

A woman with dark hair pulled back, wearing a black long-sleeved cardigan over a white top with a pink floral pattern. She is also wearing a matching white skirt with a pink floral pattern. She is looking off to the side against a solid blue background. The text 'MISSION STATEMENT' is written in gold serif font on the left, and a mission statement in white serif font is on the right.

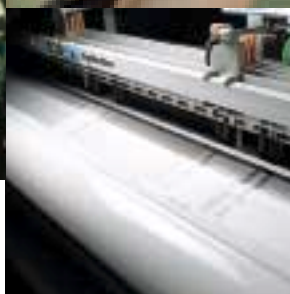
MISSION
STATEMENT

TO BECOME
ONE OF THE
WORLD'S
RECOGNIZED
LEADERS
IN FASHION
APPAREL

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High Fashion



THE WORLD'S
PREMIER
PRODUCER OF
**SILK AND
SILK**
BLENDED
APPAREL

MANAGING

DIRECTOR'S REPORT

I am pleased to report the annual results of High Fashion International Limited for the financial year ended 30 September 2000.

RESULTS

Turnover of the Group for the year under review increased to HK\$1,853 million, up 13% from 1999. Net profit attributable to shareholders amounted to HK\$133.88 million, up 30% from last year.

Basic earnings per share increased to 42 HK cents, up 39%.

DIVIDEND

An interim dividend of 7 HK cents was paid. The Board of Directors recommended a final dividend of 12.8 HK cents per share in the forthcoming Annual General Meeting, making a total dividend of 19.8 HK cents per share for the year, up 27% from last year.

REVIEW OF OPERATIONS

Marketing

The investments we made during the past few years on product design and development have begun to pay off. Our product development and design knowledge, strong technical and manufacturing know-how helped us to better understand our private label customers' positioning and specific market segments targeted. We are able to help our customers to

create exclusive products that will fit into their image at good profit margins to them.

We are expanding into additional European markets through our London marketing company, overseeing our agency operations in Italy, Germany and France.

We are striving for stronger brand building and design capabilities. About 45% of the turnover for the year derived from products marketed under our brand names of August Silk and Theme.

August Silk

Capitalizing on brand name recognition, ability to market new fashion products and the Group's vertical capabilities, August Silk, focusing on the better price market with diverse silk and silk blended apparel at retail, showed a strong retail performance throughout the year in the USA even though the economic climate for apparel had been erratic.

August Silk brand name was also established in UK by our subsidiary and in Northern European countries through a licensee. A plan is being implemented to expand August Silk label business to other European countries. It is intended to integrate August Silk's success in the USA with current European offer to create branded merchandise with volume potential.

MANAGING

DIRECTOR'S REPORT

Leveraging on August Silk's success and brand recognition in the USA and Europe, we began building our brand in Hong Kong and the People's Republic of China ("PRC") in 1997. By now, we have 4 shops in Hong Kong and 3 in the PRC.

Theme

The acquisition of Theme International Holdings Limited ("Theme") was completed on 31 August 2000. Theme was almost entirely free from bank debts. Theme's recognized brand name, expertise in retailing and sizeable retail network made an excellent synergy with our strength in product merchandising, production and finance. After we took over its management, Theme was re-engineered into a competitively efficient and cost effective retail company.

For the six months ended 30 September 2000, the net loss of Theme was HK\$6 million, down from HK\$17 million of the corresponding period last year. We are confident that Theme will quickly become a profit contributor of the Group.

Taking advantages of the expanding economy and growth cycle in the PRC, Theme is now in a position to capitalize on its brand name and sizeable retail network to rebuild and expand its business. Theme has plans to grow through strategic franchising shops on the mainland by

doubling its number of shops to about 100 within the next twelve months.

We consider the acquisition of Theme to be a profitable investment for our shareholders.

U-campus

"U-campus" is a life style fashion line, major in cotton, targeted at young consumers, to be marketed on the internet and at specialty shops. The internet portal, jointly developed with the Hong Kong Polytechnic University, will be launched in January 2001.

Manufacturing Operations

A new production line of advanced European machineries was installed in our weaving mill, which enhances our production efficiency and product development capability, thus maintaining our leadership in silk apparel.

PROSPECTS

Our commitment to "Total Customer Satisfaction" and "Total Employee Satisfaction", assures good customer and employee relationship, and continuous improvement. The practice of "Total Quality Management" will keep the Group competitive in the competitive environment.

The market environment ahead is expected to be soft. However, our orders on hand are more than what we had in the corresponding period

MANAGING

DIRECTOR'S REPORT

last year. We also believe Theme will soon provide earnings contribution to the Group. The strong PRC economy and a US tax cut will add to our confidence in this regard.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere thanks to our customers, suppliers and shareholders for their continuous co-operation and support to the Group. I wish to thank the management and staff for their devotion and hard work. Their significant contribution to the year's results is fully appreciated.

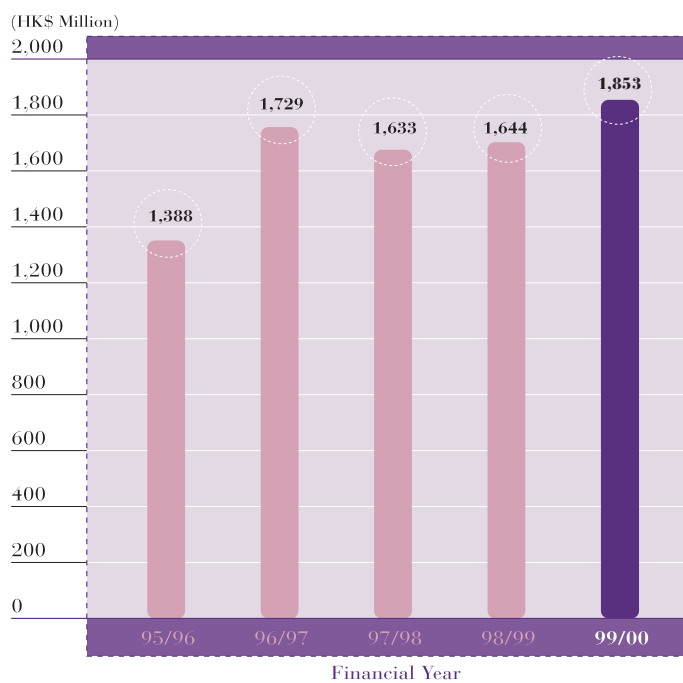
Lam Foo Wah

Managing Director

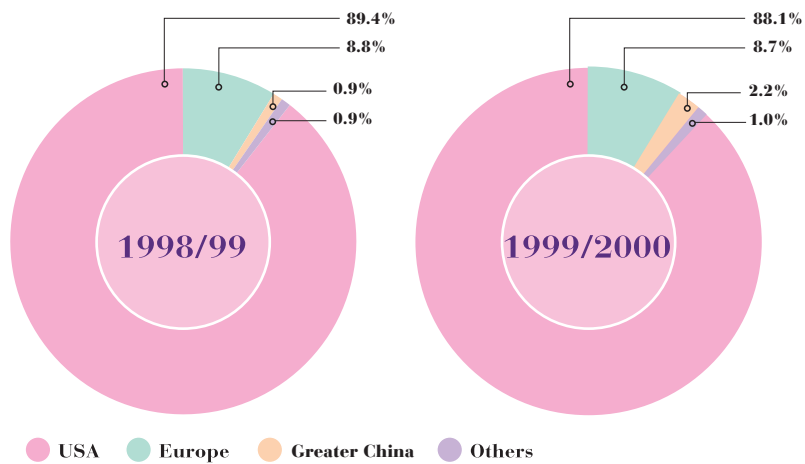
Hong Kong, 10 January 2001

FINANCIAL HIGHLIGHTS

GROUP TURNOVER 1999/2000



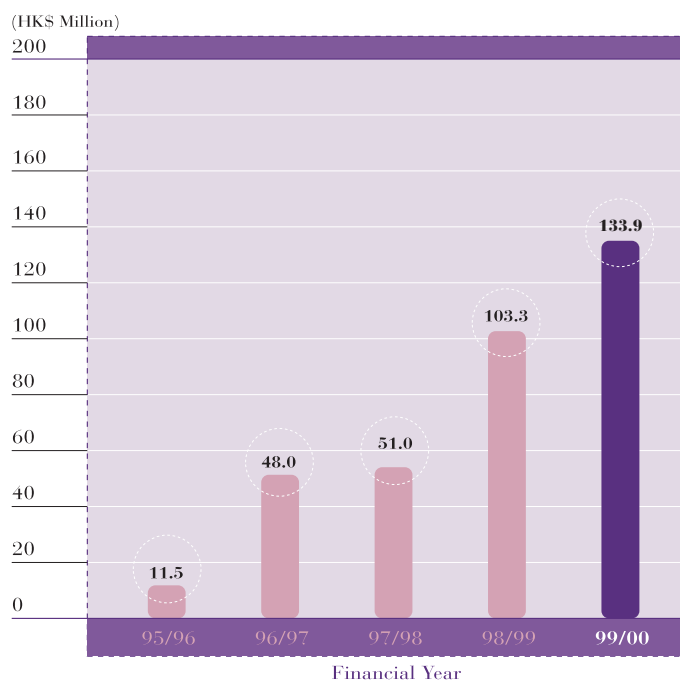
GROUP TURNOVER BY GEOGRAPHICAL LOCATION



FINANCIAL HIGHLIGHTS

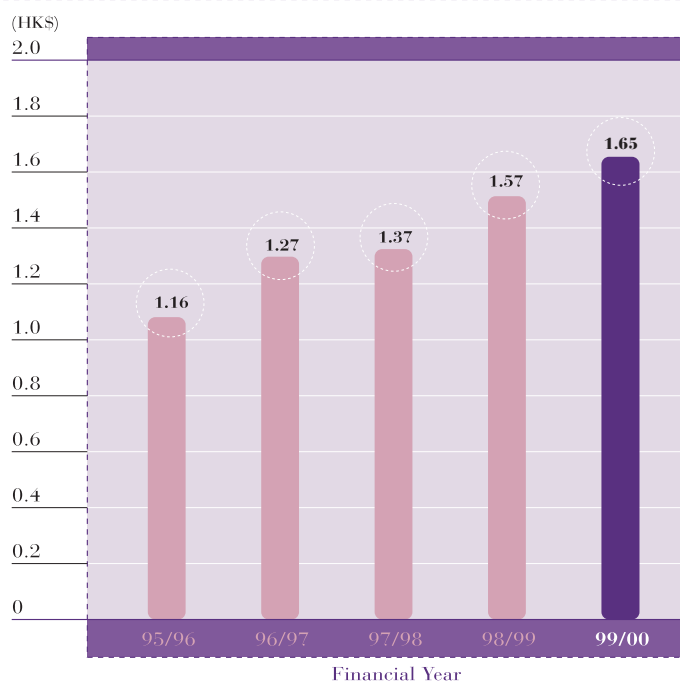
NET PROFIT ATTRIBUTABLE
TO SHAREHOLDERS

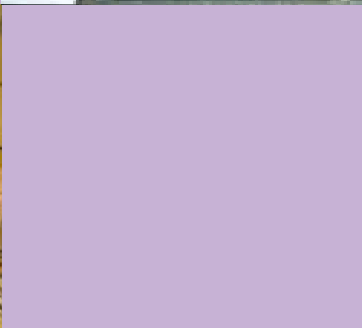
1999/2000



NET ASSET
PER SHARE

1999/2000





FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below.

RESULTS

	Year ended 30 September				
	2000	1999	1998	1997	1996
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	1,852,907	1,643,968	1,633,498	1,729,128	1,387,899
Profit before tax	138,075	107,296	54,411	49,349	15,374
Tax	(3,544)	(3,501)	(1,356)	(2,282)	(1,666)
Profit before minority interests	134,531	103,795	53,055	47,067	13,708
Minority interests	(648)	(483)	(2,012)	961	(2,201)
Net profit attributable to shareholders	133,883	103,312	51,043	48,028	11,507

ASSETS AND LIABILITIES

	As at 30 September				
	2000	1999	1998	1997	1996
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	1,049,023	897,509	797,362	804,954	809,318
Total liabilities	(514,654)	(355,262)	(294,983)	(335,597)	(369,121)
Minority interests	(18,900)	(15,181)	(14,588)	(15,155)	(22,857)
Net assets	515,469	527,066	487,791	454,202	417,340
Net asset value per share					
– expressed in dollars	1.65	1.57	1.37	1.27	1.16

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

Net profit attributable to shareholders for the year was HK\$133.88 million, up 30% from last year. Basic earnings per share increased to 42 HK cents, up 39%. The net asset value per share was HK\$1.65, up 5%.

Turnover for the year amounted to HK\$1.85 billion, representing an increase of 13%. The gross profit percentage was maintained at previous year's level.

SEGMENTAL INFORMATION

The segmental information is as follows:-

	For the year ended 30 September				Change %	
	2000		1999		Turnover	Contribution
	Turnover HK\$'000	Contribution HK\$'000	Turnover HK\$'000	Contribution HK\$'000		
USA	1,632,976	126,969	1,468,910	105,647	11	20
Europe	160,831	9,655	145,260	7,970	11	21
Greater China	41,082	20,097	15,079	6,732	172	199
Others	18,018	2,334	14,719	1,738	22	34
	1,852,907	159,055	1,643,968	122,087	13	30

The increase of turnover in Greater China was mainly due to the consolidation of about HK\$16 million turnover of Theme. The contribution from Greater China was mainly due to interest income on bank deposits.

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group funded the loan and investment of HK\$86 million in Theme, the repurchase of its own shares of about HK\$27 million and the purchase of machineries of about HK\$32 million in a jointly-controlled entity entirely from its internal reserves.

As at 30 September 2000, the net cash balances of the Group stood at HK\$263 million. The gearing ratio of long term liabilities to shareholders' funds was 0.47%.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group acquired the remaining portion of the property of its Headquarters in Hong Kong for HK\$ 46 million on 4 November 2000, funded from its internal reserves. In addition, the Group entered into an agreement to acquire the minority interests in a jointly-controlled entity for about HK\$22 million, to be funded also from its internal reserves. There are no other major capital expenditure in plan.

The turnover for the months of August and September for the year under review was HK\$106 million more than that of the corresponding period of last year, causing substantial increase in bills and trade receivables on the balance sheet date. By end of December 2000, the bills and trade receivables balances at 30 September 2000 were settled as normal.

GENERAL

The total number of employees of the Group including jointly-controlled entities and associates was about 12,000.

THINK.....ELEGANT

THINK.....SILK

THINK..... AUGUST SILK



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Members of High Fashion International Limited (the “Company”) will be held at 10th Floor, S. Megga Industrial Building, 1-11 Kwai Hei Street, Kwai Chung, New Territories, Hong Kong on Wednesday, 7 March 2001 at 10:30 a.m. for the following purposes:

1. To adopt the Audited Financial Statements together with the Report of the Directors and the Report of the Auditors for the year ended 30 September 2000.
2. To declare a final dividend for the year ended 30 September 2000.
3. (a) To elect Directors.
(b) To authorise Directors to appoint any person as a Director either to fill a casual vacancy or as an addition to the existing Board of Directors.
4. To re-appoint Auditors and authorise the Directors to fix their remuneration.

By Order of the Board
Leung Yuen Man
Company Secretary

Hong Kong, 10 January 2001

Notes:

- (a) A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote for him in accordance with the Company’s bye-laws. A proxy need not be a Member.
- (b) To be valid, forms of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority must be deposited at the Company’s principal office in Hong Kong as follows not less than 48 hours before the time fixed for holding the Meeting or at any adjournment thereof.
- (c) The Register of Members of the Company will be closed from 1 March to 7 March 2001, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final 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, Secretaries Limited of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 28 February 2001.

Principal Office in Hong Kong:
11th Floor, S. Megga Industrial Building
1-11 Kwai Hei Street
Kwai Chung, New Territories
Hong Kong

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. LAM Foo Wah, aged 52, is the managing director of the Company and a co-founder of the Group. He is also the executive chairman of Theme International Holdings Limited. He oversees the Group's operations and is responsible for formulating the Group's overall policy and development. He has over 20 years' experience in the manufacturing and marketing of garments.

Mr. IP Weng Kun, aged 53, is the deputy managing director of the Company and is principally responsible for the strategic planning of the Group's China operation, the Group's product development, marketing and material sourcing. He joined the Group in 1982.

Mr. HUI Yip Wing, aged 51, joined the Group in 1996. Mr. Hui is currently the executive director of three other listed companies. He possesses vast operational experience at senior management level, with special emphasis on strategic planning, financial control, re-engineering and total quality management.

Mr. WONG Shing Loong, Raymond, aged 51, joined the Group in 1997. He is responsible for the financing, personnel and administration of the Group. Mr. Wong is a fellow member of The Association of Chartered Certified Accountants and the Hong Kong Society of Accountants. Prior to joining the Group, he had worked as an executive director in a Hong Kong listed company.

Ms. SO Siu Hang, Patricia, aged 42, joined the Group in 1990. She is responsible for banking, sales and marketing and policy administration of the Group. She received a bachelor's degree in commerce and finance and a master's degree in business administration from the University of Toronto and York University in Canada respectively. Prior to joining the Group, she had worked for an international bank.

Mr. Jack WEINSTOCK, aged 71, joined the Group in 1991. He is the consultant of August Silk Inc. He has over 30 years' experience in the import, export, marketing and sales of garments. He graduated from Michigan State University with a bachelor's degree in arts. He also holds an honorary Ph.D. in human relations from the Academy of Arts College in San Francisco, California, the USA.

NON-EXECUTIVE DIRECTORS

Mr. POON Hon Kam, aged 56, is the Chairman of the Company and a co-founder of the Group. He had worked as a certified public accountant for over 20 years with an international accounting firm. During his years of service in that international accounting firm, he contributed substantially by building the firm into a major professional international accounting practice in Hong Kong, after which he retired as its senior partner in 1991. He holds a bachelor's degree in economics from the University of London and is a member of the Hong Kong Society of Accountants, Australian Society of Certified Public Accountants and Chartered Institute of Management Accountants.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. WOO King Wai, David, aged 56, joined the Group in 1992. He holds a bachelor's degree in architecture (Honours) from the University of California, Berkeley, the USA. He is a member of the Hong Kong Institute of Architects and the Royal Australian Institute of Architects. He is an executive member of the Hainan Political Consultative Committee, the People's Republic of China.

Mr. CHAN Wah Tip, Michael, aged 47, joined the Group as a company secretary in 1992 and was appointed as a non-executive director in 1995. He has been practising as a solicitor in Hong Kong for over 20 years and is a partner of Wilkinson & Grist, the legal adviser of the Company.

SENIOR MANAGEMENT

Mr. CHAN Chun Man, Benedict, aged 46, is the chairman of August Silk Inc. and High Fashion International (USA) Inc.. He is responsible for overseeing the finance and administration activities of the Group's investments in the USA. He graduated from the University of Hong Kong with a bachelor's degree in economics and pure mathematics. He is a member of The Association of Chartered Certified Accountants, the Hong Kong Society of Accountants and the American Institute of Certified Public Accountants. Mr. Chan joined the Group in 1992.

Mr. CHU Dom Lam, aged 48, joined the Group in 1980. He is a director of High Fashion Garments Company Limited and is responsible for the management of all the garment manufacturing operations in the People's Republic of China.

Ms. LEUNG Suk Yin, Hilda, aged 44, has been with the Group since its inception. She holds a diploma in business management from the Hong Kong Polytechnic University and the Hong Kong Management Association. She has over 20 years' experience in the sales and merchandising of garments in Hong Kong and is a director of High Fashion Garments Company Limited.

Mr. LIN Yuet Man, Edwin, aged 39, joined the Group in 1997. He is the financial controller of High Fashion Garments Company Limited and has over 20 years' experience in accounting field. He is a member of The Association of Chartered Certified Accountants, the Hong Kong Society of Accountants, The Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries & Administrators. He also holds a master's degree in business administration.

Mr. Louis BREUNING, aged 45, joined the Group in 1994. He has over 20 years' experience in the knit, dress & sportswear industry and is the president of August Silk Inc.. He graduated from St. John University in New York, the USA with a bachelor's degree in business.

Mr. Nicholas E. G. WRIGHT, aged 46, joined the Group in 1993. He is the managing director of High Fashion (U.K.) Limited. He has over 15 years' experience in the clothing industry.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Penwell CHARLES F., aged 61, is the president of High Fashion Garments, Inc., and holds a master's degree in industrial psychology. He has over 30 years' experience in importing, sales and marketing in the fashion industry both in the USA and overseas. He was a principal in several New York knitwear and California/Japanese sportwear companies. He joined the Group in 1994.

Ms. WONG Man Lui, Endora, aged 45, joined the Group in 1991. She has over 20 years' experience in the sales and merchandising of garments. She is a director of High Fashion Knitwear Overseas Limited and is responsible for the development of knit product, sample operation, management of all the knit garments and for the Group's China operation.

Mr. WONG Wai Kuen, Henry aged 44, joined the Group in 2000. He is an assistant director of High Fashion Garments Management Limited and is mainly responsible for banking, investor relations, human resources and administration of the Group. Prior to joining the Group, he had worked for an international bank for more than 20 years.



YOUTHFUL

ENERGETIC.....

ROMANTIC..... **BEAUTIES**

青春
浪漫
俏佳人



REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 30 September 2000.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 15 to the financial statements.

There were no changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 30 September 2000 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 31 to 79.

An interim dividend of 7 HK cents per ordinary share was paid on 10 July 2000. The directors recommend the payment of a final dividend of 12.8 HK cents per ordinary share in respect of the year to shareholders on the register of members on 7 March 2001. This recommendation has been incorporated in the financial statements.

FINANCIAL INFORMATION SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 9. This summary is not part of the audited financial statements.

SEGMENT INFORMATION

Details of the Group's turnover and contribution to profit from operating activities are set out in note 4 to the financial statements.

FIXED ASSETS

Details of movements in the fixed assets of the Group are set out in note 14 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 15 to the financial statements.

REPORT OF THE DIRECTORS

JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

Particulars of the Group's interests in its jointly-controlled entities and associates are set out in notes 16 and 17 to the financial statements, respectively.

BORROWINGS

Details of the Group's borrowings are set out in notes 21 to 23 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with reasons therefor, are set out in note 26 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, the Company repurchased certain of its shares on The Stock Exchange of Hong Kong Limited and these shares were all subsequently cancelled by the Company. Further details of these transactions are set out in note 26 to the financial statements. Except as disclosed in note 26 to the financial statements, the Company did not redeem any of its listed securities and neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 27 to the financial statements.

DISTRIBUTABLE RESERVES

At 30 September 2000, the Company's reserves available for distribution, calculated in accordance with the provisions of The Companies Act 1981 of Bermuda (as amended), amounted to HK\$126,840,000. In addition, the Company's share premium account, in the amount of HK\$275,941,000, may be distributed in the form of fully paid bonus shares.

REPORT OF THE DIRECTORS

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$10,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 39% of the total sales for the year and sales to the largest customer included therein amounted to 11%. Purchases from the Group's five largest suppliers accounted for 44% of the total purchases for the year and purchases from the largest supplier included therein amounted to 21%.

None of the directors of the Company or any of their associates or any shareholders (which to the best knowledge of the directors own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Lam Foo Wah

Ip Weng Kun

So Siu Hang, Patricia

Hui Yip Wing

Wong Shing Loong, Raymond

Jack Weinstock *(appointed on 27 September 2000)*

Non-executive directors:

Poon Hon Kam

Woo King Wai, David *(independent director)*

Chan Wah Tip, Michael *(independent director)*

In accordance with the Company's bye-laws, Miss So Siu Hang, Patricia, Mr. Woo King Wai, David and Mr. Jack Weinstock will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. The non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

REPORT OF THE DIRECTORS

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 15 to 17.

EMOLUMENTS OF DIRECTORS AND OF THE FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments of the directors of the Company and those of the five highest paid employees of the Group are set out in notes 8 and 9 to the financial statements, respectively.

DIRECTORS' SERVICE CONTRACTS

Messrs. Lam Foo Wah and Ip Weng Kun each entered into a service contract with the Company with effect from 1 August 1992 for an initial term of three years and continuing thereafter until terminated by either party giving to the other not less than six months' notice.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Mr. Chan Wah Tip, Michael, a director of the Company, was interested in contracts for the provision of secretarial and legal advisory services to the Group. Further details of the transactions undertaken in connection therewith are included in note 32 to the financial statements. Save for the foregoing, no director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES

At 30 September 2000, the interests of the directors in the share capital of the Company and its subsidiaries as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

(i) The Company

Name of director	Notes	Number of ordinary shares held and nature of interest		
		Personal	Family	Other
Poon Hon Kam	1,5	–	–	59,269,074
Lam Foo Wah	2,3,5	–	–	109,026,655
Ip Weng Kun	4,5	–	–	33,492,198
So Siu Hang, Patricia		1,436,961	–	–
Hui Yip Wing		–	2,652,007	–
Wong Shing Loong, Raymond		2,500,000	–	–
Jack Weinstock		932,000	–	–

(ii) Subsidiary – High Fashion Knitters Limited

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

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES *(Continued)*

Notes:

1. Mr. Poon Hon Kam is deemed to have an interest in 31,404,724 ordinary shares which are beneficially owned by Excel Investments Ltd., the entire issued share capital of which is held under a related discretionary trust.
2. Mr. Lam Foo Wah is deemed to have an interest in 10,164,569 ordinary shares which are beneficially owned by Annick Investment Limited, the entire issued share capital of which is held under a related discretionary trust.
3. Mr. Lam Foo Wah is deemed to have an interest in 70,997,736 ordinary shares which are beneficially owned by Hinton Company Limited, the entire issued share capital of which is held under a related discretionary trust.
4. Mr. Ip Weng Kun is deemed to have an interest in 5,627,848 ordinary shares which are beneficially owned by Major Rank Holdings Limited, the entire issued share capital of which is held under a related discretionary trust.
5. Messrs. Poon Hon Kam, Lam Foo Wah and Ip Weng Kun are deemed to have interests in 27,864,350 shares which are beneficially owned by High Fashion Charitable Foundation Limited, the entire issued share capital of which is held under a related discretionary trust.
6. These shares are held through three companies beneficially owned by Mr. Lam Foo Wah.

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

Save as disclosed above, none of the directors, chief executives or their associates had any personal, family, corporate or other interest in the equity or debt securities of the Company, its subsidiaries or any of its associated corporations as defined in the SDI Ordinance.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

Name of director	Number of share options outstanding at 30 September 1999 and 2000	Exercise price of share options HK\$
Lam Foo Wah	3,800,000	0.505
Ip Weng Kun	1,500,000	0.505
So Siu Hang, Patricia	1,200,000	0.505
Wong Shing Loong, Raymond	1,000,000	0.505
Jack Weinstock	500,000	0.505
	<u>8,000,000</u>	

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

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

Further details of the Company's share option scheme are set out in note 26 to the financial statements.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

At 30 September 2000, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

Name	Number of ordinary shares held	%
Hinton Company Limited	70,997,736	23
Excel Investments Ltd.	31,404,724	10

These interests have also been disclosed as the interests of Messrs. Lam Foo Wah and Poon Hon Kam respectively under the section “Directors’ interests in shares”.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section “Directors’ interests in shares”, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 33 to the financial statements.

RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme of the Group and the employer’s retirement benefits costs charged to the profit and loss account for the year are set out in notes 3 and 6 to the financial statements, respectively.

AUDIT COMMITTEE

The audit committee has reviewed with the auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the audited final results.

REPORT OF THE DIRECTORS

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report.

AUDITORS

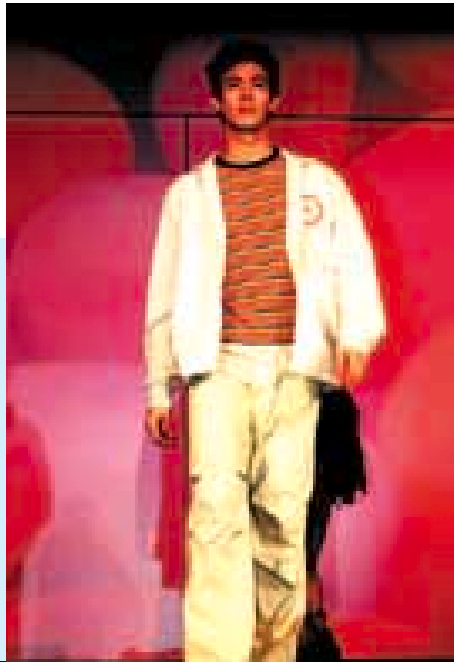
Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Lam Foo Wah

Managing Director

Hong Kong, 10 January 2001



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REPORT OF THE AUDITORS



To the members

High Fashion International Limited *(Incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 31 to 79 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 September 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ERNST & YOUNG
Certified Public Accountants

Hong Kong, 10 January 2001

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 30 September 2000

	<i>Notes</i>	2000 HK\$'000	1999 HK\$'000
TURNOVER	5	1,852,907	1,643,968
Cost of sales		(1,346,723)	(1,208,095)
Gross profit		506,184	435,873
Other revenue		24,255	25,388
Selling and distribution expenses		(130,365)	(127,208)
Administrative expenses		(241,019)	(211,966)
PROFIT FROM OPERATING ACTIVITIES	6	159,055	122,087
Finance costs	7	(27,560)	(24,836)
Share of profits less losses of:			
Jointly-controlled entities		5,642	9,456
Associates		938	589
PROFIT BEFORE TAX		138,075	107,296
Tax	10	(3,544)	(3,501)
PROFIT BEFORE MINORITY INTERESTS		134,531	103,795
Minority interests		(648)	(483)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	11	133,883	103,312
Dividends	12	(61,274)	(51,399)
RETAINED PROFIT FOR THE YEAR		72,609	51,913
EARNINGS PER SHARE	13		
Basic		41.7 cents	30.0 cents
Diluted		40.6 cents	29.8 cents

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

Year ended 30 September 2000

	<i>Notes</i>	2000 HK\$'000	1999 HK\$'000
Exchange differences on translation of the financial statements of foreign entities	27	1,642	(439)
Net gains/(losses) not recognised in the profit and loss account		1,642	(439)
Net profit for the year attributable to shareholders		133,883	103,312
Total recognised gains and losses		135,525	102,873
Goodwill eliminated directly against reserves	27	(58,671)	–
		76,854	102,873

CONSOLIDATED BALANCE SHEET

30 September 2000

	<i>Notes</i>	2000 HK\$'000	1999 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	<i>14</i>	125,581	101,354
Trademarks		6,917	6,873
Interests in jointly-controlled entities	<i>16</i>	79,486	54,383
Interests in associates	<i>17</i>	5,999	4,906
Long term investments	<i>18</i>	15,078	18,078
		233,061	185,594
CURRENT ASSETS			
Cash and bank balances		99,528	95,324
Time deposits		163,565	281,403
Bills receivable		17,537	6,266
Trade receivables	<i>19</i>	231,573	130,921
Inventories	<i>20</i>	197,623	151,400
Deposits, prepayments and other receivables		64,024	46,601
Amounts due from jointly-controlled entities		42,112	–
		815,962	711,915
CURRENT LIABILITIES			
Bank loans and overdrafts	<i>21</i>	89,238	61,512
Finance lease and hire purchase contract payables	<i>22</i>	246	210
Other loans, secured	<i>23</i>	3,515	6,332
Bills payable		46,021	25,956
Trade payables and accrued purchases	<i>24</i>	164,118	103,909
Other payables and accruals		138,677	93,453
Tax payable		5,234	1,051
Proposed final dividend	<i>12</i>	39,926	38,725
Amounts due to associates		3,085	2,000
Amounts due to jointly-controlled entities		22,180	20,694
		512,240	353,842

**CONSOLIDATED
BALANCE
SHEET**

30 September 2000

	<i>Notes</i>	2000 HK\$'000	1999 HK\$'000
NET CURRENT ASSETS		303,722	358,073
TOTAL ASSETS LESS CURRENT LIABILITIES		536,783	543,667
NON-CURRENT LIABILITIES			
Finance lease and hire purchase contract payables	22	214	440
Deferred tax	25	2,200	980
		2,414	1,420
MINORITY INTERESTS		18,900	15,181
		515,469	527,066
CAPITAL AND RESERVES			
Issued capital	26	31,234	33,524
Reserves	27	484,235	493,542
		515,469	527,066

Lam Foo Wah
Director

Ip Weng Kun
Director

CONSOLIDATED**CASH FLOW****STATEMENT**

Year ended 30 September 2000

	<i>Notes</i>	2000 HK\$'000	1999 HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	<i>28(a)</i>	89,108	195,348
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		18,101	14,051
Interest paid		(14,863)	(11,688)
Interest element on finance lease and hire purchase rental payments		(44)	(58)
Factoring expenses		(5,522)	(6,512)
Bank charges		(7,131)	(6,578)
Dividends paid		(60,073)	(24,937)
Dividend from a long term unlisted investment		–	865
Dividend from a jointly-controlled entity		–	3,248
Net cash outflow from returns on investments and servicing of finance		(69,532)	(31,609)
TAXATION			
Hong Kong profits tax paid		(364)	–
Taxes paid elsewhere		(143)	(1,907)
Taxes paid		(507)	(1,907)
INVESTING ACTIVITIES			
Purchases of fixed assets		(20,853)	(13,160)
Purchases of long term unlisted investments		–	(2,581)
Proceeds from disposal of fixed assets		302	1,268
Capital contribution to jointly-controlled entities		(10,825)	(1,686)
Decrease in amounts due from jointly-controlled entities		223	24,042
Increase/(decrease) in amounts due to jointly-controlled entities		(10,795)	10,292
Increase/(decrease) in an amount due to an associate		(93)	147
Acquisition of subsidiaries	<i>28(c)</i>	(63,438)	–
Decrease/(increase) in time deposits		80,240	(52,590)
Net cash outflow from investing activities		(25,239)	(34,268)

**CONSOLIDATED
CASH FLOW
STATEMENT**

Year ended 30 September 2000

	<i>Note</i>	2000 HK\$'000	1999 HK\$'000
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITIES		(6,170)	127,564
FINANCING ACTIVITIES	<i>28(b)</i>		
New bank loans		–	5,140
Repayment of bank loans		(2,477)	(5,140)
New other loans		–	1,272
Repayment of other loans		(2,197)	(128)
Repurchase of shares		(27,177)	(12,199)
Capital element of finance lease and hire purchase rental payments		(189)	(168)
Net cash outflow from financing activities		(32,040)	(11,223)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(38,210)	116,341
Cash and cash equivalents at beginning of year		295,029	179,104
Effect of foreign exchange rate changes, net		1,469	(416)
CASH AND CASH EQUIVALENTS AT END OF YEAR		258,288	295,029
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		99,528	95,324
Time deposits with original maturity of less than three months when acquired		163,565	201,163
Bank overdrafts		(4,805)	(1,458)
		258,288	295,029

BALANCE**SHEET**

30 September 2000

	<i>Notes</i>	2000 HK\$'000	1999 HK\$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	<i>15</i>	396,010	435,353
CURRENT ASSETS			
Bank balances		42	23
Dividend receivable		100,000	7,750
Amount due from a subsidiary		–	40,525
		100,042	48,298
CURRENT LIABILITIES			
Other payables and accruals		881	812
Tax payable		48	48
Proposed final dividend	<i>12</i>	39,926	38,725
		40,855	39,585
NET CURRENT ASSETS			
		59,187	8,713
		455,197	444,066
CAPITAL AND RESERVES			
Issued capital	<i>26</i>	31,234	33,524
Reserves	<i>27</i>	423,963	410,542
		455,197	444,066

Lam Foo Wah
Director

Ip Weng Kun
Director

NOTES TO FINANCIAL STATEMENTS

30 September 2000

1. CORPORATE INFORMATION

During the year, the principal activities of the Group were the manufacture and trading of garments.

2. IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE (“SSAP”)

Revised SSAP 1 “Presentation of Financial Statements” has been adopted for the first time in the preparation of the current year’s consolidated financial statements. SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The formats of the profit and loss account and balance sheets, as set out on pages 31, 33, 34 and 37 respectively, have been revised in accordance with the SSAP, and a statement of recognised gains and losses, not previously required, is included on page 32. Additional disclosures as required are included in the supporting notes.

The adoption of the revised SSAP 1 has had no effect on the previously reported net profit attributable to shareholders, earnings per share or the net assets of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with the Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30 September 2000. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

NOTES TO FINANCIAL STATEMENTS

30 September 2000

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Subsidiaries

A subsidiary is a company, other than a jointly-controlled entity, in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Joint venture arrangements which involve the establishment of a separate entity in which the Group and other parties have an interest are referred to as jointly-controlled entities.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values, other than those considered to be temporary in nature, deemed necessary by the directors.

NOTES TO FINANCIAL STATEMENTS

30 September 2000

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associates

An associate is a company, not being a subsidiary or a joint venture, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values, other than those considered to be temporary in nature, deemed necessary by the directors.

Goodwill and capital reserve

Goodwill arising on the consolidation of subsidiaries and on the acquisition of associates and jointly-controlled entities represents the excess of purchase consideration paid over the fair values ascribed to the net underlying assets acquired and is eliminated against reserves in the year of acquisition. The capital reserve arising on the consolidation of subsidiaries and on the acquisition of associates and jointly-controlled entities represents the excess of the fair values ascribed to the net underlying assets acquired over the purchase consideration paid. On disposal of subsidiaries, associates or jointly-controlled entities, the relevant portion of the attributable goodwill or capital reserve previously dealt with in reserves is realised and included in the calculation of the gain or loss on disposal.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

NOTES TO FINANCIAL STATEMENTS

30 September 2000

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fixed assets and depreciation *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms
Buildings	2% to 5%
Leasehold improvements	Over the lease terms
Plant and equipment	9% to 20%
Furniture and fixtures	9% to 25%
Motor vehicles	9% to 25%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms. Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

NOTES TO FINANCIAL STATEMENTS

30 September 2000

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Trademarks

Trademarks are stated at cost and are not amortised. Provisions are made for any diminutions in values, other than those considered to be temporary in nature, deemed necessary by the directors.

Long term investments

Long term investments represent non-trading investments in unlisted equity securities intended to be held for long term purposes. Such long term investments are stated at cost less any provisions for diminutions in values, other than those considered to be temporary in nature, deemed necessary by the directors.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Textile quotas

The cost of permanent textile quotas is charged to the profit and loss account in the year of acquisition. Permanent textile quotas allocated by government authorities are not capitalised and, therefore, not reflected as assets in the balance sheet.

Temporary textile quotas are capitalised at cost within current assets and are amortised to the profit and loss account on the basis of their utilisation or upon expiry, whichever is earlier.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

NOTES TO FINANCIAL STATEMENTS

30 September 2000

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries, jointly-controlled entities and associates are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Retirement benefits scheme

Certain subsidiaries operate a defined contribution retirement benefits scheme for those employees who are eligible and have elected to participate in the scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. When an employee leaves the scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash and bank balances represent assets which are not restricted as to use.

NOTES TO FINANCIAL STATEMENTS

30 September 2000

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) dividends, when the shareholders' right to receive payment is established;
- (c) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- (d) rental income, on a time proportion basis over the lease terms; and
- (e) management fee income, on an accrual basis.

NOTES TO FINANCIAL STATEMENTS

30 September 2000

4. SEGMENT INFORMATION

The Group's turnover and contribution to profit from operating activities were all derived from the manufacture and trading of garments.

An analysis of the Group's turnover and contribution to profit from operating activities by geographical area of operations is as follows:

	Turnover		Contribution to profit from operating activities	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
United States of America	1,632,976	1,468,910	126,969	105,647
Europe	160,831	145,260	9,655	7,970
Greater China	41,082	15,079	20,097	6,732
Others	18,018	14,719	2,334	1,738
	1,852,907	1,643,968	159,055	122,087

5. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowance for returns and trade discounts.

NOTES TO FINANCIAL STATEMENTS

30 September 2000

6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	2000 HK\$'000	1999 HK\$'000
Cost of inventories sold	1,346,723	1,208,095
Depreciation:		
Owned fixed assets	15,412	14,129
Leased fixed assets	187	206
	15,599	14,335
Auditors' remuneration:		
Current year	2,641	3,080
Prior years' overprovision	(251)	(398)
	2,390	2,682
Foreign exchange losses, net	2,911	–
Temporary textile quota expenses	15,651	8,292
Operating lease rentals:		
Land and buildings	14,092	11,320
Equipment	282	302
	14,374	11,622
Provision for a long term investment	3,000	–
Loss on disposal of fixed assets	44	713
Staff costs (including directors' remuneration – note 5):		
Retirement benefits contributions	679	615
Less: Forfeited contributions	–	–
Net retirement benefits contributions *	679	615
Wages, salaries and bonuses	206,651	175,645
	207,330	176,260
and after crediting:		
Foreign exchange gains, net	–	3,311
Interest income	18,101	14,051
Dividend income from a long term unlisted investment	–	865
Net rental income from the letting of machinery	687	687
Management fee income from jointly-controlled entities	2,489	2,489

* At 30 September 2000, there were no forfeited contributions available to the Group to reduce its contributions to the retirement benefits scheme in future years (1999: Nil).

NOTES TO FINANCIAL STATEMENTS

30 September 2000

7. FINANCE COSTS

	Group	
	2000 HK\$'000	1999 HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	14,863	11,688
Interest on finance leases and hire purchase contracts	44	58
Factoring expenses	5,522	6,512
Bank charges	7,131	6,578
	27,560	24,836

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Fees	640	640
Salaries, allowances and benefits in kind	11,113	11,383
Performance related bonuses	7,900	3,260
	19,653	15,283

Fees include HK\$160,000 (1999: HK\$160,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (1999: Nil).

NOTES TO FINANCIAL STATEMENTS

30 September 2000

8. DIRECTORS' REMUNERATION *(Continued)*

The remuneration of the directors fell within the following bands:

	Number of directors	
	2000	1999
Nil to HK\$1,000,000	5	4
HK\$2,000,001 to HK\$2,500,000	–	2
HK\$2,500,001 to HK\$3,000,000	2	–
HK\$3,000,001 to HK\$3,500,000	–	1
HK\$3,500,001 to HK\$4,000,000	1	–
HK\$6,500,001 to HK\$7,000,000	–	1
HK\$9,500,001 to HK\$10,000,000	1	–
	9	8

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

No value was included in directors' remuneration in respect of share options granted to the directors in the prior year because, in the absence of a readily available market value for the options on the Company's shares, the directors were unable to arrive at an accurate assessment of the value of the options granted. Details of the options granted to the directors are set out in the section "Directors' rights to acquire shares" in the Report of the Directors on page 26.

NOTES TO FINANCIAL STATEMENTS

30 September 2000

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (1999: four) directors, details of whose remuneration are set out in note 8 above. The details of the remuneration of the remaining one (1999: one) non-director, highest paid employee are as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Salaries, allowances and benefits in kind	1,655	2,325
Performance related bonus	1,000	194
	2,655	2,519

10. TAX

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

	2000 HK\$'000	1999 HK\$'000
Group:		
Hong Kong	1,200	708
Elsewhere	433	1,522
Overprovision in prior year	(327)	–
Deferred – <i>note 25</i>	1,220	–
	2,526	2,230
Share of tax attributable to:		
Jointly-controlled entities	1,018	1,246
Associate	–	25
	1,018	1,271
Tax charge for the year	3,544	3,501

NOTES TO FINANCIAL STATEMENTS

30 September 2000

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$99,582,000 (1999: HK\$22,403,000).

12. DIVIDENDS

Interim – 7 (1999: 3.8) HK cents per ordinary share
Proposed final – 12.8 (1999: 11.8) HK cents
per ordinary share

	2000 HK\$'000	1999 HK\$'000
	21,348	12,674
	39,926	38,725
	61,274	51,399

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$133,883,000 (1999: HK\$103,312,000) and the weighted average of 320,971,615 (1999: 344,679,681) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the year of HK\$133,883,000 (1999: HK\$103,312,000). The weighted average number of ordinary shares used in the calculation is 320,971,615 (1999: 344,679,681) ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average of 8,838,850 (1999: 2,469,112) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

NOTES TO FINANCIAL STATEMENTS

30 September 2000

14. FIXED ASSETS

Group

	Land and buildings (Hong Kong) HK\$'000	Land and buildings (Elsewhere) HK\$'000	Leasehold improve- ments HK\$'000	Plant and equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:							
At beginning of year	17,555	58,029	14,191	61,811	47,067	12,405	211,058
Acquisition of subsidiaries	-	2,879	27,846	24,273	7,472	2,732	65,202
Additions	-	2,793	1,309	13,877	2,377	497	20,853
Disposals	-	-	(24)	(622)	(62)	(788)	(1,496)
Exchange realignments	-	(139)	(86)	(180)	(246)	(90)	(741)
At 30 September 2000	17,555	63,562	43,236	99,159	56,608	14,756	294,876
Accumulated depreciation:							
At beginning of year	3,596	9,301	9,597	38,048	39,285	9,877	109,704
Acquisition of subsidiaries	-	422	19,719	18,731	4,987	1,710	45,569
Provided during the year	345	1,593	1,615	7,500	3,501	1,045	15,599
Disposals	-	-	(8)	(326)	(28)	(788)	(1,150)
Exchange realignments	-	(83)	(71)	(119)	(138)	(16)	(427)
At 30 September 2000	3,941	11,233	30,852	63,834	47,607	11,828	169,295
Net book value:							
At 30 September 2000	13,614	52,329	12,384	35,325	9,001	2,928	125,581
At 30 September 1999	13,959	48,728	4,594	23,763	7,782	2,528	101,354

The net book value of the fixed assets of the Group held under finance leases included in the total amount of motor vehicles at 30 September 2000 amounted to HK\$685,000 (1999: HK\$899,000).

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14. FIXED ASSETS *(Continued)*

The Group's land and buildings included above are held under the following lease terms:

	Hong Kong HK\$'000	Elsewhere HK\$'000	Total HK\$'000
Long term leases	–	2,879	2,879
Medium term leases	17,555	59,531	77,086
Short term leases	–	1,152	1,152
	17,555	63,562	81,117

15. INTERESTS IN SUBSIDIARIES

	Company	
	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	126,671	126,671
Due from subsidiaries	269,339	308,682
	396,010	435,353

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

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15. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations@	Nominal value of issued/ paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			2000	1999	
Access Agents Limited	British Virgin Islands/ The People's Republic of China	US\$1	100	100	Garment retailing
Angel Star Investment Limited*	Hong Kong	HK\$2 Ordinary HK\$2 Deferred	75	–	Holding of trademarks
August Silk (BVI) Limited	British Virgin Islands	US\$1	100	–	Garment trading
August Silk (H.K.) Limited	Hong Kong	HK\$2	100	–	Garment trading
August Silk Inc.	USA	US\$10	100	100	Marketing and garment trading
Beijing Kangrui Theme Trading Company Limited*	The People's Republic of China	RMB3,000,000	36.75+	–	Garment retailing
Bramead International Inc.	British Virgin Islands/USA	US\$1	100	100	Development and holding of trademarks

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15. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations@	Nominal value of issued/ paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			2000	1999	
Cantabian Limited	Hong Kong	HK\$2 Ordinary HK\$2 Deferred	100	100	Investment holding
Debra Michaels Inc.	USA	–	100	100	Garment trading
Dongguan Daliwai Fashion Co., Ltd.	The People's Republic of China	HK\$28,000,000	100	100	Garment manufacturing
Dongguan Sanyue Fashions Limited*	The People's Republic of China	HK\$10,000,000	69	–	Garment manufacturing
Fuli Garments (Hangzhou) Co., Ltd.	The People's Republic of China	HK\$1,000,000	60	–	Manufacturing and trading of garments and garment accessories
Go Shipping Inc.	USA	US\$100,000	100	100	Marketing and garment trading
Guangdong Theme-Huayu Fashion Company Limited*	The People's Republic of China	RMB5,000,000	36.75+	–	Garment retailing

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15. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations@	Nominal value of issued/ paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			2000	1999	
Hangzhou OCT & High Fashion Textile Co., Ltd.δ	The People's Republic of China	RMB3,000,000	36+	–	Garment manufacturing
Hangzhou Westlake High Fashion Garments Co., Ltd.	The People's Republic of China	HK\$7,200,000	64	64	Garment manufacturing
High Fashion Garments, Inc.	USA	US\$5,000	100	100	Marketing and garment trading
High Fashion Apparel Limited	British Virgin Islands	US\$1,000	100	100	Investment holding
High Fashion Garments Company Limited	Hong Kong	HK\$2 Ordinary HK\$10,000,000 Deferred	100	100	Garment trading
High Fashion Garments Limited	British Virgin Islands	US\$1	100	100	Garment manufacturing and trading
High Fashion Garments Management Limited	Hong Kong	HK\$20 Ordinary HK\$20 Deferred	100	100	Provision of management services

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15. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations@	Nominal value of issued/ paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			2000	1999	
High Fashion International (USA) Inc.	USA	US\$1,800	100	100	Investment holding
High Fashion Knitwear (F.E.) Limited	British Virgin Islands	US\$1	100	100	Garment trading
High Fashion Knitwear Overseas Limited	Hong Kong	HK\$2 Ordinary HK\$10,000 Deferred	100	100	Garment trading
High Fashion Outerwear Limited (formerly "Highwell International Limited")	Hong Kong	HK\$2	100	–	Garment trading
High Fashion Overseas Limited	Hong Kong	HK\$2	100	100	Garment trading
High Fashion Trading Company Limited	Hong Kong	HK\$2	100	100	Garment trading
High Fashion (UK) Limited	United Kingdom	GB£20,000	70.5	70	Garment trading
Honghuali Garments Accessory (Shenzhen) Co., Ltd.	The People's Republic of China	RMB2,160,000	60	60	Garment accessories manufacturing
Honghuali Garments Accessory Co., Limited	Hong Kong	HK\$10	60	60	Investment holding

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15. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations@	Nominal value of issued/ paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			2000	1999	
Mateland Limited	Hong Kong	HK\$2	100	100	Garment retailing
N & N Worldwide Limited	USA	–	100	100	Garment trading
Navigation Limited	British Virgin Islands	US\$1	100	–	Investment holding
Regent Trading Inc.	USA	US\$10	100	100	Marketing and garment trading
Shanghai Theme Fashion Company*	The People's Republic of China	RMB3,000,000	36.75+	–	Garment retailing
Stage II Limited*	Hong Kong	HK\$800,000	75	–	Garment retailing
Super Base (China) Limited*	Hong Kong	HK\$2	75	–	Property holding
Super Topping Limited	Hong Kong	HK\$2	100	100	Investment holding
Taiwan Vision Company Limited*	Taiwan	NTD80,000,000	52.5	–	Garment retailing

NOTES TO FINANCIAL STATEMENTS

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15. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration/ and operations@	Nominal value of issued/ paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			2000	1999	
Theme International Holdings (B.V.I.) Limited*	British Virgin Islands/ Hong Kong	US\$10,001	75	–	Investment holding
Theme International Holdings Limited*	Bermuda/ Hong Kong	HK\$25,083,294	75	–	Investment holding
Theme International Limited*	Hong Kong	HK\$2 Ordinary HK\$1,000,000 Deferred	75	–	Garment trading
U-campus e-enterprises Limited	Hong Kong	HK\$2	100	–	Portal business
U-campus Holdings Limited	Hong Kong	HK\$2	100	–	E-commerce

@ Unless otherwise stated, the place of operations is the place of incorporation or registration.

* Not audited by Ernst & Young.

+ These companies are subsidiaries of the non-wholly-owned subsidiaries of the Company and, accordingly, are accounted for as subsidiaries by virtue of control over the companies.

δ This company was reclassified from interests in jointly-controlled entities because of the change in the Group's voting power during the year.

All subsidiaries are indirectly held by the Company with the exception of High Fashion Apparel Limited.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO FINANCIAL STATEMENTS

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16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2000 HK\$'000	1999 HK\$'000
Share of net assets	73,515	58,984
Due from jointly-controlled entities	11,412	11,635
Due to jointly-controlled entities	(5,441)	(16,236)
	79,486	54,383

The amounts due from/to jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of registration and operations	Percentage of			Principal activities
			Ownership interest	Voting power of the Board	Profit sharing	
Hangzhou Westlake High Fashion Industry Co., Ltd.	Corporate	The People's Republic of China	60	60	60	Garment manufacturing
High Fashion Garments (Zhong Shan) Limited *	Corporate	The People's Republic of China	51	50	100	Garment manufacturing
Zhejiang Xinchang High Fashion Silk Co., Ltd.	Corporate	The People's Republic of China	70	57	70	Silk weaving

NOTES TO FINANCIAL STATEMENTS

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16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(Continued)*

Name	Business structure	Place of registration and operations	Percentage of			Principal activities
			Ownership interest	Voting power of the Board	Profit sharing	
High Fashion Zhongshan Printing, Dyeing and Garments Manufacturing Ltd. *	Corporate	The People's Republic of China	51	50	100	Dyeing, printing and sandwashing of fabrics
Shenzhen Chengyi Trade Co., Ltd.	Corporate	The People's Republic of China	60	56	60	Dormant
Suzhou High Fashion Garments Co., Ltd.	Corporate	The People's Republic of China	51	60	51	Garment manufacturing

All of the above investments in jointly-controlled entities are indirectly held by the Company.

* *The Group has a 51% beneficial interest in these companies. By virtue of an arrangement between the Group and the joint venture partner holding the remaining 49% beneficial interest in the companies, the Group is entitled to all of the companies' profits and is liable for all their losses by paying a fixed fee to the joint venture partner annually.*

NOTES TO FINANCIAL STATEMENTS

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17. INTERESTS IN ASSOCIATES

	Group	
	2000 HK\$'000	1999 HK\$'000
Share of net assets	13,233	12,233
Due to an associate	(7,234)	(7,327)
	5,999	4,906

The amount due to an associate is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the principal associate are as follows:

Name	Business structure	Place of registration and operations	Percentage of ownership interest attributable to the Group	Principal activity
Shenzhen Fuli Garments Accessory Co., Ltd.	Corporate	The People's Republic of China	70	Garment accessories manufacturing

The proportion of the voting power of the associate's Board held by the Group and the Group's profit sharing ratio were 43% and 70%, respectively.

The investment in the associate is indirectly held by the Company.

The above details the associate of the Group which, in the opinion of the directors, affected the results of the year and the net assets of the Group.

NOTES TO FINANCIAL STATEMENTS

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18. LONG TERM INVESTMENTS

	Group	
	2000 HK\$'000	1999 HK\$'000
Unlisted equity investments, at cost	18,078	18,078
<i>Less:</i> Provision for permanent diminution in value	(3,000)	–
	15,078	18,078

Particulars of the Group's long term investments, all of which are registered in the People's Republic of China, are as follows:

Name	Percentage of equity interest attributable to the Group
Zhejiang Huajiali Silk Products Co., Ltd.	14.5
Zhoushan High Fashion Silk Spinning & Clothing Co., Ltd.	30.0#
Zhou Shan High Fashion Knitting Co., Ltd.	30.0#

The interests in these companies have not been accounted for as associates because the Group does not have significant influence over these companies.

NOTES TO FINANCIAL STATEMENTS

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19. TRADE RECEIVABLES

	Group	
	2000 HK\$'000	1999 HK\$'000
Current to 90 days	228,697	121,616
91 to 180 days	3,342	8,677
181 to 360 days	1,744	614
Over 360 days	790	14
	234,573	130,921
General provision	(3,000)	–
	231,573	130,921

The Group allows an average credit period of 30 to 60 days to its trade debtors.

20. INVENTORIES

	Group	
	2000 HK\$'000	1999 HK\$'000
Raw materials	55,842	48,659
Work in progress	20,850	28,360
Finished goods	120,931	74,381
	197,623	151,400

The carrying amount of inventories carried at net realisable value included in the above is HK\$44,459,000 (1999: HK\$49,646,000).

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21. BANK LOANS AND OVERDRAFTS

	Group	
	2000 HK\$'000	1999 HK\$'000
Bank overdrafts, unsecured	4,805	1,458
Bank loans, secured	2,190	–
Bank loans, unsecured	–	1,402
Trust receipt loans, unsecured	82,243	58,652
	89,238	61,512

At 30 September 2000, the secured bank loans are secured by mortgages over certain of the Group's land and buildings which have an aggregate net book value at the balance sheet date of approximately HK\$2,448,000 (1999: Nil).

22. FINANCE LEASE AND HIRE PURCHASE CONTRACT PAYABLES

There were obligations under finance leases and hire purchase contracts at the balance sheet date as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Amounts payable:		
Within one year	246	210
In the second year	214	256
In the third to fifth years, inclusive	–	184
	460	650
Portion classified as current liabilities	(246)	(210)
Long term portion	214	440

NOTES TO FINANCIAL STATEMENTS

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23. OTHER LOANS, SECURED

The other loans bear interest at 2% (1999: 2.5%) over the base rate in the United Kingdom and are repayable within one year of the balance sheet date. The other loans are secured by certain of the Group's trade receivables amounting to HK\$21,042,000 (1999: HK\$24,923,000) at the balance sheet date.

24. TRADE PAYABLES AND ACCRUED PURCHASES

	Group	
	2000	1999
	HK\$'000	HK\$'000
Trade payables:		
Current to 90 days	120,918	80,994
91 to 180 days	5,134	1,957
181 to 360 days	6,611	2,341
Over 360 days	11,643	3,054
	144,306	88,346
Accrued purchases	19,812	15,563
	164,118	103,909

25. DEFERRED TAX

	Group	
	2000	1999
	HK\$'000	HK\$'000
Balance at beginning of year	980	980
Charge for the year – <i>note 10</i>	1,220	–
At 30 September	2,200	980

NOTES TO FINANCIAL STATEMENTS

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25. DEFERRED TAX *(Continued)*

The principal components of the Group's provision for deferred tax, and the net deferred tax asset not recognised in the financial statements, are as follows:

	Provided		Not provided	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Accelerated depreciation allowances	3,000	980	(121)	765
Tax losses	(900)	–	(7,328)	(8,098)
Other	100	–	(138)	(556)
	2,200	980	(7,587)	(7,889)

The Company had no significant potential deferred tax liabilities for which provision has not been made.

26. SHARE CAPITAL

Shares

Authorised:

1,000,000,000 ordinary shares of HK\$0.10 each

Issued and fully paid:

312,335,630 (1999: 335,237,630)

ordinary shares of HK\$0.10 each

Group	
2000 HK\$'000	1999 HK\$'000
100,000	100,000
31,234	33,524

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26. SHARE CAPITAL (Continued)

Shares (Continued)

During the year, the Company repurchased 22,902,000 (1999: 21,308,000) ordinary shares of HK\$0.10 each of the Company on The Stock Exchange of Hong Kong Limited as follows:

Month	Number of shares	Price per share		Total price paid HK\$'000
		Highest HK\$	Lowest HK\$	
October 1999	2,706,000	0.93	0.90	2,485
November 1999	1,878,000	0.93	0.92	1,756
December 1999	2,476,000	0.97	0.90	2,278
January 2000	2,400,000	1.39	1.27	3,256
February 2000	3,676,000	1.32	1.20	4,706
March 2000	2,852,000	1.28	1.24	3,639
April 2000	1,782,000	1.20	1.14	2,124
May 2000	2,256,000	1.33	1.20	2,867
June 2000	788,000	1.50	1.47	1,176
July 2000	1,240,000	1.41	1.34	1,730
August 2000	454,000	1.33	1.32	607
September 2000	394,000	1.40	1.39	553
	22,902,000			27,177

The repurchased shares were cancelled and the issued share capital of the Company was reduced by the par value thereof. The premium paid on the repurchase of the shares of HK\$24,887,000 (1999: HK\$10,068,000) has been charged to the retained profits. An amount equivalent to the par value of the shares cancelled has been transferred from the retained profits of the Company to the capital redemption reserve.

The repurchase of the Company's shares during the year 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 per share and earnings per share of the Group.

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26. SHARE CAPITAL *(Continued)*

Share options

On 18 March 1994, the Company adopted a share option scheme (the "Scheme") under which the directors may, at their discretion, grant options to employees and executive directors of the Group to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted may not exceed 10% of the share capital of the Company in issue from time to time. The Scheme will remain in force for a period of ten years from the date of its adoption.

In the prior year, the Company granted a total of 15,200,000 share options which entitle the holders to subscribe for shares in the Company. 40% of the share options granted are exercisable during the period from 5 May 2002 to 4 May 2009, 30% of the share options granted are exercisable during the period from 5 May 2003 to 4 May 2009 and the remaining 30% of the share options granted are exercisable during the period from 5 May 2004 to 4 May 2009. The subscription price per share payable upon the exercise of each option is HK\$0.505, subject to adjustment. The exercise in full of the 15,200,000 share options outstanding at the balance sheet date would, under the present capital structure of the Company, result in the issue of 15,200,000 additional shares of HK\$0.10 each.

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27. RESERVES

Group

	Share premium account HK\$'000	Exchange fluctuation reserve HK\$'000	Reserve funds* HK\$'000	Capital reserve/ (goodwill) HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 October 1998	275,941	(4,231)	8,278	730	240	171,178	452,136
Transfer from retained profits	-	-	706	-	2,131	(2,837)	-
Write off of premium paid on repurchase of shares	-	-	-	-	-	(10,068)	(10,068)
Exchange realignments	-	(439)	-	-	-	-	(439)
Retained profit for the year	-	-	-	-	-	51,913	51,913
At 30 September 1999 and beginning of year	275,941	(4,670)	8,984	730	2,371	210,186	493,542
Transfer from retained profits	-	-	87	-	2,290	(2,377)	-
Write off of premium paid on repurchase of shares	-	-	-	-	-	(24,887)	(24,887)
Exchange realignments	-	1,642	-	-	-	-	1,642
Retained profit for the year	-	-	-	-	-	72,609	72,609
Goodwill on acquisition	-	-	-	(58,671)	-	-	(58,671)
At 30 September 2000	275,941	(3,028)	9,071	(57,941)	4,661	255,531	484,235
Reserves retained by:							
Company and subsidiaries	275,941	(3,170)	3,866	(58,671)	4,661	262,184	484,811
Jointly-controlled entities	-	17	3,528	730	-	(13,781)	(9,506)
Associates	-	125	1,677	-	-	7,128	8,930
At 30 September 2000	275,941	(3,028)	9,071	(57,941)	4,661	255,531	484,235
Company and subsidiaries	275,941	(4,762)	3,866	-	2,371	223,094	500,510
Jointly-controlled entities	-	29	3,441	730	-	(19,098)	(14,898)
Associate	-	63	1,677	-	-	6,190	7,930
At 30 September 1999	275,941	(4,670)	8,984	730	2,371	210,186	493,542

* Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's jointly-controlled entities and associates in the People's Republic of China has been transferred to reserve funds which are restricted as to use.

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27. RESERVES (Continued)

Company

	Share premium account HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 October 1998	275,941	101,171	16,521	240	55,733	449,606
Transfer from retained profits	-	-	-	2,131	(2,131)	-
Write off of premium paid on repurchase of shares	-	-	-	-	(10,068)	(10,068)
Profit for the year	-	-	-	-	22,403	22,403
Dividends	-	-	-	-	(51,399)	(51,399)
At 30 September 1999 and beginning of year	275,941	101,171	16,521	2,371	14,538	410,542
Transfer from retained profits	-	-	-	2,290	(2,290)	-
Write off of premium paid on repurchase of shares	-	-	-	-	(24,887)	(24,887)
Profit for the year	-	-	-	-	99,582	99,582
Dividends	-	-	-	-	(61,274)	(61,274)
At 30 September 2000	275,941	101,171	16,521	4,661	25,669	423,963

The contributed surplus of the Company arose as a result of the Group's reorganisation in 1992 and represented the excess of the fair value of the subsidiaries' net assets acquired over the nominal value of the Company's shares issued in exchange therefor. Under The Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

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28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit from operating activities to net cash inflow from operating activities

	2000 HK\$'000	1999 HK\$'000
Profit from operating activities	159,055	122,087
Interest income	(18,101)	(14,051)
Provision for a long term investment	3,000	–
Dividend income from a long term unlisted investment	–	(865)
Depreciation	15,599	14,335
Loss on disposal of fixed assets	44	713
Increase in bills receivable	(10,100)	(1,712)
Decrease/(increase) in trade receivables	(84,493)	4,989
Decrease/(increase) in inventories	(20,066)	45,314
Decrease/(increase) in deposits, prepayments and other receivables	2,314	(7,346)
Increase in amounts due from jointly-controlled entities	(42,112)	–
Increase/(decrease) in trust receipt loans	23,591	(13,770)
Increase/(decrease) in bills payable	18,541	(3,715)
Increase in trade payables and accrued purchases	19,955	34,732
Increase in other payables and accruals	19,826	12,577
Increase in amounts due to associates	569	2,000
Increase in amounts due to jointly-controlled entities	1,486	60
Net cash inflow from operating activities	89,108	195,348

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28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Analysis of changes in financing during the year

	Bank and other loans HK\$'000	Finance lease and hire purchase contract payables HK\$'000	Minority interests HK\$'000	Share capital (including share premium) HK\$'000
At 1 October 1998	6,784	630	14,588	311,596
Cash inflow/(outflow) from financing activities, net	1,144	(168)	–	(12,199)
Write off of premium paid on repurchase of shares	–	–	–	10,068
Inception of finance lease contracts	–	204	–	–
Share of profit for the year	–	–	483	–
Exchange realignments	(194)	(16)	110	–
At 30 September 1999 and beginning of year	7,734	650	15,181	309,465
Cash outflow from financing activities, net	(4,674)	(189)	–	(27,177)
Write off of premium paid on repurchase of shares	–	–	–	24,887
Share of profit for the year	–	–	648	–
Exchange realignments	(620)	(49)	272	–
Acquisition of subsidiaries	3,265	48	2,799	–
At 30 September 2000	5,705	460	18,900	307,175

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28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(c) Acquisition of subsidiaries

	2000 HK\$'000
Net assets acquired:	
Fixed assets	19,633
Cash and bank balances	13,980
Bills receivable	1,171
Trade receivables	16,159
Inventories	26,157
Deposits, prepayments and other receivables	19,737
Bank loans	(3,265)
Bank overdrafts	(2,143)
Hire purchase contract payables	(48)
Bills payable	(1,524)
Trade payables	(40,254)
Tax payable	(3,384)
Other payables and accruals	(25,398)
Amount due to an associate	(516)
Minority interests	(2,799)
Amount due to the Group	(10,000)
	7,506
Goodwill on acquisition	58,671
	66,177
Satisfied by:	
Cash consideration	65,275
Transfer of interest in a jointly-controlled entity to a subsidiary	902
	66,177

NOTES TO FINANCIAL STATEMENTS

30 September 2000

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(c) Acquisition of subsidiaries *(Continued)*

Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries:

	2000 HK\$'000
Cash consideration	(65,275)
Cash and bank balances acquired	13,980
Bank overdrafts acquired	(2,143)
Amount due to the Group acquired	(10,000)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<u>(63,438)</u>

The subsidiaries acquired during the year paid HK\$8,030,000 and HK\$1,112,000 in respect of the Group's net operating cash flows and financing activities for the year, respectively.

They contributed HK\$26,673,000 to the Group's turnover and utilised HK\$458,000 in respect of the net profit attributable to shareholders for the year.

(d) Non-cash transactions

In the prior year, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the leases of HK\$204,000.

29. PLEDGE OF ASSETS

At the balance sheet date, certain subsidiaries have pledged trade receivables amounting to HK\$114,533,000 (1999: HK\$76,484,000), inventories amounting to Nil (1999: HK\$70,896,000) and land and buildings amounting to HK\$2,448,000 (1999: Nil) to factoring houses and a bank to secure borrowing facilities granted to them.

NOTES TO FINANCIAL STATEMENTS

30 September 2000

30. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Bank guarantees given in lieu of utility, property rental and other service deposits	2,805	498	–	–
Bills discounted with recourse	31,434	29,573	–	–
Trade receivables factored with recourse	736	784	–	–
Guarantees given to banks in connection with facilities granted to:				
Subsidiaries	–	–	596,000	482,495
Jointly-controlled entities	37,383	–	–	–
	72,358	30,855	596,000	482,495

As at 30 September 2000, the guarantees given to banks in connection with facilities granted to subsidiaries by the Company were utilised to the extent of approximately HK\$86 million (1999: HK\$65 million).

In addition, the Group's share of contingent liabilities of a jointly-controlled entity not included in the above was as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Guarantees given to banks in connection with facilities granted to a third party	27,073	62,217

NOTES TO FINANCIAL STATEMENTS

30 September 2000

31. COMMITMENTS

(a) Capital commitments:

Contracted, but not provided for

Group	
2000 HK\$'000	1999 HK\$'000
44,116	529

In addition, the Group's share of capital commitments of jointly-controlled entities not included in the above was as follows:

Contracted, but not provided for
Authorised, but not contracted for

Group	
2000 HK\$'000	1999 HK\$'000
-	812
1,682	3,074
1,682	3,886

NOTES TO FINANCIAL STATEMENTS

30 September 2000

31. COMMITMENTS *(Continued)*

- (b) At 30 September 2000, the Group had commitments under non-cancellable operating leases to make payments in the following year as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Land and buildings expiring:		
Within one year	13,884	200
In the second to fifth years, inclusive	23,615	9,024
	37,499	9,224
Equipment expiring:		
Within one year	150	89
In the second to fifth years, inclusive	54	46
	204	135
	37,703	9,359

In addition, the Group's share of commitments under operating leases of jointly-controlled entities not included in the above was as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Land and buildings expiring:		
Within one year	60	–
In the second to fifth years, inclusive	577	625
After five years	1,219	888
	1,856	1,513

NOTES TO FINANCIAL STATEMENTS

30 September 2000

31. COMMITMENTS *(Continued)*

- (c) At the balance sheet date, the Group had entered into agreements for forward sales of United States dollars equivalent to HK\$134,509,000 (1999: HK\$93,533,000) for the hedging of foreign currency trade debts in the ordinary course of business.

At the balance sheet date, the Company did not have any significant commitments.

32. RELATED PARTY TRANSACTIONS

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

	<i>Notes</i>	Group	
		2000 HK\$'000	1999 HK\$'000
Purchases of raw materials and finished goods from jointly-controlled entities	<i>(i)</i>	527,706	483,199
Purchases of raw materials and finished goods from an associate	<i>(i)</i>	3,057	2,643
Rental income from a jointly-controlled entity	<i>(ii)</i>	687	687
Management fee income from jointly-controlled entities	<i>(iii)</i>	2,489	2,489
Professional fees paid to Wilkinson & Grist	<i>(iv)</i>	1,488	359

Notes:

- (i) The purchases of raw materials and finished goods were made according to the published prices and conditions offered to the major customers of the supplier, except that a longer credit period was usually granted.
- (ii) The rental income related to machinery included in fixed assets which was rented to a jointly-controlled entity for production purposes. The rental was calculated with reference to the depreciation of the machinery.
- (iii) The management fee income was charged at an appropriate allocation of costs incurred by the Group.
- (iv) The professional fees related to the provision of secretarial and legal advisory services and were charged according to the fee rates and conditions similar to those offered to other customers of Wilkinson & Grist. Mr. Chan Wah Tip, Michael, a director of the Company, is a partner of Wilkinson & Grist.

NOTES TO FINANCIAL STATEMENTS

30 September 2000

33. POST BALANCE SHEET EVENTS

- (a) Subsequent to the balance sheet date, on 4 November 2000, the Group purchased from an independent third party the portion of the S. Megga Industrial Building, 1-11 Kwai Hei Street, New Territories, not already owned by the Group, representing a total gross floor area of 124,972 sq. ft., at an aggregate consideration of HK\$46,000,000.
- (b) Subsequent to the balance sheet date and up to the date of this report, the Company repurchased and cancelled a further 412,000 shares of HK\$0.10 each on The Stock Exchange of Hong Kong Limited for an aggregate consideration of HK\$559,000. As a result, the number of issued shares of the Company has decreased from 312,335,630 shares to 311,923,630 shares as at 10 January 2001.
- (c) Subsequent to the balance sheet date, on 8 December 2000, the Group entered into an agreement with a joint venture partner to acquire the remaining 40% equity interests in a jointly-controlled entity, Hangzhou Westlake High Fashion Industry Co., Ltd., at a total consideration of approximately HK\$21,640,000.

34. COMPARATIVE AMOUNTS

As further explained in note 2, due to the adoption of the revised SSAP 1 during the current year, the presentation of the profit and loss account, the balance sheets and certain supporting notes have been revised to comply with the new requirements. Accordingly, the relevant comparative amounts have been reclassified to conform with the current year's presentation.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 10 January 2001.

CORPORATE INFORMATION

BOARD OF DIRECTORS

- * Mr. Poon Hon Kam, F.H.K.S.A. (*Chairman*)
- Mr. Lam Foo Wah (*Managing Director*)
- Mr. Ip Weng Kun (*Deputy Managing Director*)
- Mr. Hui Yip Wing
- Mr. Wong Shing Loong, Raymond
- Ms. So Siu Hang, Patricia
- Mr. Jack Weinstock
- ** Mr. Chan Wah Tip, Michael, *Solicitor*
- ** Mr. Woo King Wai, David

* *being non-executive*

** *being independent non-executive*

SECRETARY

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State Street Bank and Trust Company
The Hongkong and Shanghai Banking
Corporation Limited
The Bank of East Asia, Limited
Citibank, N.A.

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