	1,550,598

All revenue of the Group is recognised at a point in time.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

3. Revenue and Segment Information (Cont'd)

Segment information

The following is an analysis of the Group's revenue and results by reportable and operating segment. Comparative figures for the property investment and development segment, which has been reported as a separate segment in the preceding year, have been re-presented.

For the six months ended 30 June 2018 (unaudited)

	Manufacturing and trading of garments HK$'000	Brand business HK$'000	Property investment and development HK$'000	Segment total HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE						
External sales	1,421,440	73,913	55,245	1,550,598	-	1,550,598
Inter-segment sales *(Note i)*	11,120	-	-	11,120	(11,120)	-
Segment revenue	1,432,560	73,913	55,245	1,561,718	(11,120)	1,550,598
RESULTS						
Segment profit (loss)	33,851	(32,347)	12,193	13,697	-	13,697
Change in fair value of derivative financial instruments						980
Change in fair value of investment properties						41,667
Corporate overhead *(Note ii)*						(4,046)
Other expenses						(10,225)
Unallocated items						(2,055)
Profit before taxation						40,018

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

3. Revenue and Segment Information (Cont'd)

Segment information (Cont'd)

For the six months ended 30 June 2017 (unaudited)

	Manufacturing and trading of garments HK$'000	Brand business HK$'000	Property investment and development HK$'000	Segment total HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE						
External sales	1,150,827	84,700	14,235	1,249,762	–	1,249,762
Inter-segment sales *(Note i)*	26,780	–	–	26,780	(26,780)	–
Segment revenue	1,177,607	84,700	14,235	1,276,542	(26,780)	1,249,762
RESULTS						
Segment profit (loss) (excluding loss on cash flow hedges reclassified from other comprehensive income)	28,456	(6,913)	9,544	31,087	–	31,087
Realisation of cash flow hedges reclassified from other comprehensive income	(17,263)	–	–	(17,263)	–	(17,263)
Segment profit (loss)	11,193	(6,913)	9,544	13,824	–	13,824
Change in fair value of derivative financial instruments						(56,362)
Change in fair value of investment properties						107,558
Corporate overhead *(Note ii)*						(4,414)
Other expenses						(5,665)
Unallocated items						(2,734)
Profit before taxation						52,207

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

3. Revenue and Segment Information (Cont'd)

Segment information (Cont'd)

Notes:

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

(ii) Central administration costs are apportioned between segments and corporate and allocated to the respective segments according to segment revenue in the respective reporting periods.

Segment profit (loss) represents the profit (loss) earned (incurred) by each segment without the allocation of change in fair value of derivative financial instruments not designated for hedge accounting and investment properties, certain portion of the central administration costs and other expenses. This is the measure reported to the Company's executive directors for the purposes of resources allocation and performance assessment.

4. Other Gains and Losses

	Six months ended 30 June	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Increase in fair value of investment properties	**41,667**	107,558
Change in fair value of derivative financial instruments	**980**	(56,362)
Loss on disposal of property, plant and equipment	**(68)**	(1)
Net foreign exchange gain (loss)	**13,852**	(6,080)
Net allowance for bad and doubtful debts	**(7,340)**	(2,235)
	49,091	42,880

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

5. Finance Costs

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interests on:		
Bank borrowings and overdrafts	**20,132**	14,267
Finance leases	**4**	7
Bank charges	**3,129**	1,881
Total borrowing costs	**23,265**	16,155
Less: Amount capitalised in investment properties under construction that is arisen from specific borrowings	**(7,028)**	–
	16,237	16,155
Fair value loss reclassified from other comprehensive income to profit or loss on interest rate swaps designated as cash flow hedges for variable-rate bank borrowings	**–**	834
	16,237	16,989

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

6. Income Tax Expenses

	Six months ended 30 June	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Current tax charge:		
Hong Kong	**3,000**	737
The People's Republic of China (the "PRC")	**5,473**	5,708
Other jurisdictions	**33**	483
	8,506	6,928
Underprovision in prior years:		
Hong Kong	**27**	7,908
The PRC	**1,455**	3
	1,482	7,911
Deferred taxation – current period	**8,402**	13,931
	18,390	28,770

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

6. Income Tax Expenses (Cont'd)

Current tax

As disclosed in the Group's annual reports published in previous years, the IRD has initiated a tax audit on certain group companies in Hong Kong from the year of assessment 1999/2000 onwards in relation to the taxability on certain offshore income. 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 2011/2012. 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 2018, the Group has made tax payment of approximately HK$181,629,000 (up to 31 December 2017: HK$172,384,000) for conditional standover order of objection against the Assessments, including approximately HK$169,539,000 (up to 31 December 2017: HK$160,294,000) tax reserve certificates purchased by the Group. The amount is included in "tax recoverable" in the condensed consolidated statement of financial position.

The Group has been pro-actively liaising with the IRD, but the tax audit remains at the stage of fact finding and verification, thus the outcome of the tax audit cannot be readily ascertained with reasonable accuracy. Management of the Group has in the current year followed the same basis for making provision as adopted in prior years. In the opinion of the directors of the Company, the provision made is adequate for the purpose mentioned above.

Deferred tax

Included in tax charge for the period is approximately HK$7,834,000 (six months ended 30 June 2017: HK$22,871,000) deferred tax charged on increase in fair value of investment properties.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

7. Profit for the Period

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

	Six months ended 30 June	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Amortisation of prepaid lease payments	**792**	783
Depreciation of property, plant and equipment	**28,412**	31,567
Net allowance for inventory obsolescence (included in cost of sales)	**6,142**	1,280
Realisation of cash flow hedges reclassified from other comprehensive income *(Note)*	**–**	17,263
Investment income earned on:		
Bank interest income	**(7,417)**	(9,560)
Interest income on other receivables	**(390)**	(424)

Note: During the six months ended 30 June 2017, loss of HK$16,429,000 was included in revenue and the remaining balance of a loss of HK$834,000 was included in finance costs.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

8. Other Comprehensive (Expense) Income

	Six months ended 30 June	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Cash flow hedges:		
Fair value (loss) gain on hedging instruments	**(22,195)**	25,218
Reclassification adjustments upon realisation of hedged items in profit or loss	**–**	17,263
	(22,195)	42,481
Fair value gain on equity instruments at fair value through other comprehensive income	**1,064**	–
Gain on revaluation of owner-occupied properties	**238**	68,253
Exchange differences arising on translation of foreign operations	**(39,495)**	73,044
	(60,388)	183,778
Income tax relating to components of other comprehensive income (expense):		
Fair value change in hedging instruments under cash flow hedges	**3,662**	(5,730)
Revaluation of owner-occupied properties	**(59)**	(17,063)
	3,603	(22,793)
Other comprehensive (expense) income for the period, net of tax	**(56,785)**	160,985

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Earnings for the purpose of basic earnings per share attributable to owners of the Company	**23,589**	22,862
	Number of shares	Number of shares
Number of ordinary shares for the purpose of basic earnings per share	**305,615,420**	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 2017: 3 HK cents) per share was declared to the shareholders for the year ended 31 December 2017 (six months ended 30 June 2017: for the year ended 31 December 2016) and paid in cash.

The Board declared that an interim dividend of 3 HK cents per share for the six months ended 30 June 2018 (six months ended 30 June 2017: 3 HK cents) which will be paid to shareholders whose names appear in the register of members on 21 September 2018. 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.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

11. Investment Properties

All investment properties held by the Group are determined using fair value model. The fair value of the Group's investment properties at 30 June 2018 and 31 December 2017 has been arrived at on the basis of the valuation carried out by Centaline Surveyors Limited and 新昌信安達資產評估有限公司, which are independent qualified professional valuers not connected with the Group. An increase in fair value of investment properties of HK$41,667,000 (six months ended 30 June 2017: HK$107,558,000) has been recognised directly in the profit or loss for the six months ended 30 June 2018.

12. Equity Instruments at FVTOCI/Available-for-sale Investments

	At 30 June 2018 (Unaudited) HK$'000	At 31 December 2017 (Audited) HK$'000
Unlisted equity investments	**25,530**	675

The above unlisted investments represent investments in unlisted equity securities issued by a private entity in the British Virgin Islands. The investments were classified as available-for-sale investments and were measured at cost less impairment as at 31 December 2017. Upon initial application of HKFRS 9, such investments were reclassified as financial assets at FVTOCI. Details are set out in note 2.2.2.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

13. Trade Receivables and Bills Receivable

Trade receivables mainly comprise receivables from sales of garments and renting of properties. Credit terms granted to the customers for garment trading range from 30 to 90 days. Rentals are payable by tenants upon presentation of demand notes. No credit is granted to tenants.

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 2018 (Unaudited) HK$'000	At 31 December 2017 (Audited) HK$'000
Within 90 days	**406,397**	367,945
91 to 180 days	**31,187**	23,413
181 to 360 days	**6,585**	9,514
Over 360 days	**1,150**	2,377
	445,319	403,249

At the end of the reporting period, bills receivable of HK$14,591,000 (31 December 2017: HK$5,807,000) are aged within 90 days (31 December 2017: within 90 days) from the respective invoice dates. Included in the bills receivable is discounted bills with recourse of HK$5,250,000 (31 December 2017: HK$4,303,000) of which the corresponding financial liabilities are included in bank borrowings.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

14. Deposits, Prepayments and Other Receivables

Included in deposits, prepayments and other receivables is a deposit of Renminbi ("RMB") 30,000,000 (equivalent to HK$35,714,000) (31 December 2017: RMB30,000,000, equivalent to HK$36,145,000) 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 the mainland China.

In June 2016, a judgment was made by the Intermediate People's Court Shaoxing, Zhejiang Province (the "Judgment") which stated that the Group had convicted an offence of illicit transportation of common goods or articles without paying customs duty and was required to pay a penalty of approximately RMB28,000,000 and customs of approximately RMB27,000,000, out of which the RMB30,000,000 deposit previously paid would be confiscated by the Customs Authority and used to offset the amount payable. In July 2016, the Group appealed against the Judgment (the "Appeal") to the Higher People's Court of Zhejiang Province.

In June 2017, a ruling was made by the Higher People's Court of Zhejiang Province on the Appeal proceeding to the effect that due to the unclear facts ascertained in the Judgement, the Judgment made by the Intermediate People's Court Shaoxing, Zhejiang Province was revoked, and the customs proceedings were remitted to the Intermediate People's Court Shaoxing, Zhejiang Province for retrial.

In April 2018, the Intermediate People's Court Shaoxing, Zhejiang Province retained the same judgment as was made previously. After seeking advice from the legal and other professionals, the Group appealed against the judgment received in April 2018. The Group has submitted an appeal application to the Higher People's Court of Zhejiang Province.

The management of the Group had sought advice from PRC legal professionals who advised that the judgment received in April 2018 was without merit and the facts relied on were unclear against which the Group has strong grounds to defend. Accordingly, the directors of the Company consider that no provision for impairment loss on the deposit is necessary and the deposit has been presented as a current asset in the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

15. Derivative Financial Instruments

	At 30 June 2018 (Unaudited) HK$'000	At 31 December 2017 (Audited) HK$'000
Financial assets		
Other derivatives (not under hedge accounting)		
Foreign currency and interest rate swap	**28**	–
Financial liabilities		
Cash flow hedges		
Foreign exchange forward contracts *(Note)*	**22,195**	–
Other derivatives (not under hedge accounting)		
Dual currency interest rate swap	**1,832**	4,437
Foreign currency and interest rate swaps	**–**	782
	1,832	5,219
	24,027	5,219
Analysed for reporting purposes as:		
Non-current assets	**4**	–
Current assets	**24**	–
	28	–
Non-current liabilities	**–**	734
Current liabilities	**24,027**	4,485
	24,027	5,219

Note: During the current period, the Group entered into foreign exchange forward contracts to sell United States dollars ("US$") for RMB to manage the Group's exposure to foreign currency in relation to highly probable forecast sales to end customers denominated in US$ 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$79 million that require the Group to sell US$ for RMB at exchange rates ranging from RMB6.3013 to RMB6.5370 for US$1 with maturity periods up to 8 months.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

15. Derivative Financial Instruments (Cont'd)

The above derivatives are measured at fair value 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 forward exchange rates at the end of the reporting period.

16. Restricted Bank Balances

Restricted bank balances represent deposits received from pre-sale of properties of a property project which can only be applied in the designated property development project.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

17. 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 2018 (Unaudited) HK$'000	At 31 December 2017 (Audited) HK$'000
Within 90 days	**135,513**	115,079
91 to 180 days	**9,098**	7,475
181 to 360 days	**2,413**	3,214
Over 360 days	**8,114**	7,917
	155,138	133,685
Accrued purchases	**181,616**	227,088
	336,754	360,773

In general, the credit period on purchases of goods is within 90 days.

18. Bank Borrowings

During the current interim period, the Group obtained new bank borrowings totalling HK$1,017 million (six months ended 30 June 2017: HK$562 million) and repaid HK$960 million (six months ended 30 June 2017: HK$429 million). The loans carry interest at market rates ranging from 1.90% to 4.03% (31 December 2017: 1.64% to 4.28%) per annum. Of the total new borrowings, HK$782.5 million outstanding at the end of the reporting period were secured by certain of the Group's property, plant and equipment and investment properties with carrying value of approximately HK$11 million and HK$712 million, respectively.

At 30 June 2018, bank borrowings of HK$662 million (31 December 2017: HK$1,263 million) contain a repayment on demand clause, out of which HK$647 million (31 December 2017: HK$1,109 million) are repayable within one year and HK$15 million (31 December 2017: HK$154 million) are not repayable within one year pursuant to the scheduled repayment dates set out in the loan agreements.

Condensed Consolidated Financial Statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

19. Share Capital

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.10 each		
Issued and fully paid:		
At 1 January 2017 (audited), 30 June 2017 (unaudited), 1 January 2018 (audited) and 30 June 2018 (unaudited)	305,615	30,562

20. Capital Commitments

At 30 June 2018, the Group is committed to capital expenditure in respect of acquisition of property, plant and equipment and construction work contracted but not provided for amounted to HK$331,325,000 (31 December 2017: HK$152,619,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

21. Related Party Transactions

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

	Six months ended 30 June	
	2018 **(Unaudited)** **HK$'000**	2017 (Unaudited) HK$'000
Purchases of raw materials and finished goods from and sub-contracting fee paid to joint ventures	**5,736**	4,988
Sales of raw materials and finished goods to joint ventures	**–**	1
Key management personnel compensation *(Note)*	**8,043**	8,043

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.

22. Contingent Liabilities

In addition to the tax audit on certain group companies, and the judgment received by the Group in April 2018, 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 2017, 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 the directors of the Company, the ultimate outcome is unable to be determined and no provision has been made accordingly.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

23. 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).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

23. Fair Value Measurements of Financial Instruments (Cont'd)

Financial assets/ financial liabilities	Fair value as at 30 June 2018 (Unaudited)	Fair value as at 31 December 2017 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Foreign exchange forward contracts	**Liabilities – HK$22,195,000**	–	Level 2	Valuation technique: Discounted cash flow. Key inputs: Forward exchange rates, contracted exchange rates and discount rates.
Foreign currency and interest rate swaps	**Asset – HK$28,000**	Liabilities – HK$782,000	Level 2	Valuation technique: Discounted cash flow and option pricing model. Key inputs: Forward interest rates, forward exchange rates, contracted interest rates, discount rate and volatility of exchange rate of HK$ vs US$.
Dual currency interest rate swap	**Liability – HK$1,832,000**	Liability – HK$4,437,000	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.
Equity instruments at FVTOCI	**Asset – HK$25,530,000**	–	Level 3	Valuation technique: Market approach. Key inputs: Median/average of the EV-to-EBITDA ratio based on publicly available information including Bloomberg database and the financial statements and announcements of respective comparable companies, marketability discount of 25%.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

24. 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.

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 – financial liabilities	Net amount
	Bank balances	Derivative financial instruments		
	HK$'000	HK$'000	HK$'000	HK$'000
At 30 June 2018				
Bank A	**62**	**–**	**(62)**	**–**
Bank B	**5**	**28**	**(33)**	**–**
Bank C	**1,956**	**–**	**(1,956)**	**–**
Bank D	**429**	**–**	**(429)**	**–**
Bank E	**32**	**–**	**(32)**	**–**
Total	**2,484**	**28**	**(2,512)**	**–**
At 31 December 2017				
Bank A	83	–	(83)	–
Bank B	354	–	(354)	–
Total	437	–	(437)	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 30 June 2018

24. Financial Assets and Financial Liabilities Subject to Enforceable Master Netting Arrangements (Cont'd)

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
At 30 June 2018			
Bank A	**(1,832)**	**62**	**(1,770)**
Bank B	**(3,397)**	**33**	**(3,364)**
Bank C	**(9,589)**	**1,956**	**(7,633)**
Bank D	**(1,157)**	**429**	**(728)**
Bank E	**(8,052)**	**32**	**(8,020)**
Total	**(24,027)**	**2,512**	**(21,515)**
At 31 December 2017			
Bank A	(4,437)	83	(4,354)
Bank B	(782)	354	(428)
Total	(5,219)	437	(4,782)

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

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 2018 (six months ended 30 June 2017: interim dividend of 3 HK cents) on the shares in issue amounting to HK$9,168,000 (six months ended 30 June 2017: HK$9,168,000), to the shareholders whose names appear on the Register of Members on 21 September 2018. The dividend will be payable on or about 16 October 2018.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Thursday, 20 September 2018 to Friday, 21 September 2018, both days inclusive, during which period no transfer of shares will be registered. In order to determine shareholders who are entitled to qualify for the 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 at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by not later than 4:30 p.m. on Wednesday, 19 September 2018.

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 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the accounting period for the six months ended 30 June 2018, except for the deviation as described below:

Code provision A.2.1

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive 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 best interests 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 as its own code of conduct regarding directors' securities transactions. Confirmation has been sought from all directors of the Company and they have complied with the Model Code during the six months ended 30 June 2018.

The Company has also adopted a Guideline for Securities Transactions by Relevant Employees on terms no less exacting than the required standards set out in the Model Code 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 2018, 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 2018.

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, 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) or 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 Ordinary Shares

Name of Directors	*Notes*	Capacity	Nature of interests	Number of ordinary shares held	Percentage of the Company's issued share capital *(Note 3)*
Lam Foo Wah		Beneficial owner	Personal	1,789,901	0.59%
	1, 2	Other interest	Other	195,257,460	63.89%
So Siu Hang, Patricia		Beneficial owner	Personal	2,963,207	0.97%

(ii) Long Position in Ordinary 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 share capital *(Note 5)*
Lam Foo Wah	*4*	High Fashion Knitters Limited	Subsidiary	Interest of controlled corporations	5,339,431	35.60%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

Notes:

1. Mr. Lam Foo Wah is deemed to have interests in 152,179,620 ordinary shares which are beneficially owned by Hinton Company Limited, the entire issued share capital of which is held under The Lam Foo Wah 1992 Trust. Mr. Lam is regarded as a founder of the trust.

2. Mr. Lam Foo Wah is deemed to have interests in 43,077,840 ordinary shares which are beneficially owned by High Fashion Charitable Foundation Limited, the entire issued share capital of which is held under High Fashion 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 2018.

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

5. The issued share capital of High Fashion Knitters Limited is 15,000,000 shares as at 30 June 2018.

Save as disclosed above, as at 30 June 2018, none of the directors, chief executives of the Company nor their associates had or was deemed to have any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which 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 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 2018 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 2018. During the period, no share options were granted, exercised, cancelled or lapsed.

Apart from the Scheme, during the six months ended 30 June 2018, 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 2018, 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 Ordinary Shares:

Name of Shareholders	*Notes*	Capacity	Number of ordinary shares held	Percentage of the Company's issued share capital *(Note 3)*
Leung Shuk Bing	*1*	Interest of spouse	197,047,361	64.48%
Hinton Company Limited	*2*	Beneficial owner	152,179,620	49.79%
High Fashion Charitable Foundation Limited	*2*	Beneficial owner	43,077,840	14.10%

SUBSTANTIAL SHAREHOLDERS (Cont'd)

Notes:

1. Ms. Leung Shuk Bing is spouse of Mr. Lam Foo Wah and is deemed to have interests in 197,047,361 ordinary shares.

2. Such 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.

3. The issued share capital of the Company is 305,615,420 shares as at 30 June 2018.

Save as disclosed above, as at 30 June 2018, 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 a long 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 13.51B(1) of the Listing Rules, there is no change in information of directors of the Company since the disclosure made in the 2017 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 Directors

Professor Yeung Kwok Wing
Mr. Hung Ka Hai, Clement

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

RISK MANAGEMENT COMMITTEE

Mr. Wong Shiu Hoi, Peter *(Chairman)*
Mr. Lam Gee Yu, Will
Mr. Leung Hok Lim

COMPANY SECRETARY

Ms. Yau Oi Kwan Angela

AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

Clarendon House, 2 Church Street,
Hamilton HM11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

22/F., CITIC Telecom Tower,
93 Kwai Fuk Road,
Kwai Chung, New Territories, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House, 2 Church Street,
Hamilton HM11, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPANY WEBSITE

www.highfashion.com.hk