



High Fashion International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 608)

High Fashion

synonym of Innovation & Originality



2013

INTERIM REPORT

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CHAIRMAN'S STATEMENT

The world economy has remained volatile in 2013. The Group has faced a good number of difficulties and challenges. We, nonetheless, firmly believe that there are enormous development opportunities. We are fully confident about our established business development strategies, and are determined to continue to push full steam ahead. In accordance with our firmly established policy of business transformance and elevation, our manufacturing and trading activities have been elevated to a higher level of achievement and have resulted in a further advancement in our overall results for the period under review. In respect of market development, we strongly believe that the markets in China will continue to be the world's most powerful growth engine in the years to come. Taking advantage of this trend, the Group has achieved some relatively satisfactory results in developing the markets in China.

- Revenue for the period increased from HK\$1.26 billion to HK\$1.34 billion, representing an increase of 6%
- Net profit for the period increased from HK\$51.84 million to HK\$67.90 million
- Basic earning per share was HK\$0.23
- Net asset value per share was HK\$8.15
- An interim dividend per share of HK\$0.05

As the world's number one silk enterprise, High Fashion has great confidence in its manufacturing scale, skills and technology, and product design in its competition in the market. Our leading silk products and brands: including textile, apparel, souvenir and national tourist attraction AAAA, will enjoy unlimited business opportunity in the immense market in China. Although the sales and profit contribution from our Silk World is currently insignificant, we are confident that it will, in time, make a far reaching and significant impact on the Group's future development in China. Such opportunity exists because silk is very unique for China. It represents China, and it also represents the Chinese culture. Our country will definitely continue to develop from strength to strength, and this will propel a resurgence of the Chinese culture and deepen the confidence among the Chinese people. High Fashion's unique, fashionable and exquisite silk souvenirs products and other silk products will be a timely and most suitable complement to a resurgence of the silk culture in China.

CHAIRMAN'S STATEMENT

I am greatly appreciative of the enormous support and advice we constantly receive from our shareholders, banks, customers, suppliers and our fellow Directors. I would also like to thank the management team and all staff members of our Group for their dedication and contribution.

Lam Foo Wah

Chairman & Managing Director

Hong Kong, 29 August 2013

MANAGEMENT DISCUSSION AND ANALYSIS

Results

Revenue for the six months ended 30 June 2013 increased to HK\$1.34 billion, up 6%. Profit attributable to shareholders for the six months ended 30 June 2013 was HK\$67.9 million, compared with last corresponding period of HK\$51.84 million. Basic earning per share was 23 HK cents. Net asset value per share was HK\$8.15.

Review of Operations

The segmental information is as follows:

	Revenue		Contribution	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
By principal activity:				
Manufacturing and trading	1,084,576	955,927	131,409	107,704
Brand business	256,588	303,500	(12,785)	(17,929)
	1,341,164	1,259,427	118,624	89,775

Because of the rising inflationary cost pressure in our supply chain, we will achieve additional efficiencies through streamlining the operation process continuously in order to limit the impact of rising raw material and other operating overheads and also strategized quality product innovation to enlarge higher end market.

The manufacturing and trading business continued to deliver solid results. The profit for the first half of 2013 included an exceptional gain on fair value change of derivative financial instruments of HK\$5 million (2012: HK\$17 million), which is the financial instruments for hedging RMB for the year from 2013 to 2015 and an increase in fair value of investment properties of HK\$50 million (2012: HK\$44 million) in the current period.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

The Group's total outstanding bank borrowings were increased to HK\$2,253 million at the end of interim reporting period compared to HK\$1,846 million as at 31 December 2012. The increase in bank borrowing was mainly due to our hedging facilities arrangement during the period. Our gearing ratio of non-current liabilities to shareholders' funds was 7% at the end of interim reporting period. Current ratio maintained at a healthy level of 1.24.

The Group's total cash and bank balances were HK\$2,449 million at the end of interim reporting period compared to HK\$2,097 million as at 31 December 2012. 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\$30 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 8,600. 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\$13 million in order to upgrade its manufacturing capabilities during the period. Except for the above, there was no material capital expenditure during the period. On 6 August 2013, the Group acquired a land use right in respect of a land located in the Xinchang, PRC for long term investment purpose at a consideration of RMB52 million (equivalent to HK\$65.9 million). The transaction was completed and consideration was paid up to the date of this report.

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 2013 together with the comparative figures.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013 (unaudited)	2012 (unaudited and restated)
		HK\$'000	HK\$'000
Revenue	3	1,341,164	1,259,427
Cost of sales		(1,023,447)	(930,870)
Gross profit		317,717	328,557
Other income		59,575	40,607
Other gains and losses	4	60,117	58,760
Administrative expenses		(173,111)	(178,892)
Selling and distribution expenses		(145,880)	(159,119)
Finance costs	5	(29,337)	(20,758)
Share of profits (losses) of joint ventures		206	(138)
Profit before taxation		89,287	69,017
Income tax expenses	6	(22,152)	(17,174)
Profit for the period	7	67,135	51,843

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013 (unaudited) HK\$'000	2012 (unaudited and restated) HK\$'000
	Note		
	8		
Other comprehensive income (expense):			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		56,792	1,611
Items that may be subsequently reclassified to profit or loss:			
Fair value gain (loss) on hedging instruments in cash flow hedges		70,991	(8,632)
Reclassification to profit or loss on cash flow hedges		(9,071)	(18,845)
Exchange differences arising on translation of foreign operations		(786)	(290)
Income tax relating to items that may be reclassified to profit or loss		(10,374)	2,512
		50,760	(25,255)
Other comprehensive income (expense) for the period, net of tax		107,552	(23,644)
Total comprehensive income for the period		174,687	28,199

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013 (unaudited)	2012 (unaudited and restated)
		HK\$'000	HK\$'000
	Note		
Profit (loss) for the period attributable to:			
Owners of the Company		67,898	51,843
Non-controlling interests		(763)	–
		67,135	51,843
Total comprehensive income (expense) attributable to:			
Owners of the Company		175,392	28,199
Non-controlling interests		(705)	–
		174,687	28,199
Earnings per share			
Basic	9	22.84 HK cents	17.43 HK cents

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Financial Position

At 30 June 2013

		At 30 June 2013 (unaudited) HK\$'000	At 31 December 2012 (audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		834,667	836,530
Prepaid lease payments		133,200	131,964
Investment properties	11	724,787	665,576
Investments in joint ventures		20,147	19,543
Available-for-sale investments, at cost		675	675
Structured deposits	12	52,266	–
Deferred tax assets		35,884	33,192
Long-term deposits and prepayments	13	42,641	26,843
Derivative financial instruments	14	31,449	5,830
		1,875,716	1,720,153
Current assets			
Inventories		489,482	427,302
Trade receivables	15	401,225	416,892
Bills receivable	15	46,799	34,412
Prepaid lease payments		2,524	2,478
Deposits, prepayments and other receivables		179,396	177,078
Amounts due from joint ventures		–	763
Tax recoverable	6	121,854	98,818
Derivative financial instruments	14	41,848	21,351
Structured deposits	12	932,930	877,634
Short-term deposits		603,537	452,231
Bank balances and cash		860,637	767,229
		3,680,232	3,276,188

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Financial Position

(Continued)

At 30 June 2013

		At 30 June 2013 (unaudited) HK\$'000	At 31 December 2012 (audited) HK\$'000
	Notes		
Current liabilities			
Trade payables	16	355,596	312,810
Bills payable		–	1,134
Other payables and accruals		181,983	221,481
Amounts due to joint ventures		45	–
Amount due to an associate		589	589
Tax payable		173,957	169,232
Derivative financial instruments	14	7,507	10,565
Obligations under finance leases		116	162
Bank borrowings	17	2,253,416	1,846,045
Bank overdrafts		1,143	192
		2,974,352	2,562,210
Net current assets		705,880	713,978
Total assets less current liabilities		2,581,596	2,434,131
Non-current liabilities			
Obligations under finance leases		112	161
Deferred tax liabilities		144,948	126,842
Derivative financial instruments	14	10,385	11,082
Provision for long service payments		3,397	3,397
		158,842	141,482
		2,422,754	2,292,649
Capital and reserves			
Share capital	18	29,721	29,721
Share premium and reserves		2,393,257	2,262,447
Equity attributable to owners of the Company		2,422,978	2,292,168
Non-controlling interests		(224)	481
Total equity		2,422,754	2,292,649

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Attributable to owners of the Company						Attributable to non-controlling interests				
	Share capital	Share premium account	Translation reserve	Reserve funds	Property revaluation reserve	Capital redemption reserve	Hedging reserve	Other reserve	Accumulated profits	Sub-total	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 2013 (audited)	29,721	262,871	379,634	46,723	112,607	8,511	623	39,853	1,411,625	2,292,168	481 2,292,649
Profit (loss) for the period	-	-	-	-	-	-	-	-	67,898	67,898	(763) 67,135
Other comprehensive income for the period	-	55,948	-	-	-	-	51,546	-	-	107,494	58 107,552
Total comprehensive income (expense) for the period	-	55,948	-	-	-	-	51,546	-	67,898	175,392	(705) 174,687
Final dividend paid (Note 10)	-	-	-	-	-	-	-	-	(44,582)	(44,582)	- (44,582)
At 30 June 2013 (unaudited)	29,721	262,871	435,582	46,723	112,607	8,511	52,169	39,853	1,434,941	2,422,978	(224) 2,422,754
At 1 January 2012 (audited)	30,072	265,975	338,480	41,826	112,607	8,160	(28,656)	39,853	1,312,967	2,141,285	- 2,141,285
Profit for the period	-	-	-	-	-	-	-	-	51,943	51,943	- 51,943
Other comprehensive income (expense) for the period	-	-	1,321	-	-	-	(24,965)	-	-	(23,644)	- (23,644)
Total comprehensive income (expense) for the period	-	-	1,321	-	-	-	(24,965)	-	51,943	28,199	- 28,199
Shares repurchased and cancelled, includes direct costs	(351)	(3,104)	-	-	-	351	-	-	(7,118)	(10,222)	- (10,222)
Final dividend paid (Note 10)	-	-	-	-	-	-	-	-	(44,582)	(44,582)	- (44,582)
	(351)	(3,104)	-	-	-	351	-	-	(51,700)	(54,804)	- (54,804)
At 30 June 2012 (unaudited)	29,721	262,871	359,801	41,826	112,607	8,511	(53,620)	39,853	1,313,110	2,114,680	- 2,114,680

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
Notes			
		2,288	69,437
INVESTING ACTIVITIES			
	12	(737,500)	(325,926)
		(343,009)	(524,007)
	12	659,759	255,007
		209,195	241,065
		(28,232)	(29,917)
		12,206	14,799
		–	7,653
	13	(15,855)	–
		(1,637)	66
		(245,073)	(361,260)
FINANCING ACTIVITIES			
	17	946,253	708,387
	17	(545,899)	(666,090)
	10	(44,582)	(44,582)
		(19,862)	(14,543)
		–	(10,222)
		(2,803)	(139)
		333,107	(27,189)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Cash Flows *(Continued)*

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
Net increase (decrease) in cash and cash equivalents	90,322	(319,012)
Cash and cash equivalents at beginning of the period	767,037	820,225
Effect of foreign exchange rate changes, net	2,135	1,298
Cash and cash equivalents at end of the period	859,494	502,511
Analysis of balances of cash and cash equivalents		
Bank balances and cash	860,637	502,511
Bank overdrafts	(1,143)	–
	859,494	502,511

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

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 financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2012.

In current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA:

HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

2. Principal Accounting Policies (Continued)

Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKAS 1	Presentation of items of other comprehensive income
Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 cycle
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

HKFRS 10 Consolidated financial statements

HKFRS 10 replaces the parts of HKAS 27 “Consolidated and separate financial statements” that deal with consolidated financial statements and HK(SIC) – INT 12 “Consolidation – special purpose entities”. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee.

The directors of the Company reviewed and assessed the Group’s investees in accordance with the requirements of HKFRS 10. The directors of the Company concluded that there was no impact to the Group’s condensed consolidated financial statements for the adoption of HKFRS 10.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

2. Principal Accounting Policies *(Continued)*

HKFRS 11 Joint arrangements

HKFRS 11 replaces HKAS 31 “Interests in joint ventures”, and the guidance contained in a related interpretation, HK(SIC) – INT 13 “Jointly controlled entities – non-monetary contributions by venturers”, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

2. Principal Accounting Policies *(Continued)*

HKFRS 11 Joint arrangements (Continued)

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangement in accordance with the requirements of HKFRS 11. The directors of the Company concluded that the Group's investments in Hangzhou Dalifu Silk Finishing Co., Ltd., Suzhou High Fashion Garment Co., Ltd., The Silk Passion Company Limited and Flaming China Limited, which were classified as a jointly controlled entities under HKAS 31 and accounted for using the equity method, should be classified as joint ventures under HKFRS 11 and continuously accounted for using the equity method. There was no impact to the Group's condensed consolidated financial statements for the adoption of HKFRS 11.

HKFRS 12 Disclosure of interests in other entities

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards. The additional disclosure will be included in the Group's annual consolidated financial statements for the year ending 31 December 2013.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

2. Principal Accounting Policies *(Continued)*

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information in accordance with the consequential amendments to HKAS 34 are set out in note 21 and additional disclosures in accordance with HKFRS 13 will be disclosed in the Group's annual consolidated financial statements for the year ending 31 December 2013.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

2. Principal Accounting Policies *(Continued)*

Amendments to HKFRS 7 Disclosures – Offsetting financial assets and financial liabilities

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. The Group has not offset any recognised financial instruments but derivative financial instruments are under enforceable master netting agreements.

The amendments have been applied retrospectively and the relevant disclosures are set out in note 22.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income. Under the amendments to HKAS 1, the Group's statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. In addition, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

3. Segment Information

As mentioned in note 23, the presentation of revenue has been changed in the current period and the information reported to the chief operating decision maker is consequentially changed. Accordingly, the information for the six months ended 30 June 2012 is restated. The following is an analysis of the Group's revenue and results by reportable and operating segment:

For the six months ended 30 June 2013 (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	1,084,576	256,588	1,341,164	-	1,341,164
Inter-segment sales (Note)	82,393	-	82,393	(82,393)	-
Segment revenue	1,166,969	256,588	1,423,557	(82,393)	1,341,164
RESULT					
Segment profit (loss)	136,207	(12,785)	123,422	(4,798)	118,624
Finance costs					(29,337)
Profit before taxation					89,287

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

3. Segment Information (Continued)

For the six months ended 30 June 2012 (unaudited and restated)

	Manufacture and trading of garments HK\$'000	Brand business HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE					
External sales	955,927	303,500	1,259,427	–	1,259,427
Inter-segment sales (Note)	89,456	–	89,456	(89,456)	–
Segment revenue	<u>1,045,383</u>	<u>303,500</u>	<u>1,348,883</u>	<u>(89,456)</u>	<u>1,259,427</u>
RESULT					
Segment profit (loss)	<u>112,140</u>	<u>(17,929)</u>	<u>94,211</u>	<u>(4,436)</u>	<u>89,775</u>
Finance costs					<u>(20,758)</u>
Profit before taxation					<u>69,017</u>

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

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	
	2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
Increase in fair value of investment properties	49,536	44,300
Changes in fair value of derivative financial instruments	4,734	16,895
(Loss) gain on disposal of property, plant and equipment	(61)	4,074
Net foreign exchange gain (loss)	9,071	(1,569)
Impairment loss recognised in respect of property, plant and equipment	–	(1,988)
Allowance for bad and doubtful debts	(2,044)	(782)
Impairment loss recognised in respect of amounts due from joint ventures	(1,119)	(2,170)
	60,117	58,760

5. Finance Costs

	Six months ended 30 June	
	2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	26,629	18,429
Finance leases	13	13
Bank charges	2,695	2,316
	29,337	20,758

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

6. Income Tax Expenses

	Six months ended 30 June	
	2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
Current tax charge:		
Hong Kong	3,168	4,187
The People's Republic of China (the "PRC")	6,902	3,852
Other jurisdictions	1,171	235
	11,241	8,274
(Over) underprovision in prior years:		
Hong Kong	(45)	(3,000)
PRC	6,405	224
	6,360	(2,776)
Deferred taxation:		
Current year	4,551	11,676
	22,152	17,174

During the current interim period, the PRC tax authority conducted tax review of certain PRC subsidiaries and charged additional tax of approximately HK\$5,866,000 in respect of certain non-recurring events occurred in previous years.

As disclosed in the Group's annual reports published in previous years, the Inland Revenue Department ("IRD") initiated a tax audit on certain group companies for the years of assessment from 1999/2000 onwards. As a matter of IRD's practice, the IRD has issued estimated/additional assessments demanding final tax ("Assessments") to these group companies for the years of assessment 1999/2000 to 2006/2007. During the course of the tax audit, there may be a possibility that estimated additional assessments for subsequent years be issued by the IRD to these group companies.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

6. Income Tax Expenses (Continued)

Up to 30 June 2013, the Group has purchased tax reserve certificates of HK\$121,101,000 (31 December 2012: HK\$98,065,000) for conditional standover order of objection against the notices of Assessments for the years of assessment 1999/2000 to 2006/2007 and the amount is included in tax recoverable.

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

7. Profit for the Period

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

	Six months ended 30 June	
	2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
Depreciation and amortisation		
Owned assets	38,576	41,763
Leased assets	57	139
Amortisation of prepaid lease payments	1,247	1,201
	39,880	43,103
(Written back) allowance for inventory obsolescence (included in cost of sales) (note i)	(4,564)	18,570
Gain on derivative financial instruments reclassified from other comprehensive income (note ii)	(9,071)	(18,845)
Investment income earned on		
– bank interest income	(16,979)	(14,763)
– interest income on other receivables	(2,472)	(1,574)
– interest income from structured deposits	(19,791)	(12,710)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

7. Profit for the Period (Continued)

Notes:

- (i) Allowance for inventory obsolescence was written back when the relevant inventory was sold.
- (ii) Gain of HK\$9,709,000 (30 June 2012: nil) and nil (30 June 2012: HK\$19,506,000) are included in revenue and cost of sales, respectively, and the remaining balance of a loss of HK\$638,000 (30 June 2012: HK\$661,000) is included in finance costs.

8. Other Comprehensive Income (Expense)

	Six months ended 30 June	
	2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
Cash flow hedges:		
Fair value gain (loss) on hedging instruments	70,991	(8,632)
Reclassification adjustments to profit or loss	(9,071)	(18,845)
	61,920	(27,477)
Exchange differences arising on translation	56,006	1,321
Other comprehensive income (expense)	117,926	(26,156)
Income tax relating to components of other comprehensive income – fair value changes to hedging instruments	(10,374)	2,512
Other comprehensive income (expense) for the period, net of tax	107,552	(23,644)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

9. Earnings Per Share

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

	Six months ended 30 June	
	2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
Profit for the purpose of basic earnings per share attributable to owners of the Company	67,898	51,843
Weighted average number of ordinary shares for the purpose of basic earnings per share	297,213,550	Number of shares 297,387,121

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

10. Dividends

During the current interim period, a final dividend of 15 HK cents (six months ended 30 June 2012: 15 HK cents) per share, amounting to HK\$44,582,000 (six months ended 30 June 2012: HK\$44,582,000), was declared and paid to the shareholders for the year ended 31 December 2012 (six months ended 30 June 2012: for the year ended 31 December 2011).

The Board declared that an interim dividend of 5 HK cents per share for the six months ended 30 June 2013 (six months ended 30 June 2012: 5 HK cents) which will be paid to shareholders whose names appear in the register of members on 18 September 2013. This dividend was declared after the end of the interim reporting date, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

11. Investment Properties

The fair value of the Group's investment properties at 30 June 2013 and 31 December 2012 have been arrived at on the basis of the valuation carried out by Centaline Surveyors Ltd. and 新昌信安達資產評估有限公司, independent qualified professional valuers not connected with the Group. An increase in fair value of investment properties of HK\$49,536,000 (six months ended 30 June 2012: HK\$44,300,000) has been recognised directly in the profit or loss for the six months ended 30 June 2013.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

12. Structured Deposits

During the current interim period, the Group entered into certain structured deposits with aggregate amount of RMB590,000,000 (equivalent to HK\$737,500,000) (six months ended 30 June 2012: RMB264,000,000 (equivalent to HK\$325,926,000)), of which structured deposits of approximately RMB41,000,000 (equivalent to HK\$51,250,000) will mature in July 2014 and other structured deposits will mature within one year from the end of the reporting period and therefore classified as current assets. The structured deposits are designated as fair value through profit or loss at initial recognition. The annual coupon rate is dependent on whether the spot rate for conversion of Euro and Australian dollar for United States dollar and United States dollar for HK\$ as prevailing in the international foreign exchange market falls under certain ranges as specified in the relevant agreements during the period from inception date to maturity date of the deposits. The issuing banks have a right to early redeem the structured deposits by repaying the principal and any accrued interest on the structured deposits before maturity. All structured deposits are principal protected deposits. Structured deposits with aggregate carrying amount on maturity date of RMB531,107,000 (equivalent to HK\$659,759,000) (six months ended 30 June 2012: RMB206,555,000 (equivalent to HK\$255,007,000)) 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 analyses based on the applicable yield curves of the relevant interest rates and exchange rates.

13. Long-Term Deposits And Prepayments

During the current interim period, the Group paid a deposit of RMB12,526,000 (equivalent to HK\$15,855,000) (31 December 2012: nil) for acquisitions of staff quarters.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

14. Derivative Financial Instruments

	At 30 June 2013 (unaudited) HK\$'000	At 31 December 2012 (audited) HK\$'000
Financial assets		
Cash flow hedges		
– Foreign exchange forward contracts (<i>Note i</i>)	62,873	9,303
– Interest rate swaps	64	22
	62,937	9,325
Other derivatives (not under hedge accounting)		
– Dual currency forward contracts	4,766	9,099
– Capped forward contracts	5,594	8,757
	10,360	17,856
	73,297	27,181
Financial liabilities		
Cash flow hedges		
– Foreign exchange forward contracts (<i>Note i</i>)	–	8,295
– Interest rate swaps	394	407
	394	8,702
Other derivatives (not under hedge accounting)		
– Dual currency interest rate swaps	6,511	10,035
– Knock out forward contracts (<i>Note ii</i>)	8,849	–
– Capped forward contracts	2,138	2,910
	17,498	12,945
	17,892	21,647
Analysed for reporting purposes as:		
Non-current assets	31,449	5,830
Current assets	41,848	21,351
	73,297	27,181
Non-current liabilities	10,385	11,082
Current liabilities	7,507	10,565
	17,892	21,647

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

14. Derivative Financial Instruments (Continued)

Notes:

(i) Foreign exchange forward contracts

During the interim period, the Group continued to enter into foreign exchange forward contracts to manage the Group's foreign currency exposure in relation to foreign currency forecast sales as disclosed in the Group's annual report published in previous years. At the end of the reporting period, the Group has outstanding foreign exchange forward contracts with an aggregate notional amount of US\$490 million (31 December 2012: US\$384 million) that requires the Group to sell US\$ for RMB at exchange rates ranging from RMB6.251 to RMB6.442 (31 December 2012: RMB6.251 to RMB6.442) for US\$1 with maturity periods up to 30 months (31 December 2012: 24 months).

(ii) Knock out forward contracts

The amount represents fair value of knock out non-deliverable forward contracts with aggregate notional amount of US\$118 million (31 December 2012: nil) that the Group shall sell US\$ for RMB at exchange rate ranging from RMB6.150 to RMB6.381 for US\$1 on the notional amount up to April 2015 where the spot rate is below the contracted forward rate on the settlement dates. Where the spot rate is above the contracted forward rate on the settlement dates, the Group shall sell double on the notional amount of US\$ for RMB at contracted exchange rate up to April 2015. The settlement dates are on monthly intervals up to April 2015. In addition, the contracts will be terminated when the cumulated spot rate minus contracted forward rate above specific amount set out in the respective contracts.

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

15. Trade Receivables and Bills Receivable

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

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

	At 30 June 2013 (unaudited) HK\$'000	At 31 December 2012 (audited) HK\$'000
Within 90 days	333,053	373,134
91 to 180 days	48,302	33,582
181 to 360 days	16,136	9,589
Over 360 days	3,734	587
	401,225	416,892

At the end of the reporting period, bills receivable of HK\$46,799,000 (31 December 2012: HK\$34,412,000) are aged within 180 days (31 December 2012: 180 days). Included in the bills receivable is discounted bills with recourse of HK\$22,560,000 (31 December 2012: HK\$29,518,000) of which corresponding financial liabilities are included in bank borrowings.

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 2013 (unaudited) HK\$'000	At 31 December 2012 (audited) HK\$'000
Within 90 days	130,003	113,443
91 to 180 days	12,252	10,489
181 to 360 days	3,842	3,644
Over 360 days	5,383	4,318
	151,480	131,894
Accrued purchases	204,116	180,916
	355,596	312,810

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 loans from various banks amounting to HK\$946 million (six months ended 30 June 2012: HK\$708 million) and repaid HK\$546 million (six months ended 30 June 2012: HK\$666 million). The loans carry interest at market rates ranging from 1.06% to 2.88% (31 December 2012: 1.06% to 3.31%) 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 2012	300,724	30,072
Shares repurchased and cancelled	(3,510)	(351)
At 30 June 2012, 1 January 2013 and 30 June 2013	297,214	29,721

19. Capital Commitments

As at 30 June 2013, the Group was committed to capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided for HK\$7,131,000 (31 December 2012: HK\$6,125,000).

20. Related Party Transactions

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

	Six months ended 30 June	
	2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
Purchases of raw materials and finished goods from joint ventures	11,382	8,121
Sales of raw materials and finished goods to joint ventures	1,891	2,888
Key management personnel compensation (<i>Note</i>)	5,900	5,900

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

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.

- 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 30 June 2013	Fair value hierarchy	Valuation technique(s) and key input(s)
Foreign exchange forward contracts	Assets (designated for hedging) – HK\$62,873,000	Level 2	Valuation technique: Discounted cash flow. Key inputs: Forward exchange rates, contracted exchange rates and discount rate.
Dual currency forward contracts	Asset – HK\$4,766,000	Level 2	Valuation techniques: Discounted cash flow and option pricing model. Key inputs: Forward exchange rates, contracted exchange rates and discount rate.
Capped forward contracts	Assets – HK\$5,594,000 and Liabilities – HK\$2,138,000	Level 2	Valuation techniques: Discounted cash flow and option pricing model. Key inputs: Forward exchange rates, contracted exchange rates and discount rate.
Knock out forward contracts	Liabilities – HK\$8,849,000	Level 2	Valuation techniques: Discounted cash flow and option pricing model. Key inputs: Forward exchange rates, contracted exchange rates and discount rate.

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 30 June 2013	Fair value hierarchy	Valuation technique(s) and key input(s)
Interest rate swaps	Assets (designated for hedging) – HK\$64,000 and Liabilities (designated for hedging) – HK\$394,000	Level 2	Valuation technique: Discounted cash flow. Key inputs: Forward interest rates, contracted interest rates and discount rate.
Dual currency interest rate swap	Liability – HK\$6,511,000	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.
Structured deposits	Assets – HK\$985,196,000	Level 2	Valuation technique: Discounted cash flow. Key inputs: Forward interest rates, forward exchange rates, contracted interest rates and contracted exchange rates.

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

22. Offsetting Financial Assets and Financial Liabilities

The Group has entered 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. Offsetting Financial Assets and Financial Liabilities (Continued)

Derivative financial assets of the Group subject to ISDA Agreements by counterparty:

	Carrying amounts of financial assets presented in the condensed consolidated statement of financial position HK\$'000	Related amounts not set off in the condensed consolidated statement of financial position – Financial instruments HK\$'000	Net amount HK\$'000
At 30 June 2013			
Bank A	31,987	(58)	31,929
Bank B	30,540	(6,991)	23,549
Bank C	2,211	(2,211)	–
Bank E	1	(1)	–
Bank F	7,224	–	7,224
Bank H	1,334	–	1,334
Total	73,297	(9,261)	64,036
At 31 December 2012			
Bank A	12,499	(2,458)	10,041
Bank B	12,825	(12,825)	–
Bank C	1,237	(167)	1,070
Bank F	598	(598)	–
Bank G	22	–	22
Total	27,181	(16,048)	11,133

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

22. Offsetting Financial Assets and Financial Liabilities (Continued)

Derivative financial liabilities of the Group subject to ISDA Agreements by counterparty:

	Carrying amounts of financial liabilities presented in the condensed consolidated statement of financial position HK\$'000	Related amounts not set off in the condensed consolidated statement of financial position – Financial instruments HK\$'000	Net amount HK\$'000
At 30 June 2013			
Bank A	(58)	58	–
Bank B	(6,991)	6,991	–
Bank C	(8,906)	2,211	(6,695)
Bank D	(1,832)	–	(1,832)
Bank E	(92)	1	(91)
Bank G	(13)	–	(13)
Total	(17,892)	9,261	(8,631)
At 31 December 2012			
Bank A	(2,458)	2,458	–
Bank B	(14,448)	12,825	(1,623)
Bank C	(167)	167	–
Bank D	(2,908)	–	(2,908)
Bank E	(33)	–	(33)
Bank F	(1,633)	598	(1,035)
Total	(21,647)	16,048	(5,599)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Condensed Consolidated Financial Statements

(Continued)

23. Restatement of Comparative Figures

During the current interim period, management reassessed the presentation of the Group's revenue arising from its operations and considered that sales of scrapped products also constitute part of its core business. Accordingly, other income from sales of scrapped products of HK\$14,085,000 (six months ended 30 June 2012: HK\$9,387,000) has been reclassified to revenue and cost of sales of HK\$37,213,000 (six months ended 30 June 2012: HK\$24,052,000) and HK\$23,128,000 (six months ended 30 June 2012: HK\$14,665,000), respectively.

24. Subsequent Event

On 6 August 2013, the Group acquired a land use right in respect of a land located in the PRC for investment purpose at a consideration of RMB52 million (equivalent to HK\$65.9 million). The transaction was completed and consideration was paid up to the date of this report.

OTHER INFORMATION

Interim Dividend

The Board has resolved to declare an interim dividend of 5 HK cents per share for the six months ended 30 June 2013 (six months ended 30 June 2012: 5 HK cents) on the shares in issue amounting to HK\$14,861,000 (six months ended 30 June 2012: HK\$14,861,000), to the shareholders whose names appear on the Register of Members on 18 September 2013. The dividend will be paid on or about 3 October 2013.

Closure of Register of Members

The Register of Members will be closed from Monday, 16 September 2013 to Wednesday, 18 September 2013, 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration by not later than 4:30 p.m. on Friday, 13 September 2013.

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 (the "Stock Exchange") throughout the accounting period for the six months ended 30 June 2013, 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, Independent non-executive directors and other non-executive directors, should attend general meetings and develop a balanced understanding of the views of shareholders.

Mr. Leung Hok Lim (Independent non-executive director) and Mr. Chan Wah Tip, Michael (Non-executive director), were not able to attend the annual general meeting held on 28 May 2013. Mr. Leung and Mr. Chan were away from Hong Kong 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 2013.

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 2013, 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 2013.

OTHER INFORMATION

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

As at 30 June 2013, 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	Number of ordinary shares held	Percentage of the Company's issued capital
Lam Foo Wah		Beneficial owner	Personal	1,706,000	0.58%
	1, 2	Other interest	Other	148,641,986	50.01%
So Siu Hang, Patricia		Beneficial owner	Personal	2,824,309	0.95%

(Note 3)

(ii) Long Position in Shares of Associated Corporation

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

OTHER INFORMATION

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

Notes:

1. Mr. Lam Foo Wah is deemed to have interests in 112,524,419 ordinary shares which are beneficially owned by Hinton Company Limited, the entire issued share capital of which is held under a related discretionary trust. Mr. Lam is regarded as a founder of the trust.
2. Mr. Lam Foo Wah is deemed to have interests in 36,117,567 ordinary shares which are beneficially owned by High Fashion Charitable Foundation Limited, the entire issued share capital of which is held under a related discretionary trust. Mr. Lam is regarded as a founder of the trust.
3. The issued share capital of the Company is 297,213,550 shares as at 30 June 2013.
4. These shares are held through three companies beneficially owned by Mr. Lam Foo Wah.

Save as disclosed above, as at 30 June 2013, 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 2013 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 2013. During the period, no share options were granted, exercised, cancelled or lapsed.

Apart from the Scheme, during the six months ended 30 June 2013, 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 2013, 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 <i>(Note 3)</i>
Hinton Company Limited	1	Beneficial owner	112,524,419	37.86%
High Fashion Charitable Foundation Limited	1	Beneficial owner	36,117,567	12.15%
Fundpartner Solutions (Europe) SA	2	Investment manager	14,904,000	5.01%

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. These interests are held on behalf of Worldwide Fund, Fcp Sif, Global Equities Sub Fund.
3. The issued share capital of the Company is 297,213,550 shares as at 30 June 2013.

Save as disclosed above, as at 30 June 2013, 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 since the date of 2012 annual report of the Company is set out below:

Mr. WONG Shiu Hoi, Peter has been appointed as an independent non-executive director and a member of audit committee of Tianjin Development Holdings Limited with effect from 21 December 2012.

CORPORATE INFORMATION

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

BOARD OF DIRECTORS

Executive Directors

Mr. Lam Foo Wah
(Chairman and Managing Director)
Ms. So Siu Hang, Patricia

Non-executive Directors

Mr. Chan Wah Tip, Michael
Professor Yeung Kwok Wing

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. Lam Foo Wah *(Chairman)*
Mr. Chan Wah Tip, Michael
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
26th Floor, Tesbury Centre
28 Queen's Road East, Hong Kong

COMPANY WEBSITE

www.highfashion.com.hk