



High Fashion International Limited

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

INTERIM REPORT 2011



S.en Soie
PARIS



Theme

cluny



as
AUGUST SILK



Cslr 城市丽人
城市丽人



august silk
august silk

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CHAIRMAN'S STATEMENT

Despite the continual turbulence of the global economy and unresolved major economic issues, the Group achieved a satisfactory growth and performance during the first half of 2011.








- Revenue for the period was HK\$1.38 billion, up 9.2%
- Net profit for the period was HK\$148 million, up 52%
- Basic earnings per share were HK\$0.49
- Net asset value per share was HK\$6.8
- An interim dividend per share of HK\$0.07

Our major development strategy is to strengthen and expand our number one silk enterprise in the world as well as our brand business, product innovation, market diversification and upscaling, which have helped us to expand and enhance our market competitiveness during the period.

Given the weaknesses and difficulties in the European and U.S. markets, we have been working positively with our customers to create and develop strategies that evolves with time. As a result of our seamless collaboration and well established foundation with our customers for the past 30 years, we have been able to work closely with our partners and attain a win-win situation.

Not only has the China's market achieved its status as a growth driver in the global economy, it has also offered major growth opportunity. So far this has provided good return to us. This will therefore continue to be our Group's important focus.

Brand Business

Brand building is one of the core drivers of the Group's business. Our silk brand business, like  **THE WORLD**,  **SILK LEGEND**,  **August Silk** and fashion brand business, like  **OS silk**,  **OS**,  **Theme**,  **Cstr** 城市丽人,  **cluny**,  **SenSoie** PARIS are part of our multi-brand strategy aimed to achieve different and distinct brand penetration and positioning. Coupled with the Group's position as the number one silk enterprise, our strength and exclusive image will be better recognised.

CHAIRMAN'S STATEMENT

We firmly believe and are fully determined and confident on the development of our own brands. More resources will be deployed to promote and heighten the value of our brands so that our brand business will capture the markets and customers in the right segments in the future.

Manufacturing Business

China's export business has been deeply impacted by the volatility in the economy of Europe and U.S., surging inflationary pressures, weak consumer markets and a possible slowdown in global trading. Despite the same, our export manufacturing business has recorded a growth of 16% as compared to the same period of last year. We look upon the present difficult market as a challenge. Through process automation, effective operational integration, cost control, product creation and innovation and aligning ourselves with market movements, we have continuously maintained our market competitiveness. In addition, we shall continue to develop the high-end market as part of our corporate strategy, which we believe will help us to honour our commitment as the world leader in the silk apparel industry.

Outlook

We are highly alert to any changes in the present uncertain global economy. We remain confident on and committed to the continuation of our mission to maintain our Group as the world number one silk enterprise through our transformation, innovation and expansion so as to deliver sustainable growth and profitability to the Group.

Last but not least, I am greatly appreciative of the enormous support and advice we constantly receive from our shareholders, banks, customers, suppliers 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 who have helped lead the Group to another successful era.

Lam Foo Wah

Chairman

Hong Kong, 31 August 2011

MANAGEMENT DISCUSSION AND ANALYSIS

Results

Revenue for the six months ended 30 June 2011 increased to HK\$1.38 billion, up 9%. Net profit attributable to shareholders for the six months ended 30 June 2011 was HK\$148 million, compared with last corresponding period of HK\$97 million, up 52%. Basic earnings per share were 48.7 HK cents. Net asset value per share was HK\$6.8.

Review of Operations

The segmental information is as follows:

	Revenue		Contribution	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
By principal activity:				
Manufacturing and trading	1,025,479	886,193	81,413	123,023
Brand business	359,518	382,074	23,575	24,940
	1,384,997	1,268,267	104,988	147,963
By geographical segments:				
USA	732,204	711,190	62,882	60,050
Europe	295,087	246,042	11,477	11,138
Greater China	281,069	252,201	26,274	74,310
Others	76,637	58,834	4,355	2,465
	1,384,997	1,268,267	104,988	147,963

China consumer market has excellent development potential in 2011 which helped in facilitating the growth of our retail brands in China. The Group would expedite its expansion through the multi-brand strategy to capture different classes of customers in China and also refining our distribution strategy with marketing support. The USA brand businesses are diversifying our product offering and adding new brands to our brand business portfolio. We are forging ahead to power up our brand businesses and create our competitive edge in the market.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations *(Continued)*

In spite of the rising inflationary cost pressure in our supply chain, the revenue of our manufacturing export business increased by 16% in the period of 2011. Not only our major export market, the USA, increased in both revenue and contribution, but also the European countries in the period under review. We will achieve additional efficiencies through streamlining the operation process continuously in order to limit the impact of rising raw material and other operational overheads and also strategized quality product innovation to capture the unexplored higher end market.

The manufacturing business continued to deliver solid results though there was a drop in contribution which was mainly due to the following exceptional items. The profit for the Greater China of the first half of 2011 included an exceptional gain on fair value change of derivative financial instrument of HK\$22 million (2010: HK\$55 million), which is the financial instruments for hedging RMB for the year from 2011 to 2013 and an increase in fair value of investment properties of HK\$36 million (2010: HK\$23 million) and an impairment loss of property, plant and equipment of HK\$26 million (2010: HK\$10 million) in the current period.

Liquidity and Financial Resources

The Group's total outstanding bank borrowings were increased to HK\$1,457 million at the end of interim reporting period compared to HK\$1,389 million as at 31 December 2010. The increase in bank borrowing was mainly due to our hedging facilities arrangement during the period. Our gearing ratio of non-current liabilities to shareholders' funds was 5% at the end of interim reporting period. Current ratio maintained at a healthy level of 1.33.

The Group's total cash and bank balances were HK\$1,645 million at the end of interim reporting period compared to HK\$1,515 million as at 31 December 2010. Based on the net cash position and the ample banking facilities available, the Group had a very strong working capital and liquidity to meet the operating needs and future growth.

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

The Group has no material contingent liabilities. Barring the pledge of trade receivables of certain subsidiaries of HK\$35 million, there were no charges on the Group's assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Tax Audit

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

Human Resources

The total number of employees of the Group including jointly-controlled entities as at the end of interim reporting period was about 10,100. Other than the competitive remuneration package offered to the employees, share options may also be granted to selected employees based on the Group's performance. No share options were granted to employees during the period.

Capital Expenditure

The Group purchased the plant and equipment and construction in progress of HK\$22 million in order to upgrade its manufacturing capabilities during the period. Except for the above, there was no material capital expenditure during the period.

The revitalizing the existing industrial building in Hong Kong to convert to non-industrial use was approved by the Town Planning Board on 3 June 2011. The Group will continue to grow its recurrent income base while the premises will be converted as offices, restaurants and shops.

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 2011 together with the comparative figures.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

		Six months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
REVENUE	3	1,384,997	1,268,267
Cost of sales		(1,038,951)	(917,504)
Gross profit		346,046	350,763
Other income		36,819	31,224
Other gains and losses	4	45,005	64,982
Administrative expenses		(179,708)	(165,661)
Selling and distribution expenses		(143,419)	(132,420)
Finance costs	5	(17,979)	(20,392)
Share of profit (loss) of jointly controlled entities		245	(925)
PROFIT BEFORE TAXATION		87,009	127,571
TAXATION	6		
Overprovision in respect of gain on disposal of property, plant and equipment and prepaid lease payments in prior years		72,974	–
Income tax expense		(12,261)	(30,508)
PROFIT FOR THE PERIOD AND ATTRIBUTABLE TO OWNERS OF THE COMPANY	7	147,722	97,063

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Comprehensive Income

(Continued)

For the six months ended 30 June 2011

		Six months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
OTHER COMPREHENSIVE INCOME (EXPENSE)	Notes 8		
Exchange differences arising on translation		51,672	13,593
Gain on revaluation of properties		81,436	–
Loss on fair value changes on cash flow hedges		(10,958)	(9,349)
Reclassification to profit and loss on cash flow hedges		(15,043)	(24,377)
Income tax relating to components of other comprehensive income		(16,448)	4,529
Other comprehensive income (expense) for the period, net of tax		<u>90,659</u>	<u>(15,604)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD AND ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>238,381</u>	<u>81,459</u>
EARNINGS PER SHARE	9		
Basic		<u>48.74 HK cents</u>	<u>31.61 HK cents</u>

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Financial Position

At 30 June 2011

		At 30 June 2011 (unaudited) HK\$'000	At 31 December 2010 (audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	11	816,007	852,372
Prepaid lease payments	11	92,638	91,799
Investment properties	11	403,486	268,035
Intangible assets		172	516
Interests in jointly controlled entities		20,800	20,043
Available-for-sale investments		675	675
Deferred tax assets		30,880	21,503
Long-term deposits, prepayments and other receivables		44,309	43,960
Derivative financial instruments	12	39,020	48,108
Structured deposit		–	52,941
		1,447,987	1,399,952
CURRENT ASSETS			
Inventories		465,697	455,785
Trade receivables	13	386,477	425,429
Bills receivable	13	46,777	39,702
Prepaid lease payments	11	2,442	2,436
Deposits, prepayments and other receivables	14	151,885	184,317
Amounts due from jointly controlled entities	15	676	2,931
Tax recoverable	6	88,443	75,684
Derivative financial instruments	12	70,547	80,993
Structured deposits	16	409,576	351,765
Short-term deposits		651,362	488,615
Bank balances and cash		584,556	622,156
		2,858,438	2,729,813

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Financial Position

(Continued)

At 30 June 2011

		At 30 June 2011 (unaudited) HK\$'000	At 31 December 2010 (audited) HK\$'000
CURRENT LIABILITIES			
Trade payables	17	336,707	337,577
Bills payable	17	–	340
Other payables and accruals		184,684	223,208
Amounts due to jointly controlled entities	15	499	3
Amount due to an associate		592	592
Tax payable		169,018	229,848
Derivative financial instruments	12	6,409	10,728
Obligations under finance leases		294	273
Bank borrowings	18	1,456,860	1,389,382
Bank overdrafts		82	441
		2,155,145	2,192,392
NET CURRENT ASSETS		703,293	537,421
TOTAL ASSETS LESS CURRENT LIABILITIES		2,151,280	1,937,373
NON-CURRENT LIABILITIES			
Obligations under finance leases		206	333
Deferred tax liabilities		78,314	80,971
Derivative financial instruments	12	18,541	–
Provision for long service payments		2,392	2,492
		99,453	83,796
		2,051,827	1,853,577
CAPITAL AND RESERVES			
Share capital	19	30,298	30,322
Share premium and reserves		2,021,529	1,823,255
Equity attributable to owners of the Company		2,051,827	1,853,577

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Attributable to owners of the Company									
	Share capital	Share premium	Translation reserve	Reserve funds	Property revaluation reserve	Capital redemption reserve	Hedging reserve	Other reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Note i)	(Note ii)			(Note iii)		
At 1 January 2011 (audited)	30,322	268,184	263,872	33,136	51,530	7,910	24,873	39,853	1,133,897	1,853,577
Profit for the period	-	-	-	-	-	-	-	-	147,722	147,722
Other comprehensive income (expense) for the period	-	-	51,672	-	61,077	-	(22,090)	-	-	90,659
Total comprehensive income (expense) for the period	-	-	51,672	-	61,077	-	(22,090)	-	147,722	238,381
Shares repurchased and cancelled, included direct costs	(24)	(215)	-	-	-	24	-	-	(529)	(744)
Final dividend paid (Note 10)	-	-	-	-	-	-	-	-	(39,387)	(39,387)
	(24)	(215)	-	-	-	24	-	-	(39,916)	(40,131)
At 30 June 2011 (unaudited)	30,298	267,969	315,544	33,136	112,607	7,934	2,783	39,853	1,241,703	2,051,827
At 1 January 2010 (audited)	30,913	273,413	193,661	22,160	51,530	7,319	27,978	39,853	992,636	1,639,463
Profit for the period	-	-	-	-	-	-	-	-	97,063	97,063
Other comprehensive income (expense) for the period	-	-	13,593	-	-	-	(29,197)	-	-	(15,604)
Total comprehensive income (expense) for the period	-	-	13,593	-	-	-	(29,197)	-	97,063	81,459
Shares repurchased and cancelled, included direct costs	(451)	(3,989)	-	-	-	451	-	-	(7,153)	(11,142)
Final dividend paid (Note 10)	-	-	-	-	-	-	-	-	(39,659)	(39,659)
	(451)	(3,989)	-	-	-	451	-	-	(46,812)	(50,801)
At 30 June 2010 (unaudited)	30,462	269,424	207,254	22,160	51,530	7,770	(1,219)	39,853	1,042,887	1,670,121

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Changes in Equity

(Continued)

For the six months ended 30 June 2011

Notes:

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

		Six months ended 30 June	
		2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000
	Notes		
Net cash from (used in) operating activities		67,058	(30,051)
INVESTING ACTIVITIES			
New structured deposits placed	16	(182,143)	(179,429)
Increase in short-term deposits		(162,747)	(148,184)
Purchases of property, plant and equipment and prepaid lease payments		(21,752)	(23,669)
Deposits paid for acquisition of property, plant and equipment and prepaid lease payments		(2,414)	(17,710)
Withdrawal of structured deposits	16	186,905	74,593
Proceeds on disposal of property, plant and equipment and prepaid lease payments		33,660	211,311
Interest received		15,698	12,092
Payment of deposit placed for a life insurance policy		–	(27,763)
Net cash used in investing activities		(132,793)	(98,759)
FINANCING ACTIVITIES			
New bank borrowing raised	18	329,260	809,174
Repayment in bank borrowings	18	(261,782)	(514,068)
Dividend paid	10	(39,387)	(39,659)
Interest paid		(15,798)	(17,500)
Payment for repurchase of shares		(744)	(11,142)
Net cash from financing activities		11,549	226,805

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Cash Flows *(Continued)*

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000
Net (decrease) increase in cash and cash equivalents	(54,186)	97,995
Cash and cash equivalents at beginning of the period	621,715	452,074
Effect of foreign exchange rate changes, net	16,945	7,211
Cash and cash equivalents at end of the period	584,474	557,280
Analysis of balances of cash and cash equivalents		
Bank balances and cash	584,556	557,546
Bank overdrafts	(82)	(266)
	584,474	557,280

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

1. Basis of Preparation

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

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2010.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised 2009)	Related party disclosures
HKAS 32 (Amendments)	Classification of rights issues
HK(IFRIC) – INT 14	Prepayments of a minimum funding requirement
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

2. Principal Accounting Policies *(Continued)*

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

The following new or revised standards and amendment have been issued after the date of the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance which are not yet effective:

HKFRS 10	Consolidated financial statements ²
HKFRS 11	Joint arrangements ²
HKFRS 12	Disclosure of interests in other entities ²
HKFRS 13	Fair value measurement ²
HKAS 1 (Amendments)	Presentation of items of other comprehensive income ¹
HKAS 19 (Revised 2011)	Employee benefits ²
HKAS 27 (Revised 2011)	Separate financial statements ²
HKAS 28 (Revised 2011)	Investments in associates and joint ventures ²

¹ Effective for annual periods beginning on or after 1 July 2012.

² Effective for annual periods beginning on or after 1 January 2013.

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

3. Segment Information

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

For the six months ended 30 June 2011 (unaudited)

	Manufacture and trading of garments HK\$'000	Brand business HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE					
External sales	1,025,479	359,518	1,384,997	-	1,384,997
Inter-segment sales (Note)	102,599	-	102,599	(102,599)	-
Segment revenue	<u>1,128,078</u>	<u>359,518</u>	<u>1,487,596</u>	<u>(102,599)</u>	<u>1,384,997</u>
RESULT					
Segment profit	<u>83,901</u>	<u>23,575</u>	<u>107,476</u>	(2,488)	104,988
Finance costs					<u>(17,979)</u>
Profit before taxation					<u>87,009</u>

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

3. Segment Information (Continued)

For the six months ended 30 June 2010 (unaudited)

	Manufacture and trading of garments HK\$'000	Brand business HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE					
External sales	886,193	382,074	1,268,267	–	1,268,267
Inter-segment sales (Note)	136,026	–	136,026	(136,026)	–
Segment revenue	<u>1,022,219</u>	<u>382,074</u>	<u>1,404,293</u>	<u>(136,026)</u>	<u>1,268,267</u>
RESULT					
Segment profit	<u>124,872</u>	<u>24,940</u>	<u>149,812</u>	(1,849)	147,963
Finance costs					<u>(20,392)</u>
Profit before taxation					<u>127,571</u>

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

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

4. Other Gains and Losses

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Increase in fair value of investment properties	36,248	22,749
Net foreign exchange gain (loss)	14,968	(912)
Impairment loss recognised in respect of property, plant and equipment (<i>Note 11</i>)	(25,552)	(10,237)
(Allowance for) reversal of bad and doubtful debts	(441)	464
Changes in fair value of derivative financial instruments	22,452	54,552
Loss on disposal of property, plant and equipment and prepaid lease payments	(1,875)	(252)
Impairment loss recognised in respect of amounts due from jointly controlled entities	(795)	(1,382)
	45,005	64,982

5. Finance Costs

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	15,770	17,475
Finance leases	28	25
Bank charges	2,181	2,892
	17,979	20,392

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

6. Taxation

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Current tax charge:		
Hong Kong	(8,127)	(12,207)
PRC	(8,117)	(33,089)
Other jurisdictions	(623)	(3,000)
Withholding tax paid in respect of distribution of PRC subsidiaries	(7,649)	–
	(24,516)	(48,296)
Over(under)provision in prior years:		
PRC (Note)	55,841	3,508
Other jurisdictions	–	(1,453)
	55,841	2,055
Deferred taxation:		
Current period	6,018	15,733
Overprovision in prior years (Note)	23,370	–
	29,388	15,733
	60,713	(30,508)
Analysed for reporting as:		
Overprovision in respect of gain on disposal of property, plant and equipment and prepaid lease payments in prior years	72,974	–
Income tax expense	(12,261)	(30,508)
	60,713	(30,508)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

6. Taxation (Continued)

Note: Included in the PRC tax overprovision in prior years is an amount of HK\$49,604,000 and a reversal of deferred tax liability of HK\$23,370,000 related to gain on disposal of property, plant and equipment and prepaid lease payments in prior years. In 2007 and 2009, the Group disposed of property, plant and equipment and prepaid lease payments in Liuxia Street and Deng Yun Road under the city redevelopment plan formulated by the Hangzhou government (the "Disposals") and recognised gain on disposal of HK\$361 million and HK\$53 million in 2007 and 2009, respectively. In March 2010 and January 2011, the Group received in full the sales proceeds from the respective Disposals. On 31 December 2010, the Group filed the audited statement on the costs incurred for the Disposals to clarify the nature and amounts of the costs incurred under the Disposals with the local tax bureau. Pursuant to 國家稅務總局《關於企業政策性搬遷或處置收入有關企業所得稅處理問題的通知》(國稅函【2009】118號) ("Tax Interpretation (2009) No.118"), proceeds from sales of property, plant and equipment and prepaid lease payments resulted from city redevelopment plan formulated by government is subject to enterprise income tax after deduction of related costs incurred for reallocating manufacturing plants, provided the respective costs met the criteria set out in this rule. In 2011, the local tax bureau refunded RMB1,150,000 (equivalent to HK\$1,369,000) to the Group in respect of previous tax paid by the Group in relation to the Disposals. Based on the statement of costs and the tax refund received by the Group, the directors of the Company considered that the capitalised expenses incurred for the acquired and/or improved assets under the relocation plan were deductible for calculation of Enterprise Income Tax under Tax Interpretation (2009) No.118. Accordingly, the Group reversed respective tax payable and deferred tax recognised for the Disposals in current period.

As disclosed in the Group's annual reports published in previous years, the Inland Revenue Department ("IRD") initiated a tax audit on certain group companies for the years of assessment from 1999/2000 onwards. As a matter of IRD's practice, the IRD has issued estimated additional assessments to these group companies for the years of assessment 1999/2000 to 2005/2006. During the course of the tax audit, there may be a possibility that estimated additional assessments for subsequent years be issued by the IRD to these group companies.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

6. Taxation *(Continued)*

Up to 30 June 2011, the Group has purchased tax reserve certificates of approximately HK\$88,443,000 (31 December 2010: HK\$75,684,000), in aggregate, for conditional standover order of objection against the notices of estimated additional assessment for the years of assessment 1999/2000 to 2005/2006 and the amount is included in tax recoverable.

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

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for current and prior periods, except for High Fashion Silk (Zhejiang) Co., Ltd.

High Fashion Silk (Zhejiang) Co., Ltd. has been recognised as advanced technology enterprises in the PRC in 2009. It is subject to an income tax rate of 15% for three years starting from the year being recognised as advanced technology enterprises.

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

7. Profit for the Period

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

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Depreciation and amortisation		
Owned assets	37,445	36,530
Leased assets	175	137
Amortisation of trademarks (included in selling and distribution expenses)	344	344
Amortisation of prepaid lease payments	1,211	842
	39,175	37,853
Written back allowance for inventory obsolescence (included in cost of sales)*	(5,208)	(9,448)
Gain on derivative financial instruments reclassified from other comprehensive income (included in cost of sales)	(16,365)	(25,516)
Investment income earned on		
– bank interest income	(11,177)	(7,223)
– interest income on other receivables	(297)	–
– interest income from structured deposits	(6,895)	(5,680)

* Allowance for inventory obsolescence was written back when the relevant inventory was sold.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

8. Other Comprehensive Income (Expense)

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Exchange differences arising on translating foreign operations during the period	51,672	13,593
Cash flow hedges:		
Loss on fair value changes on cash flow hedges	(10,958)	(9,349)
Reclassification adjustments to profit or loss	(15,043)	(24,377)
Gain on revaluation of properties	81,436	–
Other comprehensive income (expense)	107,107	(20,133)
Income tax relating to components of other comprehensive income:		
– fair value changes on cash flow hedge	3,911	4,529
– revaluation of properties	(20,359)	–
	(16,448)	4,529
Other comprehensive income (expense) for the period, net of tax	90,659	(15,604)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

9. Earnings Per Share

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

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Profit for the purpose of basic earnings per share attributable to owners of the Company	147,722	97,063
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	303,101,417	307,064,624

No diluted earnings per share have been presented as there were no potential ordinary shares outstanding during both periods.

10. Dividends

During current interim period, a final dividend of 13 HK cents per share, amounting to HK\$39,387,000 were declared and paid to the shareholders for the year ended 31 December 2010.

During the six months ended 30 June 2010, a final dividend of 5 HK cents per share, amounting to HK\$15,253,000, and a special dividend of 8 HK cents per share, amounting to HK\$24,406,000 were declared and paid to the shareholders for the year ended 31 December 2009.

The Board declared an interim dividend of 7 HK cents per share for the six months ended 30 June 2011 (six months ended 30 June 2010: 5 HK cents) which will be paid to shareholders whose names appear in the register of members on 20 September 2011. This dividend was declared after the end of the interim reporting date, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

11. Property, Plant and Equipment, Prepaid Lease Payments and Investment Properties

As a cash-generating unit of the Group engaged in brand business activities continued to incur operating losses, the directors of the Company determined that the future cash flows expected to be generated by this cash-generating unit is less than its carrying amounts and an impairment loss of HK\$13,103,000 (six months ended 30 June 2010: HK\$10,237,000) has been recognised in respect of the leasehold improvement, plant and equipment and furniture and fixtures during the period. The recoverable amount of the aforesaid cash-generating unit has been determined based on value in use calculation, such calculation uses cash flow projections based on financial budget approved by management for one year period and extrapolated using a steady 5% growth rate for further five years. The property, plant and equipment of this cash-generating unit has been fully impaired during the current period under review.

In addition, during the current interim period, the directors of the Company decided to renew the decoration work in Hangzhou office. Accordingly, the leasehold improvements and certain furniture and fixtures of the premises with carrying amount of HK\$12,449,000 were fully written off in the current interim period.

The fair value of the Group's investment properties at 30 June 2011 and 31 December 2010 have been arrived at on the basis of the valuation carried out by Centaline Surveyors Ltd. and 新昌信安達資產評估有限公司, independent qualified professional valuers not connected with the Group. An increase in fair value of investment properties of HK\$36,248,000 (six months ended 30 June 2010: HK\$22,749,000) has been recognised directly in the profit or loss for the six months ended 30 June 2011.

During the current interim period, certain properties classified as property, plant and equipment and prepaid lease payments were transferred to investment properties. The carrying amounts of these properties were HK\$12,311,000 in aggregate. The fair value of these properties as at the date of transfer was approximately HK\$93,747,000, which was assessed by 新昌信安達資產評估有限公司 and the difference between the carrying amount and the fair value of these properties was credited to the property revaluation reserve.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

12. Derivative Financial Instruments

	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
Financial assets		
Cash flow hedges		
– Foreign exchange forward contracts (<i>Note</i>)	26,887	34,534
Other derivatives (not under hedge accounting)		
– Non deliverable foreign exchange forward contracts	172	759
– Deliverable foreign exchange forward contracts	2,300	433
– Dual currency forward contracts	7,464	13,449
– Knock out forward contracts	14,340	30,007
– Dual currency knock out forward contracts	–	1,287
– Capped forward contracts	58,404	48,632
	82,680	94,567
	109,567	129,101
Financial liabilities		
Cash flow hedges		
– Interest rate swaps	868	928
– Foreign exchange forward contracts (<i>Note</i>)	18,541	96
	19,409	1,024
Other derivatives (not under hedge accounting)		
– Interest rate swaps	2,893	5,585
– Non deliverable foreign exchange forward contracts	1,263	3,407
– Deliverable foreign exchange forward contracts	–	276
– Knock out forward contracts	755	–
– Dual currency knock out forward contracts	381	436
– Capped forward contracts	249	–
	5,541	9,704
	24,950	10,728
Analysed for reporting purposes as:		
Non-current assets	39,020	48,108
Current assets	70,547	80,993
	109,567	129,101
Non-current liabilities	18,541	–
Current liabilities	6,409	10,728
	24,950	10,728

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

12. Derivative Financial Instruments (Continued)

Note: During the interim period, the Group continued to enter into foreign exchange forward contracts to manage the Group's foreign currency exposure in relation to foreign currency forecast sales 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 HK\$993 million (31 December 2010: HK\$1,539 million) that requires the Group to sell HK\$ for RMB at exchange rates ranging from RMB0.8346 to RMB0.8577 (31 December 2010: RMB0.8346 to RMB0.8697) for HK\$1 with maturity periods up to 11 months (31 December 2010: 17 months). In addition, the Group has outstanding foreign exchange forward contracts with an aggregate notional amount of US\$171 million (31 December 2010: US\$13 million) that requires the Group to sell US\$ for RMB at exchange rates ranging from RMB6.251 to RMB6.6285 (31 December 2010: RMB6.6285 to RMB6.6769) for US\$1 with maturity periods up to 30 months (31 December 2010: 9 months).

The above derivatives are measured at fair values at 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 value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and quoted forward exchange rates at the end of the reporting period.

13. Trade Receivables and Bills Receivable

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

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

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Within 90 days	364,027	395,040
91 to 180 days	18,975	27,983
181 to 360 days	2,340	2,126
Over 360 days	1,135	280
	386,477	425,429

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

13. Trade Receivables and Bills Receivable *(Continued)*

At the end of the reporting period, bills receivable of HK\$44,074,000 (31 December 2010: HK\$38,803,000) are aged within 90 days and the remaining amount of HK\$2,703,000 (31 December 2010: HK\$899,000) are aged between 91 days to 180 days. Included in the bills receivable are approximately HK\$31,841,000 (31 December 2010: HK\$29,651,000) discounted bills with recourse, which was included in bank borrowings in Note 18.

14. Deposits, Prepayments and Other Receivables

During the year ended 31 December 2009, a subsidiary of the Company was requested by 杭州市拱墅區城中村改造工程指揮部 to surrender a piece of land in Hangzhou to an independent third party for a cash consideration of RMB62,212,000 (equivalent to approximately HK\$70,696,000), of which part of the proceeds of RMB27,996,000 (equivalent to approximately HK\$32,936,000) was outstanding at 31 December 2010 and included in deposits, prepayments and other receivables. During the current interim period, the amount has been settled.

15. Amounts Due from and to Jointly Controlled Entities

The amounts due from and to jointly controlled entities are unsecured, interest-free and are repayable on demand. All amounts due from and to jointly controlled entities are in trade nature and aged within 90 days (31 December 2010: within 90 days).

16. Structured Deposits

During the current interim period, the Group entered into certain structured deposits with aggregate amount of RMB153,000,000 (equivalent to HK\$182,143,000) which will mature in January, April and June 2012. The structured deposits are designated as fair value through profit or loss at initial recognition. The annual coupon rate is dependent on whether the spot rate for conversion of Euro for United States dollar as prevailing in the international foreign exchange market falls under certain ranges as specified in the relevant agreements during the period from inception date to maturity date of the relevant agreements. The issuing banks have a right to early redeem the structured deposits by repaying the principal and any accrued interest on the structured deposits before maturity. Structured deposits with aggregate carrying amount on maturity date of RMB157,000,000 (equivalent to HK\$186,905,000) were settled during the current interim period. At the end of the reporting period, the structured deposits are stated at fair values based on valuation reports provided by respective issuing banks. The fair values are calculated using discounted cash flow analyses based on the applicable yield curves of the relevant interest rates and exchange rates.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

17. Trade Payables and Bills Payable

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

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Trade payables:		
Within 90 days	130,506	154,814
91 to 180 days	12,494	5,509
181 to 360 days	6,130	1,706
Over 360 days	10,204	4,064
	159,334	166,093
Accrued purchases	177,373	171,484
	336,707	337,577

The average credit period on purchases of goods is 90 days. As at 31 December 2010, all bills payable were aged within 90 days.

18. Bank Borrowings

During the current interim period, the Group obtained several new bank loans from various banks amounting to HK\$329 million (six months ended 30 June 2010: HK\$809 million) and repaid HK\$262 million (six months ended 30 June 2010: HK\$514 million). The loans carry interest at market rates ranging from 1.01% to 2.27% (31 December 2010: 0.95% to 3.07%) per annum.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

19. Share Capital

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Issued and fully paid:		
At 31 December 2010 and 1 January 2011 (audited)	303,222	30,322
Shares repurchased and cancelled	(244)	(24)
At 30 June 2011 (unaudited)	302,978	30,298
At 31 December 2009 and 1 January 2010 (audited)	309,134	30,913
Shares repurchased and cancelled	(4,510)	(451)
At 30 June 2010 (unaudited)	304,624	30,462

20. Capital Commitments

As at 30 June 2011, the Group was committed to capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided for of HK\$7,031,000 (31 December 2010: HK\$6,902,000).

21. Related Party Transactions

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

	Six months ended 30 June	
	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000
Purchases of raw materials and finished goods from jointly controlled entities	15,556	9,845
Sales of raw materials and finished goods to jointly controlled entities	3,356	643
Key management personnel compensation (Note)	5,798	5,498

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

OTHER INFORMATION

Interim Dividend

The Board has resolved to declare an interim dividend of 7 HK cents per share for the six months ended 30 June 2011 (six months ended 30 June 2010: interim dividend of 5 HK cents) on the shares in issue amounting to HK\$21,208,000 (six months ended 30 June 2010: HK\$15,222,000), to the shareholders whose names appear on the Register of Members on 20 September 2011. The dividend will be payable on or about 30 September 2011.

Closure of Register of Members

The Register of Members will be closed from Friday, 16 September 2011 to Tuesday, 20 September 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's sub-registrar and transfer agent in Hong Kong, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration by not later than 4:30 p.m. on Thursday, 15 September 2011.

Code on Corporate Governance Practices

The Company has complied with all the code provisions set out in Appendix 14 Code on Corporate Governance Practices (the "CG Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the accounting period for the six months ended 30 June 2011, except for the following deviation:

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

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

OTHER INFORMATION

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the six months ended 30 June 2011, and they all confirmed that they have fully complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions.

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

During the period, the Company repurchased a total of 244,000 shares (six months ended 30 June 2010: 4,510,000 shares) of HK\$0.10 each of the Company on the Stock Exchange as follows:

Month of the repurchase	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate consideration paid (including direct costs)
		HK\$	HK\$	HK\$
March 2011	20,000	2.94	2.94	59,052
April 2011	224,000	3.05	3.02	685,105
	<u>244,000</u>			<u>744,157</u>

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

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

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

OTHER INFORMATION

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 2011.

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

As at 30 June 2011, the interests and short positions of the directors, chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) and have been recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which have been notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, were as follows:

(i) Long Positions in the Company's Shares

Name of Directors	Notes	Capacity	Nature of interests	Numbers of ordinary shares held	Percentage of the Company's issued capital
Lam Foo Wah	1,2	Other interest	Other	143,719,986	47.44%
So Siu Hang, Patricia		Beneficial owner	Personal	2,824,309	0.93%

(Note 3)

(ii) Long Position in Shares of Associated Corporation

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

OTHER INFORMATION

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

Notes:

1. Mr. Lam Foo Wah is deemed to have interests in 108,802,419 ordinary shares which are beneficially owned by Hinton Company Limited, the entire issued share capital of which is held under a related discretionary trust. Mr. Lam is regarded as a founder of the trust.
2. Mr. Lam Foo Wah is deemed to have interests in 34,917,567 ordinary shares which are beneficially owned by High Fashion Charitable Foundation Limited, the entire issued share capital of which is held under a related discretionary trust. Mr. Lam is regarded as a founder of the trust.
3. The issued share capital of the Company is 302,977,550 shares as at 30 June 2011.
4. These shares are held through three companies beneficially owned by Mr. Lam Foo Wah.

Save as disclosed above, as at 30 June 2011, none of the directors, chief executives of the Company nor their associates had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which has been notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

Furthermore, save as disclosed in the "Share Option Scheme" section below, at no time during the six months ended 30 June 2011 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.

Share Option Scheme

Pursuant to the Company's share option scheme adopted on 26 March 2002 (the "Scheme"), there was no outstanding options at the beginning and at the end of the six months period ended 30 June 2011. No options were granted, exercised, cancelled or lapsed under the Scheme during the period.

Apart from the Scheme, during the six months ended 30 June 2011, 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.

OTHER INFORMATION

Substantial Shareholders

As at 30 June 2011, the following substantial shareholders, other than directors and chief executives of the Company, had the interests and short positions in the shares and underlying shares of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, have been recorded in the register kept by the Company pursuant to Section 336 of SFO:

Long Positions in the Company's Shares:

Name of Shareholders	<i>Note</i>	Capacity	Number of ordinary shares held	Percentage of the Company's issued share capital <i>(Note 2)</i>
Hinton Company Limited	1	Beneficial owner	108,802,419	35.91%
High Fashion Charitable Foundation Limited	1	Beneficial owner	34,917,567	11.53%

Notes:

- These interests have been disclosed as interests of Mr. Lam Foo Wah in the "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.
- The issued share capital of the Company is 302,977,550 shares as at 30 June 2011.

Save as disclosed above, as at 30 June 2011, no person, other than the directors or chief executives of the Company, whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the shares, underlying shares and debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

OTHER INFORMATION

Changes in Information of Directors

Pursuant to Rule 13.51B of the Listing Rules, the changes in information of directors of the Company since the date of 2010 annual report of the Company are set out below:

Mr. WONG Shiu Hoi, Peter, Independent Non-Executive Director

- Retirement as a deputy chairman, the managing director and an executive director of Haitong International Securities Group Limited (formerly known as Taifook Securities Group Limited) in April 2011.

CORPORATE INFORMATION

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

BOARD OF DIRECTORS

Executive Directors

Mr. Lam Foo Wah

(Chairman and Managing Director)

Ms. So Siu Hang, Patricia

Non-executive Directors

Mr. Chan Wah Tip, Michael

Professor Yeung Kwok Wing

Independent Non-executive Directors

Mr. Woo King Wai

Mr. Wong Shiu Hoi, Peter

Mr. Leung Hok Lim

AUDIT COMMITTEE

Mr. Leung Hok Lim *(Chairman)*

Mr. Chan Wah Tip, Michael

Professor Yeung Kwok Wing

Mr. Woo King Wai

Mr. Wong Shiu Hoi, Peter

REMUNERATION COMMITTEE

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

Mr. Chan Wah Tip, Michael

Professor Yeung Kwok Wing

Mr. Woo King Wai

Mr. Leung Hok Lim

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

SUB-REGISTRAR AND TRANSFER AGENT IN HONG KONG

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

COMPANY WEBSITE

www.highfashion.com.hk