



High Fashion International Limited

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



2015

INTERIM REPORT

Strive to be
World's No.1 Silk
Enterprise



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CHAIRMAN'S STATEMENT

The first half of 2015 was an extraordinary period with unprecedented challenges to the apparel industry.

Against a backdrop of complex macroeconomic environment, the Group continued to deliver solid interim results of 2015. It demonstrated our strong resilience supported by our strategically upscale customer segmentation through product innovation and operational excellence to underpin our healthy long term growth.

Notwithstanding the global uncertainties and dramatic foreign rate movement with Eurozone faced headwinds, our geographically diversified market positions help us to weather the economic uncertainty of Europe and China. The impact of such scenario is counter balanced by the steadily improving USA key export market. Our core manufacturing operation continued to deliver stable results for the period under review.

- Net profit at HK\$30.32 million
- Net cash position at HK\$66.22 million
- Basic earnings per share landed at HK\$0.10
- Net asset value per share amounted to HK\$8.32
- An interim dividend per share of HK\$0.03

With confidence in extending our silk industry leadership position through continuous leveraging on our smart technologies development and innovation, we believe our active pursuit of Internet Plus strategy as an effective and efficient means to further promote our exquisite silk product beyond geographical boundaries is the right direction bringing us the new scale of heights in the years ahead.

Specific development projects riding on multi-dimensional core competence of the Group serve as additional growth drivers. With initial investment of these projects reflected into our 2015 first half results, the Group is intensively shaping the development, selling & operating strategies of each project to enhance long-term shareholders' value.

CHAIRMAN'S STATEMENT

Looking forward, 2015 to us is a volatile year full of reforms, challenges and opportunities. Increased volatility of RMB and its sudden depreciation within a short period of time have created additional uncertainty which the Group is closely monitoring. Barring unforeseeable adverse RMB fluctuation, the currency depreciation on the contrary will translate into lower cost in our export business with revenue denominated mainly in USD.

The Group is well positioned to capture the ample opportunities ahead of us alongside the "Silk Road Economic Belt" strategy implemented by the China government as a result of our unique points of leadership & differentiation in addition to diversified business portfolio with considerable synergies.

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, 28 August 2015

MANAGEMENT DISCUSSION AND ANALYSIS

Results

Revenue for the six months ended 30 June 2015 decreased to HK\$1.34 billion, down 6.6% versus same period last year which was impacted by the classification of High Fashion New Media Corporation Limited as joint venture since September 2014 after which revenue is no longer consolidated into the Group.

Operating expenses for the first half of 2015 included consultancy and project expenses on a number of different projects totaled at HK\$27.1 million which is classified under “Other Expenses”.

Profit attributable to shareholders for the six months ended 30 June 2015 was HK\$30.3 million, compared with last corresponding period of HK\$30.0 million. Basic earnings per share were 9.9 HK cents. Net asset value per share was HK\$8.32.

Review of Operations

The segmental information is as follows:

	Revenue		Contribution	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
By principal activity:				
Manufacturing and trading	1,242,936	1,226,353	97,367	94,339
Brand business	98,288	210,096	(32,267)	(22,222)
	1,341,224	1,436,449	65,100	72,117

The manufacturing and trading business continued to deliver solid results while the brand business is in the process of restructuring.

Profit for the first half of 2015 included an exceptional gain on fair value change of derivative financial instruments of HK\$27 million (2014: loss of HK\$64 million) and an increase in fair value of investment properties of HK\$13 million (2014: HK\$7 million) in the current period.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

The Group's total outstanding bank borrowings were decreased to HK\$1,424 million at the end of interim reporting period compared to HK\$2,195 million as at 31 December 2014. The decrease in bank borrowing was mainly due to our hedging facilities arrangement during the period. Our gearing ratio of non-current liabilities to shareholders' funds was 8% at the end of interim reporting period. Current ratio maintained at a healthy level of 1.3.

The Group's total cash and bank balances including structured deposits of HK\$577 million (2014: HK\$1,165 million) were HK\$1,490 million at the end of interim reporting period compared to HK\$2,283 million as at 31 December 2014. Based on the net cash position and the ample banking facilities available, the Group had a very strong working capital and liquidity to meet the operating needs and future growth.

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

The Group has no material contingent liabilities. Barring the pledge of trade receivables of certain subsidiaries of HK\$33 million, there were no charges on the Group's assets.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Human Resources

The total number of employees of the Group including joint ventures as at the end of interim reporting period was about 7,500. 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\$5 million in order to upgrade its manufacturing capabilities 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 2015 together with the comparative figures.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Revenue	3	1,341,224	1,436,449
Cost of sales		(1,026,243)	(1,049,263)
Gross profit		314,981	387,186
Other income		49,486	64,489
Other gains and losses	4	19,923	(68,923)
Administrative expenses		(199,074)	(183,654)
Selling and distribution expenses		(84,362)	(125,765)
Other expenses		(27,146)	–
Finance costs	5	(22,859)	(36,386)
Share of losses of joint ventures		(8,708)	(1,216)
Profit before taxation		42,241	35,731
Income tax expenses	6	(12,379)	(11,853)
Profit for the period	7	29,862	23,878

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Other comprehensive income (expense)	Note 8		
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		(16,946)	(91,933)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		264	726
Fair value gain (loss) on hedging instruments under cash flow hedges		62,420	(85,978)
Reclassified to profit or loss on realisation of cash flow hedges		(22,302)	(33,552)
Income tax relating to items that may be reclassified subsequently		(6,618)	19,483
		33,764	(99,321)
Other comprehensive income (expense) for the period, net of tax		16,818	(191,254)
Total comprehensive income (expense) for the period		46,680	(167,376)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
	Note		
Profit (loss) for the period attributable to:			
Owners of the Company		30,321	30,001
Non-controlling interests		(459)	(6,123)
		29,862	23,878
Total comprehensive income (expense) attributable to:			
Owners of the Company		46,955	(161,255)
Non-controlling interests		(275)	(6,121)
		46,680	(167,376)
Earnings per share			
Basic	9	9.92 HK cents	10.09 HK cents

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Financial Position

At 30 June 2015

		At 30 June 2015 (unaudited) HK\$'000	At 31 December 2014 (audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		777,474	803,683
Prepaid lease payments		123,376	126,086
Investment properties	11	1,058,030	1,021,482
Investments in joint ventures		13,316	21,915
Available-for-sale investments, at cost		675	675
Deferred tax assets		41,057	35,335
Deposit placed and prepayment of premium for a life insurance		26,517	26,589
Derivative financial instruments	12	22,136	347
		2,062,581	2,036,112
Current assets			
Inventories		496,723	498,700
Trade receivables	13	353,118	378,467
Bills receivable	13	27,036	27,546
Prepaid lease payments		3,401	3,197
Deposits, prepayments and other receivables	14	158,265	200,230
Amounts due from joint ventures		117,081	120,408
Tax recoverable		145,053	134,847
Derivative financial instruments	12	28,410	24,847
Structured deposits	15	577,096	1,164,792
Short-term deposits		238,912	555,038
Bank balances and cash		674,170	562,739
		2,819,265	3,670,811

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Financial Position

(Continued)

At 30 June 2015

		At 30 June 2015 (unaudited) HK\$'000	At 31 December 2014 (audited) HK\$'000
	Notes		
Current liabilities			
Trade payables	16	319,321	322,509
Other payables and accruals		168,789	206,676
Amounts due to joint ventures		40,830	39,056
Amount due to an associate		589	589
Tax payable		159,649	168,853
Derivative financial instruments	12	25,412	40,632
Obligations under finance leases		88	128
Bank borrowings	17	1,423,335	2,194,906
Bank overdraft		627	49
		2,138,640	2,973,398
Net current assets		680,625	697,413
Total assets less current liabilities		2,743,206	2,733,525
Non-current liabilities			
Obligations under finance leases		26	55
Deferred tax liabilities		178,692	167,808
Derivative financial instruments	12	18,273	50,828
Provision for long service payments		3,285	3,303
		200,276	221,994
Net assets		2,542,930	2,511,531
Capital and reserves			
Share capital	18	30,562	30,562
Share premium and reserves		2,514,293	2,482,619
Equity attributable to owners of the Company		2,544,855	2,513,181
Non-controlling interests		(1,925)	(1,650)
Total equity		2,542,930	2,511,531

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	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	HK\$'000
At 1 January 2015 (audited)	30,582	287,656	403,536	66,070	112,607	8,511	(4,990)	39,853	1,569,376	2,513,181	(1,650)	2,511,531
Profit (loss) for the period	-	-	-	-	-	-	-	-	30,321	30,321	(459)	29,862
Other comprehensive (expense) income for the period	-	-	(16,866)	-	-	-	33,500	-	-	16,634	184	16,818
Total comprehensive (expense) income for the period	-	-	(16,866)	-	-	-	33,500	-	30,321	46,955	(275)	46,680
Dividends (Note 10)	-	-	-	-	-	-	-	-	(15,281)	(15,281)	-	(15,281)
At 30 June 2015 (unaudited)	30,582	287,656	386,670	66,070	112,607	8,511	28,510	39,853	1,584,416	2,544,865	(1,925)	2,542,930
At 1 January 2014 (audited)	29,721	262,871	471,218	55,289	112,607	8,511	128,175	39,853	1,538,099	2,646,344	(1,175)	2,645,169
Profit (loss) for the period	-	-	-	-	-	-	-	-	30,001	30,001	(6,123)	23,878
Other comprehensive (expense) income for the period	-	-	(91,209)	-	-	-	(100,047)	-	-	(191,256)	2	(191,254)
Total comprehensive (expense) income for the period	-	-	(91,209)	-	-	-	(100,047)	-	30,001	(161,255)	(6,121)	(167,376)
Dividends (Note 10)	-	-	-	-	-	-	-	-	(44,582)	(44,582)	-	(44,582)
Capital contributed from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	14,000	14,000
At 30 June 2014 (unaudited)	29,721	262,871	380,009	55,289	112,607	8,511	28,128	39,853	1,523,518	2,440,507	6,704	2,447,211

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Notes			
	Net cash (used in) from operating activities	(3,333)	15,641
	INVESTING ACTIVITIES		
	New structured deposits placed	(303,750)	(990,000)
	New short-term deposits placed	(99,622)	(431,157)
	New long-term deposits placed	–	(130,000)
	Withdrawal of structured deposits	865,000	809,834
	Withdrawal of short-term deposits	408,606	264,740
	Repayment from an independent third party	37,736	–
	Interests received	50,818	12,701
	Purchases of property, plant and equipment	(13,647)	(21,885)
	Additions to investment properties	(26,687)	(2,410)
	Advance to joint ventures	(1,952)	–
	Repayment from joint ventures	8,137	443
	Other investing cash flows	260	653
	Net cash from (used in) investing activities	924,899	(487,081)
	FINANCING ACTIVITIES		
	New bank borrowings raised	601,638	859,528
	Repayment of bank borrowings	(1,368,886)	(726,948)
	Interests paid	(24,012)	(34,272)
	Dividends paid	(15,281)	–
	Capital contribution from non-controlling shareholders	–	14,000
	Repayment to joint ventures	(1,771)	–
	Other financing cash flows	(68)	(71)
	Net cash (used in) from financing activities	(808,380)	112,237

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Cash Flows *(Continued)*

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Net increase (decrease) in cash and cash equivalents	113,186	(359,203)
Cash and cash equivalents at beginning of the period	562,690	986,583
Effect of foreign exchange rate changes, net	(2,333)	(36,824)
Cash and cash equivalents at end of the period	673,543	590,556
Analysis of balances of cash and cash equivalents		
Bank balances and cash	674,170	591,145
Bank overdraft	(627)	(589)
	673,543	590,556

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 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 2015 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2014.

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 HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle
Amendments to HKAS 19	Defined benefit plans: Employee contributions

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.

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 2015 (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	1,242,936	98,288	1,341,224	-	1,341,224
Inter-segment sales (Note a)	43,842	-	43,842	(43,842)	-
Segment revenue	<u>1,286,778</u>	<u>98,288</u>	<u>1,385,066</u>	<u>(43,842)</u>	<u>1,341,224</u>
RESULT					
Segment profit (loss) (Note b)	<u>100,039</u>	<u>(32,267)</u>	<u>67,772</u>	<u>(2,672)</u>	<u>65,100</u>
Finance costs					<u>(22,859)</u>
Profit before taxation					<u>42,241</u>

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

3. Segment Information (Continued)

For the six months ended 30 June 2014 (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	1,226,353	210,096	1,436,449	-	1,436,449
Inter-segment sales (Note a)	61,316	-	61,316	(61,316)	-
Segment revenue	<u>1,287,669</u>	<u>210,096</u>	<u>1,497,765</u>	<u>(61,316)</u>	<u>1,436,449</u>
RESULT					
Segment profit (loss) (Note b)	<u>98,767</u>	<u>(22,222)</u>	<u>76,545</u>	<u>(4,428)</u>	<u>72,117</u>
Finance costs					<u>(36,386)</u>
Profit before taxation					<u>35,731</u>

Notes:

- (a) Inter-segment sales are charged at agreed terms set out in the subcontracting agreement entered into between group companies.
- (b) Segment profit (loss) includes i) fair value gain on investment properties of approximately HK\$13,367,000 and nil (30 June 2014: fair value gain of HK\$4,587,000 and HK\$1,975,000); and ii) fair value gain on derivative financial instruments of approximately HK\$27,340,000 and nil (30 June 2014: fair value loss of HK\$63,818,000 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	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Increase in fair value of investment properties	13,367	6,562
Change in fair value of derivative financial instruments	27,340	(63,818)
Gain (loss) on disposal of property, plant and equipment	77	(56)
Net foreign exchange loss	(9,063)	(13,627)
Net reversal of allowance for bad and doubtful debts	508	2,045
Impairment loss recognised on amounts due from joint ventures (Note)	(12,306)	(29)
	19,923	(68,923)

Note: At the end of the reporting period, the directors made an assessment of the recoverability of the amounts due from joint ventures based on the expected timing of the estimated future cash flows. Impairment loss of HK\$12,306,000 (30 June 2014: HK\$29,000) has been recognised on amounts due from joint ventures as the directors consider that the joint venture companies have been incurring significant loss and may not be able to repay in full the amounts due to the Group.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

5. Finance Costs

	Six months ended 30 June	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Interests on:		
Bank borrowings and overdrafts wholly repayable within five years	20,024	33,165
Finance leases	8	8
Bank charges	2,827	3,213
	22,859	36,386

6. Income Tax Expenses

	Six months ended 30 June	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Current tax charge:		
Hong Kong	4,052	7,550
The People's Republic of China (the "PRC")	6,787	4,715
Other jurisdictions	536	432
	11,375	12,697
Underprovision in prior years:		
The PRC	2,259	1,112
Other jurisdictions	13	–
	2,272	1,112
Deferred taxation – current year	(1,268)	(1,956)
	12,379	11,853

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

6. Income Tax Expenses *(Continued)*

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 for the year of assessment from 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 1999/2000 to 2008/2009. During the course of the tax audit, there may be a possibility that estimated additional assessments for subsequent years be issued by the IRD to these group companies.

Up to 30 June 2015, the Group has purchased tax reserve certificates of approximately HK\$144,300,000 (31 December 2014: HK\$134,094,000) for conditional standover order of objection against the notices of Assessments for the years of assessment 1999/2000 to 2008/2009 and the amount is included in tax recoverable.

Since the tax audit is still at a fact-finding stage with different views being exchanged with the IRD, the outcome of the tax audit cannot be readily ascertained with 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, the provision so made is adequate for the purpose mentioned above.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

7. Profit for the Period

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

	Six months ended 30 June	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Depreciation and amortisation		
Owned assets	35,152	37,801
Leased assets	48	36
Amortisation of prepaid lease payments	1,701	1,701
	36,901	39,538
Net allowance for inventory obsolescence (included in cost of sales)	9,066	502
Realisation of cash flow hedges reclassified from other comprehensive income (Note a)	(22,302)	(33,552)
Investment income earned on		
– bank interest income	(9,462)	(16,878)
– interest income on other receivables	(1,497)	(340)
– interest income from structured deposits	(14,512)	(29,175)
Written back of custom provision in prior years (Note b)	(8,525)	–

Notes:

- (a) Gain of HK\$23,084,000 (30 June 2014: HK\$34,853,000) is included in revenue and the remaining balance of a loss of HK\$782,000 (30 June 2014: HK\$1,301,000) is included in finance costs.
- (b) The Group had been in disputes with the relevant authority in the United States of America on the customs duty and penalty imposed, on which full provision was made in the financial statements in prior years. During the current period, the relevant authority discharged its order and released the Group's obligation for the penalty payment. Accordingly, provision previously made was written back during the period.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

8. Other Comprehensive Income (Expense)

	Six months ended 30 June	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Cash flow hedges:		
Fair value gain (loss) on hedging instruments	62,420	(85,978)
Reclassification adjustments upon recognition of hedged items in profit or loss	(22,302)	(33,552)
	40,118	(119,530)
Exchange differences arising on translation	(16,682)	(91,207)
Other comprehensive income (expense)	23,436	(210,737)
Income tax relating to components of other comprehensive income – fair value change to hedging instruments under cash flow hedges	(6,618)	19,483
Other comprehensive income (expense) for the period, net of tax	16,818	(191,254)

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	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Profit for the purpose of basic earnings per share attributable to owners of the Company	30,321	30,001
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	305,615,420	297,213,550

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 5 HK cents (six months ended 30 June 2014: 15 HK cents) was declared to the shareholders for the year ended 31 December 2014 (six months ended 30 June 2014: for the year ended 31 December 2013) and paid in cash (six months ended 30 June 2014: included in other payables).

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 2015 (six months ended 30 June 2014: 5 HK cents) which will be paid to shareholders whose names appear in the register of members on 22 September 2015. This dividend was declared after the end of the reporting period, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

11. Investment Properties

During the current interim period, the Group spent HK\$6,008,000 (six months ended 30 June 2014: HK\$2,410,000) on the construction of certain properties under development. In addition, the Group paid HK\$20,679,000 (six months ended 30 June 2014: nil) at the request of the Xinchang County Land & Resources Bureau for the use of the existing completed investment properties for commercial purpose.

The fair value of the Group's investment properties at 30 June 2015 and 31 December 2014 have been arrived at on the basis of the valuation carried out by Centaline Surveyors Ltd, 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\$13,367,000 (six months ended 30 June 2014: HK\$6,562,000) has been recognised directly in the profit or loss for the six months ended 30 June 2015.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

12. Derivative Financial Instruments

	At 30 June 2015 (unaudited) HK\$'000	At 31 December 2014 (audited) HK\$'000
Financial assets		
Cash flow hedges		
– Foreign exchange forward contracts (<i>Note</i>)	49,150	24,905
Other derivatives (not under hedge accounting)		
– Foreign exchange forward contract	1,396	–
– Capped forward contract	–	289
	1,396	289
	50,546	25,194
Financial liabilities		
Cash flow hedges		
– Foreign exchange forward contracts (<i>Note</i>)	15,907	30,363
– Interest rate swaps	414	1,098
	16,321	31,461
Other derivatives (not under hedge accounting)		
– Dual currency interest rate swap	7,784	8,468
– Capped forward contracts	3,176	8,753
– Knock out forward contracts	16,404	42,778
	27,364	59,999
	43,685	91,460
Analysed for reporting purposes as:		
Non-current assets	22,136	347
Current assets	28,410	24,847
	50,546	25,194
Non-current liabilities	18,273	50,828
Current liabilities	25,412	40,632
	43,685	91,460

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

12. Derivative Financial Instruments *(Continued)*

Note: During the current interim period, the Group continued to enter into foreign exchange forward contracts to sell United States Dollars ("US\$") for Renminbi ("RMB") to manage the Group's foreign currency exposure in relation to foreign currency 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\$343 million (31 December 2014: US\$407 million) that require the Group to sell US\$ for RMB at exchange rates ranging from RMB6.192 to RMB6.74 (31 December 2014: RMB6.192 to RMB6.532) for US\$1 with maturity periods up to 30 months (31 December 2014: 36 months).

The above derivatives are measured at fair values at end of the reporting period. Their fair values are determined based on the valuation carried out by financial institutions, which are measured using the present 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 2015 (unaudited) HK\$'000	At 31 December 2014 (audited) HK\$'000
Within 90 days	332,395	362,861
91 to 180 days	15,143	12,138
181 to 360 days	3,711	1,269
Over 360 days	1,869	2,199
	353,118	378,467

At the end of the reporting period, bills receivable of HK\$27,036,000 (31 December 2014: HK\$27,546,000) are aged within 180 days (31 December 2014: 180 days). Included in the bills receivable is discounted bills with recourse of HK\$23,434,000 (31 December 2014: HK\$23,413,000) of which 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

At 31 December 2014, included in deposits, prepayments and other receivables was an entrusted loan receivable of RMB30,104,000 (equivalent to HK\$37,866,000) advanced to an independent third party through a bank in the PRC which carried fixed interest at fixed rate of 12% per annum. The entrusted loan receivable was repaid in April 2015.

15. Structured Deposits

During the current interim period, the Group entered into certain structured deposits with aggregate amount of RMB243,000,000 (equivalent to HK\$303,750,000) (six months ended 30 June 2014: RMB792,000,000 (equivalent to HK\$990,000,000)) which will mature in various dates from February 2016 to June 2016 (six months ended 30 June 2014: January 2015 to May 2015). The structured deposits are designated as financial assets at fair value through profit or loss at initial recognition. The annual coupon rate is dependent on whether the spot rate for conversion of Euro and Australian dollar for US\$ as prevailing in the international foreign exchange market falls under certain ranges as specified in the relevant agreements. The issuing banks have the right to early redeem the structured deposits by repaying the principal and any accrued interest on the structured deposits before maturity. Structured deposits with aggregate carrying amount on maturity date of RMB692,000,000 (equivalent to HK\$865,000,000) (six months ended 30 June 2014: RMB631,671,000 (equivalent to HK\$809,834,000)) were settled during the current interim period.

At the end of the reporting period, the structured deposits are stated at fair values. The fair values are calculated using discounted cash flow analysis based on the applicable yield curves of the relevant interest rates and exchange rates.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

16. 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 2015 (unaudited) HK\$'000	At 31 December 2014 (audited) HK\$'000
Within 90 days	94,527	121,757
91 to 180 days	7,703	5,420
181 to 360 days	2,047	3,166
Over 360 days	6,150	5,585
	110,427	135,928
Accrued purchases	208,894	186,581
	319,321	322,509

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

17. Bank Borrowings

During the current interim period, the Group obtained several new bank borrowings from various banks amounted to HK\$602 million (six months ended 30 June 2014: HK\$860 million) and repaid HK\$1,369 million (six months ended 30 June 2014: HK\$727 million). The loans carry interest at market rates ranging from 1.36% to 2.99% (31 December 2014: 1.33% to 3.23%) per annum.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

18. Share Capital

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Issued and fully paid:		
At 1 January 2014 (audited) and 30 June 2014 (unaudited)	297,214	29,721
Issues of shares in lieu of scrip dividends at HK\$3.05 per share	8,402	841
At 1 January 2015 (audited) and 30 June 2015 (unaudited)	305,616	30,562

19. Capital Commitments

As at 30 June 2015, the Group is committed to capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided for amounted to HK\$32,454,000 (31 December 2014: HK\$1,067,000).

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

20. Related Party Transactions

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

	Six months ended 30 June	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Purchases of raw materials and finished goods from joint ventures	7,209	5,693
Sales of raw materials and finished goods to joint ventures	15,352	342
Key management personnel compensation (<i>Note</i>)	5,936	5,716

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)

21. Fair Value Measurements of Financial Instruments

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

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

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

21. 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 2015	31 December 2014		
Foreign exchange forward contracts	Assets – HK\$50,546,000 Liabilities – HK\$15,907,000	Assets – HK\$24,905,000 Liabilities – HK\$30,363,000	Level 2	Valuation technique: Discounted cash flow. Key inputs: Forward exchange rates, contracted exchange rates and discount rates.
Capped forward contracts	Liability – HK\$3,176,000	Asset – HK\$289,000 Liabilities – HK\$8,753,000	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\$.
Knock out forward contracts	Liabilities – HK\$16,404,000	Liabilities – HK\$42,778,000	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\$414,000	Liabilities – HK\$1,098,000	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)

21. 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 2015	31 December 2014		
Dual currency interest rate swap	Liability – HK\$7,784,000	Liability – HK\$8,468,000	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.
Structured deposits	Assets – HK\$577,096,000	Assets – HK\$1,164,792,000	Level 2	Valuation technique: Discounted cash flow and option pricing model. Key inputs: Forward interest rates, forward exchange rates, contracted interest rates, contracted exchange rates and volatility of exchange rates.

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.

22. 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)

22. 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
	Bank balances HK\$'000	Derivative financial instruments HK\$'000	HK\$'000	HK\$'000
At 30 June 2015				
Bank A	173	18,115	(8,512)	9,776
Bank B	365	2,289	(2,654)	–
Bank C	152	4,895	(3,764)	1,283
Bank D	738	–	(738)	–
Bank E	23	4,907	(4,930)	–
Bank F	475	13,357	(6,394)	7,438
Bank G	307	6,983	(2,969)	4,321
Bank H	983	–	(983)	–
Total	3,216	50,546	(30,944)	22,818
At 31 December 2014				
Bank A	527	12,365	(12,892)	–
Bank B	369	1,076	(1,445)	–
Bank C	468	3,291	(3,759)	–
Bank D	426	289	(715)	–
Bank E	47	6,450	(6,497)	–
Bank F	305	1,723	(2,028)	–
Bank G	286	–	(286)	–
Bank H	1,269	–	(1,269)	–
Total	3,697	25,194	(28,891)	–

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

22. 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 2015			
Bank A	(8,512)	8,512	–
Bank B	(11,919)	2,654	(9,265)
Bank C	(3,764)	3,764	–
Bank D	(1,797)	738	(1,059)
Bank E	(7,011)	4,930	(2,081)
Bank F	(6,394)	6,394	–
Bank G	(2,969)	2,969	–
Bank H	(1,319)	983	(336)
Total	(43,685)	30,944	(12,741)
At 31 December 2014			
Bank A	(13,678)	12,892	(786)
Bank B	(19,727)	1,445	(18,282)
Bank C	(9,684)	3,759	(5,925)
Bank D	(5,946)	715	(5,231)
Bank E	(13,589)	6,497	(7,092)
Bank F	(14,542)	2,028	(12,514)
Bank G	(9,287)	286	(9,001)
Bank H	(5,007)	1,269	(3,738)
Total	(91,460)	28,891	(62,569)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

22. 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

23. Contingent Liabilities

As disclosed in the Group's annual report for the year ended 31 December 2014, 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 were taking place. The aforesaid parties in the action have agreed to generally extend the deadlines for filing various documents with court due to the ongoing settlement negotiation between the Group and Hansen. Given that the evidence is still at an early stage, in the opinion of the directors, the ultimate outcome is unable to be determined with reasonable accuracy 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 2015 (six months ended 30 June 2014: interim dividend of 5 HK cents) on the shares in issue amounting to HK\$9,168,000 (six months ended 30 June 2014: HK\$15,281,000), to the shareholders whose names appear on the Register of Members on 22 September 2015. The dividend will be payable on or about 12 October 2015.

Closure of Register of Members

The Register of Members will be closed from Monday, 21 September 2015 to Tuesday, 22 September 2015, 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 Friday, 18 September 2015.

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 2015, except for the following deviations:

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

Corporate Governance *(Continued)*

Code provision A.6.7

Under the code provision A.6.7 of the CG Code, the independent non-executive directors and non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Professor Yeung Kwok Wing (Non-executive Director) was absent from the annual general meeting held on 8 June 2015 due to other engagements.

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 2015.

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 2015, 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 2015.

OTHER INFORMATION

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

As at 30 June 2015, 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	0.58%
	1,2	Other interest	Other	160,771,327	52.61%
So Siu Hang, Patricia		Beneficial owner	Personal	2,963,207	0.97%

(ii) Long Position in Shares of Associated Corporation

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

OTHER INFORMATION

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

Notes:

1. Mr. Lam Foo Wah is deemed to have interests in 119,183,487 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 2015.
4. These shares are held through three companies beneficially owned by Mr. Lam Foo Wah.

Save as disclosed above, as at 30 June 2015, 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 2015 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 2015. During the period, no share options were granted, exercised, cancelled or lapsed.

Apart from the Scheme, during the six months ended 30 June 2015, 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 2015, the following substantial shareholders, other than directors and chief executives of the Company, had the interests and short positions in the shares and underlying shares of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, have been recorded in the register kept by the Company pursuant to Section 336 of SFO:

Long Positions in the Company's Shares:

Name of Shareholders	<i>Note</i>	Capacity	Number of ordinary shares held	Percentage of the Company's issued share capital (Note 2)
Hinton Company Limited	1	Beneficial owner	119,183,487	39.00%
High Fashion Charitable Foundation Limited	1	Beneficial owner	41,587,840	13.61%

OTHER INFORMATION

Substantial Shareholders *(Continued)*

Notes:

1. 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.
2. The issued share capital of the Company is 305,615,420 shares as at 30 June 2015.

Save as disclosed above, as at 30 June 2015, 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, the changes in information of director of the Company subsequent to the date of the 2014 Annual Report are set out below:

Mr. WONG Shiu Hoi, Peter

- appointed as an independent non-executive director of Agile Property Holdings Limited on 27 June 2014
- appointed as an independent non-executive director of Target Insurance (Holdings) Limited on 1 November 2014
- ceased as overseas business advisor of Haitong Securities Company Limited in June 2015

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

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

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