



High Fashion International Limited

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

Strive to be
World's No.1
Silk Enterprise



◆ *Interim Report 2017* ◆



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CHAIRMAN'S STATEMENT

In the face of modest economic recovery in macro economies, consumer sentiment in key export markets remained fragile in the 1st half of 2017. We continue to accelerate our pace to expand our customer portfolio with deepened collaboration with key brands which have further strengthened our platform to support future business growth.

Leveraging the well-diversified and balanced portfolio of manufacturing; omnichannel sales and property businesses, a decent set of 2017 interim results is delivered which again demonstrated our resilience in difficult market conditions supported by strategically upscale customer segmentation through product innovation and operational excellence to best capitalize value gain from multiple channels.

- Net profit at HK\$22.86 million
- Gearing ratio of non-current liabilities to shareholders' fund at 9.5%. Current ratio at 1.2
- Basic earnings per share landed at HK\$0.075
- Net asset value per share amounted to HK\$7.65
- Interim dividend per share of HK\$0.03

The fashion apparel industry continues to transform at an unprecedented pace that our lean, efficient and flexible core manufacturing operation with proven record of embracing changes has placed us in a leading position as a trusted fashion partner. On top of the Group's competence and targeted strategies on speed, innovation and technological advancements to drive growth, the increasing capability to leverage group synergies and cross-selling opportunities among all sales & operating units as well as closer collaboration with key brands have created enormous additional growth potential to take the business forward.

Positive profitability enhancement continues to be realized in our multi-brand, multi-channel brand business through sharpened operating models with refreshed market positioning; enriched product offer as well as re-engineered cost structure. Full potential of the brand business is still far from being unlocked, to be driven by dedicated strategies & initiatives including new e-commerce business establishments leveraging the Group's smart technologies, superb product quality & innovation coupled with strong value chain capabilities which can tremendously broaden the customer base of the Group by tapping into a wide population of new customer segments.



CHAIRMAN'S STATEMENT

With dedicated investment and management effort in the past 3 years, the quality portfolio of property projects at different stage of investment & development continues to deliver progressive value appreciation for the Group and is also creating a wider recurring income stream for the Group. Along the attainment of development milestones of each project, the property business will serve as powerful growth drivers for the Group with substantial enhancement in long-term shareholders' value.

Looking ahead, with global economic conditions returning to a more stable footing, we are convinced of the ample opportunities arising from our promising portfolio of diversified businesses, international network and solid foundation of the Group to successfully navigate the transformation of the fashion apparel industry. With our operation based in the Mainland China which offers a more steady and optimistic growth prospects, we believe our close connectivity and geographical proximity to the Mainland has placed us in a unique position to ride on the "internet +" and "Belt and road Initiatives" of China government with additional dimension of benefit realization.

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

Lam Foo Wah

Chairman & Managing Director

Hong Kong, 29 August 2017

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Review of Operations

The Group recorded a total revenue of HK\$1.24 billion for the six months ended 30 June 2017, a slight decline of 2.6% versus last year yet gross margin % has been lifted up to 19.5% in 1H 2017 (vs 18.2% same period last year), with the resulting increase in overall gross margin \$ in 2017 vs 2016.

In spite of escalating operating cost pressure in China, administrative expenses in 1H 2017 has been driven down below the level same period last year contributed by continuous re-engineering of operating process flow and cost base as well as better integration of organizational structure to support both existing businesses and new business development. Overall operating expenses for the six months ended 30 June 2017 included also professional & consultancy fees on a number of different projects as well as one-off expenses totaled HK\$5.7 million (2016: HK\$18.3 million) which is classified under “Other Expenses”.

Net profit attributable to shareholders for the six months ended 30 June 2017 landed at HK\$22.9 million, a significant increase compared with profit of HK\$15.4 million same period last year. Basic earnings per share enjoyed a corresponding significant year-over-year increase to 7.48 HK cents. Net asset value per share also increased to HK\$7.65.

Segment Information

The segmental information is as follows:

	Revenue		Contribution	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activity:				
Manufacturing and trading	1,151,762	1,162,039	76,110	77,582
Brand business	83,765	106,807	(6,914)	(22,265)
	1,235,527	1,268,846	69,196	55,317

MANAGEMENT DISCUSSION AND ANALYSIS

Year-over-year bottom-line enhancement has again been realized in the first half of 2017 in restructuring & reshaping the multi-brand, multi-channel brand business towards sharpened operating models with refreshed market positioning; enriched product offer as well as re-engineered cost structure.

Profit for the first half of 2017 included an exceptional loss on fair value change of derivative financial instruments of HK\$56 million (2016: gain of HK\$24 million) and an increase in fair value of investment properties, net of tax, amounted to HK\$85 million (2016: HK\$49 million) in the current period.

Liquidity and Financial Resources

The Group's total outstanding bank borrowings increased slightly to HK\$1,345 million at the end of interim reporting period compared to HK\$1,216 million as at 31 December 2016. Our gearing ratio of non-current liabilities to shareholders' funds was 9.5% at the end of interim reporting period. Current ratio maintained at a healthy level of 1.2.

The Group's total cash and bank balances were HK\$974 million at the end of interim reporting period, a slight increase compared to HK\$954 million as at 31 December 2016. Based on the ample banking facilities available, the Group had a strong working capital and liquidity to meet the operating needs and future growth.

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

Except as disclosed in note 22, the Group has no other material contingent liabilities. Barring the pledge of trade receivables of certain subsidiaries of HK\$29 million, there were no charges on the Group's assets.



MANAGEMENT DISCUSSION AND ANALYSIS

Tax Audit

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

Human Resources

The total number of employees of the Group including joint ventures as at the end of interim reporting period was about 6,500. Other than the competitive remuneration package offered to the employees, share options may also be granted to selected employees based on the Group's performance. No share options were granted to employees during the period.

Capital Expenditure

The Group purchased the plant and equipment and construction in progress of HK\$27 million in order to upgrade its manufacturing capabilities and input HK\$14 million for properties construction during the period. Except for the above, there was no material capital expenditure during the period.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors (the “Board”) of High Fashion International Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2017 together with the comparative figures.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
	<i>Notes</i>		
REVENUE	3	1,235,527	1,268,846
Cost of sales		(994,704)	(1,037,694)
Gross profit		240,823	231,152
Other income		33,167	35,898
Other gains and losses	4	42,880	88,068
Administrative expenses		(156,566)	(199,337)
Selling and distribution expenses		(84,266)	(81,858)
Other expenses		(5,665)	(18,320)
Finance costs	5	(16,989)	(16,011)
Share of losses of joint ventures		(1,177)	(286)
PROFIT BEFORE TAXATION		52,207	39,306
Income tax expenses	6	(28,770)	(26,262)
PROFIT FOR THE PERIOD	7	23,437	13,044

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income *(Continued)*

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
OTHER COMPREHENSIVE INCOME	Note 8		
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		74,826	(45,404)
Gain on revaluation of properties		68,253	–
Income tax relating to items that will not be reclassified		(17,063)	–
		126,016	(45,404)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		(1,782)	(2,563)
Fair value gain on hedging instruments under cash flow hedges		25,218	39,033
Reclassified to profit or loss on realisation of cash flow hedges		17,263	24,151
Income tax relating to items that may be reclassified subsequently		(5,730)	(8,358)
		34,969	52,263
Other comprehensive income for the period, net of tax		160,985	6,859
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		184,422	19,903

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income *(Continued)*

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
	Note		
Profit for the period attributable to:			
Owners of the Company		22,862	15,380
Non-controlling interests		575	(2,336)
		23,437	13,044
Total comprehensive income for the period attributable to:			
Owners of the Company		184,332	22,300
Non-controlling interests		90	(2,397)
		184,422	19,903
EARNINGS PER SHARE			
Basic	9	7.48 HK cents	5.03 HK cents

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Financial Position

At 30 June 2017

		At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	620,615	638,585
Prepaid lease payments	11	67,735	105,071
Investment properties	11	1,467,178	1,188,791
Intangible assets		7,676	–
Interests in joint ventures		15,343	16,246
Available-for-sale investments		675	675
Deposit placed and prepayment of premium for a life insurance		26,171	26,264
Deferred tax assets		21,084	19,989
		2,226,477	1,995,621
CURRENT ASSETS			
Inventories		448,746	416,796
Properties held for sale		158,762	157,192
Trade receivables	13	424,257	370,466
Bills receivable	13	8,565	4,961
Prepaid lease payments	11	1,584	3,026
Deposits, prepayments and other receivables	14	177,974	150,234
Amounts due from joint ventures		26,088	26,136
Tax recoverable		178,321	162,333
Derivative financial instruments	12	1,642	64,769
Short-term bank deposits		549,857	623,092
Bank balances and cash		423,959	331,255
		2,399,755	2,310,260

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Financial Position

(Continued)

At 30 June 2017

		At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
	<i>Notes</i>		
CURRENT LIABILITIES			
Trade payables	15	362,290	329,595
Bills payable		–	441
Other payables and accruals		162,774	188,394
Amounts due to joint ventures		3,161	867
Amount due to an associate		583	583
Tax payable		169,869	157,731
Derivative financial instruments	12	21,349	63,847
Obligations under finance leases		69	62
Bank borrowings	16	1,343,794	1,215,433
Bank overdrafts		1,325	1,060
		2,065,214	1,958,013
NET CURRENT ASSETS		334,541	352,247
TOTAL ASSETS LESS CURRENT LIABILITIES		2,561,018	2,347,868
NON-CURRENT LIABILITIES			
Derivative financial instruments	12	1,562	3,092
Deferred tax liabilities		217,507	178,051
Provision for long service payments		3,483	3,483
Obligations under finance leases		56	86
		222,608	184,712
NET ASSETS		2,338,410	2,163,156
CAPITAL AND RESERVES			
Share capital	17	30,562	30,562
Share premium and reserves		2,333,064	2,157,900
Equity attributable to owners of the Company		2,363,626	2,188,462
Non-controlling interests		(25,216)	(25,306)
TOTAL EQUITY		2,338,410	2,163,156

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Attributable to owners of the Company							Attributable to non-controlling interests	Total			
	Share capital	Share premium	Share Translation reserve	Reserve funds	Property revaluation reserve	Capital redemption reserve	Hedging reserve			Other reserve	Accumulated profits	Sub-total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2017 (audited)	30,562	287,656	73,737	76,948	116,955	8,511	(48,341)	39,853	1,602,581	2,188,462	(25,306)	2,163,156
Profit for the period	-	-	-	-	-	-	-	-	22,862	22,862	575	23,437
Other comprehensive income (expense) for the period	-	-	73,529	-	51,190	-	36,751	-	-	161,470	(485)	160,985
Total comprehensive income for the period	-	-	73,529	-	51,190	-	36,751	-	22,862	184,332	90	184,422
Dividends (note 10)	-	-	-	-	-	-	-	-	(9,168)	(9,168)	-	(9,168)
At 30 June 2017 (unaudited)	30,562	287,656	147,266	76,948	168,145	8,511	(11,590)	39,853	1,616,275	2,363,626	(25,216)	2,338,410
At 1 January 2016 (audited)	30,562	287,656	236,107	74,196	112,607	8,511	(107,337)	39,853	1,533,225	2,254,780	(23,576)	2,241,202
Profit (loss) for the period	-	-	-	-	-	-	-	-	15,380	15,380	(2,336)	13,044
Other comprehensive (expense) income for the period	-	-	(47,906)	-	-	-	54,826	-	-	6,920	(61)	6,859
Total comprehensive (expense) income for the period	-	-	(47,906)	-	-	-	54,826	-	15,380	22,300	(2,397)	19,903
Dividends (note 10)	-	-	-	-	-	-	-	-	(9,168)	(9,168)	-	(9,168)
Exchange differences transferred upon deregistration of a subsidiary	-	-	2,833	-	-	-	-	-	(2,833)	-	-	-
At 30 June 2016 (unaudited)	30,562	287,656	191,034	74,196	112,607	8,511	(53,111)	39,853	1,596,604	2,277,912	(25,975)	2,251,937

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
	<i>Notes</i>		
Net cash used in operating activities		(86,370)	(60,373)
INVESTING ACTIVITIES			
New structured deposits placed		–	(207,143)
New short-term bank deposits placed		(107,955)	(103,214)
Withdrawal of structured deposits		–	289,286
Withdrawal of short-term bank deposits		200,795	99,622
Interests received		7,214	16,086
Purchases of property, plant and equipment		(26,211)	(21,624)
Additions to investment properties		(6,734)	(15,007)
Additions to intangible assets		(7,676)	–
Other investing cash flows		31	(2,279)
Net cash from investing activities		59,464	55,727
FINANCING ACTIVITIES			
New bank borrowings raised	16	561,850	458,126
Repayment of bank borrowings	16	(429,349)	(620,279)
Interests paid		(17,704)	(15,546)
Dividends paid	10	(9,168)	(9,168)
Other financing cash flows		(23)	(60)
Net cash from (used in) financing activities		105,606	(186,927)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Cash Flows *(Continued)*

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Net increase (decrease) in cash and cash equivalents	78,700	(191,573)
Cash and cash equivalents at beginning of the period	330,195	610,594
Effect of foreign exchange rate changes, net	13,739	(11,141)
Cash and cash equivalents at end of the period	422,634	407,880
Analysis of balances of cash and cash equivalents		
Bank balances and cash	423,959	408,290
Bank overdrafts	(1,325)	(410)
	422,634	407,880

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

1. Basis of Preparation

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

2. Principal Accounting Policies

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12	As part of annual improvements to HKFRSs 2014 – 2016 cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ended 31 December 2017.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

3. Segment Information

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

For the six months ended 30 June 2017 (unaudited)

	Manufacture and trading of garments HK\$'000	Brand business HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE					
External sales	1,151,762	83,765	1,235,527	-	1,235,527
Inter-segment sales (Note a)	26,780	-	26,780	(26,780)	-
Segment revenue	<u>1,178,542</u>	<u>83,765</u>	<u>1,262,307</u>	<u>(26,780)</u>	<u>1,235,527</u>
RESULT					
Segment profit (loss) (Note b)	<u>77,737</u>	<u>(6,914)</u>	<u>70,823</u>	<u>(1,627)</u>	<u>69,196</u>
Finance costs					<u>(16,989)</u>
Profit before taxation					<u>52,207</u>

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

3. Segment Information (Continued)

For the six months ended 30 June 2016 (unaudited)

	Manufacture and trading of garments HK\$'000	Brand business HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE					
External sales	1,162,039	106,807	1,268,846	-	1,268,846
Inter-segment sales (Note a)	19,462	-	19,462	(19,462)	-
Segment revenue	<u>1,181,501</u>	<u>106,807</u>	<u>1,288,308</u>	<u>(19,462)</u>	<u>1,268,846</u>
RESULT					
Segment profit (loss) (Note b)	<u>78,814</u>	<u>(22,265)</u>	<u>56,549</u>	<u>(1,232)</u>	<u>55,317</u>
Finance costs					<u>(16,011)</u>
Profit before taxation					<u>39,306</u>

Notes:

- Inter-segment sales are charged at agreed terms set out in the subcontracting agreement entered into between group companies.
- Segment profit (loss) includes i) fair value gain on investment properties of approximately HK\$107,558,000 and nil (six months ended 30 June 2016: HK\$60,722,000 and nil); and ii) fair value loss on derivative financial instruments of approximately HK\$56,362,000 and nil (six months ended 30 June 2016: fair value gain of HK\$23,655,000 and nil) attributed to manufacture and trading of garments segment and brand business segment, respectively.

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

4. Other Gains and Losses

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Increase in fair value of investment properties	107,558	60,722
Change in fair value of derivative financial instruments	(56,362)	23,655
(Loss) gain on disposal of property, plant and equipment and prepaid lease payments	(1)	1,479
Net foreign exchange (loss) gain	(6,080)	3,231
Net allowance for bad and doubtful debts	(2,235)	(1,019)
	42,880	88,068

5. Finance Costs

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Interests on:		
Bank borrowings and overdrafts	15,101	13,609
Finance leases	7	6
Bank charges	1,881	2,396
	16,989	16,011

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

6. Income Tax Expenses

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Current tax charge:		
Hong Kong	737	979
The People's Republic of China (the "PRC")	5,708	2,803
Other jurisdictions	483	497
	6,928	4,279
Underprovision in prior years:		
Hong Kong	7,908	–
The PRC	3	6,939
	7,911	6,939
Deferred taxation – current period	13,931	15,044
	28,770	26,262

Current tax

As disclosed in the Group's annual reports published in previous years, the Inland Revenue Department ("IRD") has initiated a tax audit on certain group companies in Hong Kong from the year of assessment 1999/2000 onwards. As a matter of IRD's practice, the IRD has issued estimated/additional assessments ("Assessments") demanding for tax to the relevant group companies for the years of assessment from 1999/2000 to 2010/2011. During the course of the tax audit, there may be a possibility that estimated additional assessments for subsequent years will be issued by the IRD to these group companies.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

6. Income Tax Expenses (Continued)

Current tax (Continued)

Up to 30 June 2017, the Group has made tax payment of approximately HK\$172,384,000 (31 December 2016: HK\$160,294,000) for conditional standover order of objection against the Assessments, including approximately HK\$160,294,000 (31 December 2016: HK\$160,294,000) tax reserve certificates purchased by the Group. The amount is included in “tax recoverable” in the condensed consolidated statement of financial position.

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

Other than the tax audit, a group company has dispute with the IRD on the calculation of deductibility of interest expenses on bank borrowings for the years of assessment from 2010/2011 to 2015/2016. In view that the IRD has agreed on the basis of computing the extent of disallowable interest expenses, additional tax of approximately HK\$7,908,000 (six months ended 30 June 2016: nil) has been provided during the current interim period and against which tax reserve certificate of HK\$2,100,000 (31 December 2016: nil) was purchased for conditional standover order of objection against the assessment issued for the year of assessment 2010/2011. The amount is included in “tax recoverable” in the condensed consolidated statement of financial position.

In addition, another group company has purchased a tax reserve certificate of approximately HK\$1,388,000 (31 December 2016: nil) for conditional standover order of objection against the assessment for the year of assessment 2010/2011 and the amount is included in “tax recoverable” in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

6. Income Tax Expenses (Continued)

Deferred tax

Included in tax charge for the period is approximately HK\$22,871,000 (six months ended 30 June 2016: HK\$12,066,000) deferred tax charged on increase in fair value of investment properties.

7. Profit for the Period

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

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Amortisation of prepaid lease payments	783	1,617
Depreciation of property, plant and equipment	31,567	34,434
Net allowance for inventory obsolescence (included in cost of sales)	1,280	8,260
Realisation of cash flow hedges reclassified from other comprehensive income (Note)	17,263	24,151
Investment income earned on:		
Bank interest income	(9,560)	(4,348)
Interest income on other receivables	(424)	(407)
Interest income from structured deposits	–	(11,461)

Note: Loss of HK\$16,429,000 (six months ended 30 June 2016: HK\$23,507,000) is included in revenue and the remaining balance of a loss of HK\$834,000 (six months ended 30 June 2016: HK\$644,000) is included in finance costs.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

8. Other Comprehensive Income

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Cash flow hedges:		
Fair value gain on hedging instruments	25,218	39,033
Reclassification adjustments upon realisation of hedged items in profit or loss	17,263	24,151
	42,481	63,184
Gain on revaluation of properties	68,253	–
Exchange differences arising on translation	73,044	(47,967)
	183,778	15,217
Income tax relating to components of other comprehensive income:		
Fair value change in hedging instruments under cash flow hedges	(5,730)	(8,358)
Revaluation of properties	(17,063)	–
	(22,793)	(8,358)
Other comprehensive income for the period, net of tax	160,985	6,859

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

9. Earnings Per Share

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

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Profit for the purpose of basic earnings per share attributable to owners of the Company	22,862	15,380
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	305,615,420	305,615,420

No diluted earnings per share has been presented as there is no potential ordinary share outstanding during both periods or at the end of the respective reporting periods.

10. Dividends

During the current interim period, a final dividend of 3 HK cents (six months ended 30 June 2016: 3 HK cents) per share was declared to the shareholders for the year ended 31 December 2016 (six months ended 30 June 2016: for the year ended 31 December 2015) and paid in cash.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

10. Dividends (Continued)

The Board declared that an interim dividend of 3 HK cents per share for the six months ended 30 June 2017 (six months ended 30 June 2016: 3 HK cents) which will be paid to shareholders whose names appear in the register of members on 22 September 2017. This dividend was declared after the end of the reporting period, and therefore it has not been included as a liability in the condensed consolidated statement of financial position.

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

During the current interim period, certain property, plant and equipment and prepaid lease payments located in the PRC were transferred to investment properties. The aggregate carrying amount of these properties were HK\$72,632,000. The fair value of these properties as at the date of transfer was approximately HK\$140,885,000, which was determined by Centaline Surveyors Limited, the independent qualified professional valuers not connected with the Group. The difference between the carrying amount and the fair value of these properties was credited to the "property revaluation reserve".

All investment properties held by the Group are determined using fair value model. The fair value of the Group's investment properties at 30 June 2017 and 31 December 2016 has been arrived at on the basis of the valuation carried out by Centaline Surveyors Limited, 新昌信安達資產評估有限公司 and 深圳市戴德梁行土地房地產評估有限公司, which are independent qualified professional valuers not connected with the Group. An increase in fair value of investment properties of HK\$107,558,000 (six months ended 30 June 2016: HK\$60,722,000) has been recognised directly in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2017.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

12. Derivative Financial Instruments

	At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
Financial assets		
Cash flow hedges		
Interest rate swaps	–	734
Other derivatives (not under hedge accounting)		
Foreign exchange forward contracts	1,642	64,035
	1,642	64,769
Financial liabilities		
Cash flow hedges		
Foreign exchange forward contracts (<i>note</i>)	13,542	56,947
Interest rate swaps	544	354
	14,086	57,301
Other derivatives (not under hedge accounting)		
Dual currency interest rate swap	4,242	5,946
Knock out forward contract	–	3,692
Foreign exchange forward contracts	4,583	–
	8,825	9,638
	22,911	66,939
Analysed for reporting purposes as:		
Current assets	1,642	64,769
Non-current liabilities	1,562	3,092
Current liabilities	21,349	63,847
	22,911	66,939

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

12. Derivative Financial Instruments *(Continued)*

Note: The Group entered into foreign exchange forward contracts to sell United States dollar ("US\$") for Renminbi ("RMB") to manage the Group's exposure to foreign currency in relation to highly probable forecast sales to end customers denominated in US\$ as disclosed in the Group's annual report published in previous years. At the end of the reporting period, the Group has outstanding foreign exchange forward contracts with an aggregate notional amount of US\$40 million (31 December 2016: US\$82 million) that require the Group to sell US\$ for RMB at exchange rates ranging from RMB6.422 to RMB6.66 (31 December 2016: RMB6.422 to RMB6.66) for US\$1 with maturity periods up to 6 months (31 December 2016: 12 months).

The above derivatives are measured at fair values at the end of the reporting period. Their fair values are determined based on the valuation carried out by financial institutions, which are measured using the present values of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and quoted forward exchange rates at the end of the reporting period.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

13. Trade Receivables and Bills Receivable

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

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

	At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
Within 90 days	373,879	335,280
91 to 180 days	37,879	30,687
181 to 360 days	11,040	2,390
Over 360 days	1,459	2,109
	424,257	370,466

At the end of the reporting period, bills receivable of HK\$8,565,000 (31 December 2016: HK\$4,961,000) are aged within 90 days (31 December 2016: 90 days). Included in the bills receivable is discounted bills with recourse of HK\$8,406,000 (31 December 2016: HK\$4,147,000) of which the corresponding financial liabilities are included in bank borrowings.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

14. Deposits, Prepayments and Other Receivables

Included in deposits, prepayments and other receivables is a deposit of RMB30,000,000 (equivalent to HK\$34,483,000) (31 December 2016: RMB30,000,000, equivalent to HK\$33,520,000) paid to the customs authority in Shaoxing City of Zhejiang Province in the PRC in relation to an ongoing enquiry of customs duty for import of certain machinery parts and apparel accessories for manufacturing by the PRC factories into China.

On 30 June 2016, the Group received a judgment made by the Intermediate People's Court of the Shaoxing City of Zhejiang Province (the "Judgment") regarding the aforesaid case. According to the Judgment, the Group was convicted of an offence of illicit transportation of common goods or articles without paying customs duty and was required to pay a penalty of RMB28 million (the "Fine") and customs of RMB27 million (the "Customs") on these imported machinery parts and apparel accessories, out of which the RMB30,000,000 deposit previously paid to the Customs Authority would be confiscated by the Customs Authority and used to offset the amount payable. During the current interim period, the Judgement was revoked and the proceeding was remitted to the Intermediate People's Court of the Shaoxing City of Zhejiang Province for retrial. No payment for the Fine and Customs were made up to the date of this report. Management has sought advices from the legal professionals, who advised that the facts set out in the claims were unclear and without merit. Accordingly, no provision is considered necessary by the directors of the Company to be made in the condensed consolidated financial statements.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

15. Trade Payables

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

	At 30 June 2017 (Unaudited) HK\$'000	At 31 December 2016 (Audited) HK\$'000
Within 90 days	109,211	114,090
91 to 180 days	10,959	10,864
181 to 360 days	15,966	2,656
Over 360 days	6,786	7,033
	142,922	134,643
Accrued purchases	219,368	194,952
	362,290	329,595

The average credit period on purchases of goods is 90 days.

16. Bank Borrowings

During the current interim period, the Group obtained several new bank borrowings from various banks amounted to HK\$562 million (six months ended 30 June 2016: HK\$458 million) and repaid HK\$429 million (six months ended 30 June 2016: HK\$620 million). The loans carry interest at market rates ranging from 0.51% to 3.49% (31 December 2016: 0.58% to 3.77%) per annum.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

17. Share Capital

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Issued and fully paid:		
At 1 January 2016 (audited), 30 June 2016 (unaudited), 1 January 2017 (audited) and 30 June 2017 (unaudited)	305,615	30,562

18. Capital Commitments

At 30 June 2017, the Group is committed to capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements amounted to HK\$62,925,000 (31 December 2016: HK\$59,295,000).

19. Related Party Transactions

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

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Purchases of raw materials and finished goods from joint ventures	4,988	6,720
Sales of raw materials and finished goods to joint ventures	1	497
Key management personnel compensation (<i>Note</i>)	8,043	8,043

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

20. Fair Value Measurements of Financial Instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The Group's derivative financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable. For valuation technique using discounted cash flows, the discount rates used take into consideration the credit risk of the relevant counterparties of the Group, as appropriate.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

20. Fair Value Measurements of Financial Instruments (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2017 (unaudited)	31 December 2016 (audited)		
Foreign exchange forward contracts	Assets – HK\$1,642,000 Liabilities – HK\$18,125,000	Assets – HK\$64,035,000 Liabilities – HK\$56,947,000	Level 2	Valuation technique: Discounted cash flow. Key inputs: Forward exchange rates, contracted exchange rates and discount rates.
Knock out forward contract	–	Liabilities – HK\$3,692,000	Level 2	Valuation techniques: Discounted cash flow and option pricing model. Key inputs: Forward exchange rates, contracted exchange rates, discount rates and volatility of exchange rate of RMB vs US\$.
Interest rate swaps (designated for hedging)	Liabilities – HK\$544,000	Assets – HK\$734,000 Liabilities – HK\$354,000	Level 2	Valuation technique: Discounted cash flow. Key inputs: Forward interest rates, contracted interest rates and discount rates.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

20. Fair Value Measurements of Financial Instruments (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2017 (unaudited)	31 December 2016 (audited)		
Dual currency interest rate swap	Liability – HK\$4,242,000	Liability – HK\$5,946,000	Level 2	Valuation technique: Discounted cash flow and option pricing model. Key inputs: Forward interest rates, forward exchange rates, contracted interest rates, discount rate and HSBC Dynamic Term Premium Index 10 as published on Bloomberg Screen and its volatility.

The directors of the Company consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

21. Financial Assets and Financial Liabilities Subject to Enforceable Master Netting Arrangements

The Group has entered into certain derivative transactions that are covered by the International Swaps and Derivatives Association Master Netting Agreements (“ISDA Agreements”) signed with various banks. These derivative instruments are not offset in the condensed consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

21. Financial Assets and Financial Liabilities Subject to Enforceable Master Netting Arrangements (Continued)

Financial assets of the Group subject to ISDA Agreements by counterparty:

	Carrying amounts of financial assets in the condensed consolidated statement of financial position		Related amounts not set off in the condensed consolidated statement of financial position – financial liabilities	Net amount HK\$'000
	Bank balances HK\$'000	Derivative financial instruments HK\$'000	HK\$'000	
At 30 June 2017				
Bank A	10	459	(469)	–
Bank B	83	–	(83)	–
Bank C	200	279	(479)	–
Bank D	1,492	785	(2,277)	–
Bank E	78	119	(197)	–
Total	1,863	1,642	(3,505)	–
At 31 December 2016				
Bank A	26	13,793	(13,819)	–
Bank B	100	–	(100)	–
Bank C	2,314	29,821	(12,473)	19,662
Bank D	991	14,120	(15,111)	–
Bank E	78	2,903	(2,981)	–
Bank F	79	4,132	(160)	4,051
Total	3,588	64,769	(44,644)	23,713

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

21. Financial Assets and Financial Liabilities Subject to Enforceable Master Netting Arrangements (Continued)

Financial liabilities of the Group subject to ISDA Agreements by counterparty:

	Carrying amounts of financial liabilities presented as “Derivative financial instruments” in the condensed consolidated statement of financial position HK\$'000	Related amounts not set off in the condensed consolidated statement of financial position – financial assets HK\$'000	Net amount HK\$'000
At 30 June 2017			
Bank A	(3,641)	469	(3,172)
Bank B	(4,242)	83	(4,159)
Bank C	(7,925)	479	(7,446)
Bank D	(5,892)	2,277	(3,615)
Bank E	(1,211)	197	(1,014)
Total	(22,911)	3,505	(19,406)
At 31 December 2016			
Bank A	(16,991)	13,819	(3,172)
Bank B	(5,946)	100	(5,846)
Bank C	(12,473)	12,473	–
Bank D	(26,609)	15,111	(11,498)
Bank E	(4,760)	2,981	(1,779)
Bank F	(160)	160	–
Total	(66,939)	44,644	(22,295)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

21. Financial Assets and Financial Liabilities Subject to Enforceable Master Netting Arrangements *(Continued)*

The gross amounts of the recognised financial assets and financial liabilities disclosed in the above tables, which are subject to enforceable master netting arrangements, are measured at as follows:

- Bank balances – amortised cost
- Derivative financial instruments – fair value

22. Contingent Liabilities

In addition to the tax audit on certain group companies, and the Judgment received by the Group, as disclosed in notes 6 and 14, respectively, the Group has the following contingent liabilities:

As disclosed in the Group's annual report for the year ended 31 December 2016, there were disputes amongst the Group, Hansen International Limited ("Hansen"), Ms. Leong Ma Li Mary, the beneficial owner of Hansen, and certain directors of the Company and several legal proceedings are taking place. The aforesaid parties in the action have agreed to generally extend the deadlines of filing various documents with court. Given that the evidence is still at an early stage, in the opinion of the directors of the Company, the ultimate outcome is unable to be determined and no provision has been made accordingly.

OTHER INFORMATION

Interim Dividend

The Board has resolved to declare an interim dividend of 3 HK cents per share for the six months ended 30 June 2017 (six months ended 30 June 2016: interim dividend of 3 HK cents) on the shares in issue amounting to HK\$9,168,000 (six months ended 30 June 2016: HK\$9,168,000), to the shareholders whose names appear on the Register of Members on 22 September 2017. The dividend will be payable on or about 16 October 2017.

Closure of Register of Members

The Register of Members will be closed from Thursday, 21 September 2017 to Friday, 22 September 2017, both days inclusive, during which period no transfer of shares will be registered. In order to determine members who are entitled to qualify for the proposed interim dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by not later than 4:30 p.m. on Wednesday, 20 September 2017.

Corporate Governance

The Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period for the six months ended 30 June 2017, except for the following deviation:

Code provision A.2.1

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

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



OTHER INFORMATION

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. Following a specific enquiry, all directors confirmed that they have complied with the aforesaid Model Code during the six months ended 30 June 2017.

The Company has also adopted a Guideline for Securities Transactions by Relevant Employees to govern securities transactions of those employees who may possess or have access to inside information.

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

During the six months ended 30 June 2017, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold any of the Company’s listed securities.

Review of Accounts

The Audit Committee of the Company has reviewed the Group’s unaudited condensed consolidated financial information and interim report for the six months ended 30 June 2017.

OTHER INFORMATION

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

As at 30 June 2017, the interests and short positions of the directors, chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) and have been recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which have been notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, were as follows:

(i) Long Positions in the Company's Shares

Name of Directors	Notes	Capacity	Nature of interests	Numbers of ordinary shares held	Percentage of the Company's issued capital <i>(Note 3)</i>
Lam Foo Wah		Beneficial owner	Personal	1,789,901	0.59%
	1, 2	Other interest	Other	161,791,327	52.94%
So Siu Hang, Patricia		Beneficial owner	Personal	2,963,207	0.97%

(ii) Long Position in Shares of Associated Corporation

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

OTHER INFORMATION

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

Notes:

1. Mr. Lam Foo Wah is deemed to have interests in 120,203,487 ordinary shares which are beneficially owned by Hinton Company Limited, the entire issued share capital of which is held under a related discretionary trust. Mr. Lam is regarded as a founder of the trust.
2. Mr. Lam Foo Wah is deemed to have interests in 41,587,840 ordinary shares which are beneficially owned by High Fashion Charitable Foundation Limited, the entire issued share capital of which is held under a related discretionary trust. Mr. Lam is regarded as a founder of the trust.
3. The issued share capital of the Company is 305,615,420 shares as at 30 June 2017.
4. These shares are held through three companies beneficially owned by Mr. Lam Foo Wah.

Save as disclosed above, as at 30 June 2017, none of the directors, chief executives of the Company nor their associates had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which has been notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

Furthermore, save as disclosed in the "Share Option Scheme" section below, at no time during the six months ended 30 June 2017 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

OTHER INFORMATION

Share Option Scheme

At the annual general meeting of the Company held on 30 May 2012, a share option scheme ("Scheme") of the Company was adopted by the shareholders of the Company. Pursuant to the Scheme, there was no outstanding options at the beginning and at the end of the six months period ended 30 June 2017. During the period, no share options were granted, exercised, cancelled or lapsed.

Apart from the Scheme, during the six months ended 30 June 2017, no rights were granted to the directors, chief executives of the Company or its subsidiaries, or any of their spouses or children under 18 years of age to subscribe for equity or debt securities of the Company or its subsidiaries.

Substantial Shareholders

As at 30 June 2017, the following substantial shareholders, other than directors and chief executives of the Company, had the interests and short positions in the shares and underlying shares of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, have been recorded in the register kept by the Company pursuant to Section 336 of SFO:

Long Positions in the Company's Shares:

Name of Shareholders	<i>Notes</i>	Capacity	Number of ordinary shares held	Percentage of the Company's issued share capital (Note 3)
Leung Shuk Bing	1	Interest of spouse	163,581,228	53.53%
Hinton Company Limited	2	Beneficial owner	120,203,487	39.33%
High Fashion Charitable Foundation Limited	2	Beneficial owner	41,587,840	13.61%

OTHER INFORMATION

Substantial Shareholders *(Continued)*

Notes:

1. Ms. Leung Shuk Bing is spouse of Mr. Lam Foo Wah and is deemed to have interests in 163,581,228 ordinary shares.
2. These interests have been disclosed as interests of Mr. Lam Foo Wah in the “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above.
3. The issued share capital of the Company is 305,615,420 shares as at 30 June 2017.

Save as disclosed above, as at 30 June 2017, no person, other than the directors or chief executives of the Company, whose interests are set out in the section “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above, had registered an interest or short position in the shares, underlying shares and debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Changes in Information of Director

Pursuant to Rule 13.51B(1) of the Listing Rules, there is no change in information of directors of the Company since the disclosure made in the 2016 annual report of the Company up to the date of this report.

CORPORATE INFORMATION

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

BOARD OF DIRECTORS

Executive Directors

Mr. Lam Foo Wah
(Chairman and Managing Director)
Ms. So Siu Hang, Patricia
Mr. Lam Gee Yu, Will
Mr. Lam Din Yu, Well

Non-executive Director

Professor Yeung Kwok Wing

Independent Non-executive Directors

Mr. Woo King Wai
Mr. Wong Shiu Hoi, Peter
Mr. Leung Hok Lim

AUDIT COMMITTEE

Mr. Leung Hok Lim *(Chairman)*
Professor Yeung Kwok Wing
Mr. Woo King Wai
Mr. Wong Shiu Hoi, Peter

REMUNERATION COMMITTEE

Mr. Wong Shiu Hoi, Peter *(Chairman)*
Professor Yeung Kwok Wing
Mr. Woo King Wai
Mr. Leung Hok Lim

NOMINATION COMMITTEE

Mr. Lam Foo Wah *(Chairman)*
Professor Yeung Kwok Wing
Mr. Woo King Wai
Mr. Wong Shiu Hoi, Peter
Mr. Leung Hok Lim

RISK MANAGEMENT COMMITTEE

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



CORPORATE INFORMATION

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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