

# High Fashion International Limited

*(Incorporated in Bermuda with limited liability)*

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## INTERIM RESULTS

The Board of Directors of High Fashion International Limited (the "Company") is pleased to announce that the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 31st March, 1999, together with the comparative figures for the six months ended 31st March, 1998 are set out as follows:-

	Six months ended 31st
March,	
	1999
1998	
	HK\$' 000
HK\$' 000	
TURNOVER	905, 153
912, 233	
	=====
=====	
OPERATING PROFIT	38, 678
26, 873	

Share of profits less losses of

jointly controlled entities	2,552	
(699)		
Share of profit of an associated company	502	
175		
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PROFIT BEFORE TAXATION	41,732	
26,349		
Taxation (Note 1)	(1,772)	
(921)		
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PROFIT BEFORE MINORITY INTERESTS	39,960	
25,428		
Minority interests	(773)	
(99)		
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NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	39,187	
25,329		
Write-off of premium paid on repurchase of shares	(3,851)	
-		
Transfer to capital redemption reserve	(1,147)	
-		

Interim dividend	(12,722)	
(5,384)		
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PROFIT RETAINED FOR THE PERIOD	21,467	
19,945		
	=====	
=====		
Earnings per share - Basic (Note 2)	11.2 cents	7.1
cents		
	=====	
=====		

Notes:

**1. TAXATION**

	Six months ended 31st
March,	
	1999
1998	
	HK\$' 000
HK\$' 000	

Group:

Hong Kong	1,000	
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Elsewhere	226	
898		
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	1,226	
898		
Jointly controlled entities: Elsewhere	537	
5		
Associated companies: Elsewhere	9	
18		
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Taxation charge for the period	1,772	
921		
	=====	
=====		

Hong Kong profits tax has been provided for at the rate of 16% on the estimated assessable profits arising in Hong Kong during the period under review. Taxes on profits assessable elsewhere have been calculated at the rates of taxation prevailing in the countries in which the Group operates based on existing legislation, practices and interpretations in respect thereof.

## 2. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders of HK\$39,187,000 (1998: HK\$25,329,000) and the weighted average of 350,809,692 (1998: 358,947,630) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 31st March, 1999 and 1998 has not been calculated as no diluting events existed during these periods.

### **DIVIDEND**

The Board of Directors declared an interim dividend of 3.8 cents per share (1998 : 1.5 cents) on the shares in issue aggregating a total of HK\$12,722,000 (1998 : HK\$5,384,000), which will be payable on or about 23rd July, 1999 to shareholders whose names appear on the Register of Members on 13th July, 1999.

### **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 8th July, 1999 to 13th July, 1999, both days inclusive. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's sub-registrar and transfer agent in Hong Kong, Secretaries Limited of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, not later than 4:00 p.m. on Wednesday, 7th July, 1999 for registration.

### **PURCHASE, SALE AND REDEMPTION OF SHARES**

During the period, the Company repurchased a total of 11,474,000 shares of HK\$0.10 each on The Stock Exchange of Hong Kong Limited at prices ranging from HK\$0.36 to HK\$0.50 per share for an aggregate consideration of HK\$4,998,000. All of the repurchased

shares were cancelled. The repurchase of the Company's shares during the period were effected by the directors, pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value and earnings per share of the Company. Details of the repurchased shares are as follows:

Aggregate Month of consideration repurchase paid	Number of		
	shares repurchased	Price per share	
		Highest	Lowest
HK\$	HK\$	HK\$' 000	
October 1998	290,000	0.400	0.400
117			
November 1998	2,420,000	0.375	0.360
902			
December 1998	3,458,000	0.445	0.420
1,497			
January 1999	2,324,000	0.500	0.440
1,101			
February 1999	1,980,000	0.480	0.430
914			

March 1999	1, 002, 000	0. 470	0. 460
467	-----		-----
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Total	11, 474, 000		
4, 998	=====		
	=====		

Save as disclosed above, the Company has not redeemed any of its listed securities during the period. Neither the Company, nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the period.

**THE YEAR 2000 ISSUE**

The Year 2000 issue has arisen because many computer systems and electronic devices using a two-digit year sequence are unable to accurately process dates for the year 2000 and beyond. The Group is well aware of the importance of the Year 2000 issue and is taking appropriate steps to minimise the financial and operating system risks posed by the Year 2000 issue. In 1997, the Group developed and began to implement a Year 2000 compliance programme (the "Programme") to ensure all major systems, computer applications, software and hardware devices owned or developed by the Group are Year 2000-compliant.

Measures under the Programme include problem identification and evaluation, and systems and software/hardware conversion, replacement and upgrading. The major systems of the

Group were Year 2000-compliant by April 1999. Further testing and refinements will be done where necessary. The overall progress of the Programme is satisfactory.

The costs incurred for the Programme are not separately identified and are treated as operating expenditure. The Group does not expect any material additional cost for any subsequent testing and refinements.

The Group has developed contingency plans to deal with the Year 2000 Problem including the backup arrangements for major systems and manual operation systems for emergency use.

#### **SUBSEQUENT EVENT**

On 7th June, 1999, the Group entered into a conditional agreement with S. Megga Estate Management Ltd. to acquire the remaining interests in S. Megga Industrial Building, the portion not owned by the Group, with total gross floor area of 124,972 sq. ft. for a consideration of HK\$35,000,000. The agreement is conditional on approval from the shareholders of S. Megga International Holdings Ltd. and the latter's bankers - Citic Ka Wah Bank and Standard Chartered Bank. Completion is expected to take place on or before 31st July, 1999. The acquisition will be funded from internal resources.

#### **REVIEW OF OPERATIONS**

During the period under review, the economy in USA, our largest market, continued its strong performance. The US apparel market was also strong. However, the silk apparel market failed to par the market trend because of the generally soft demand and strong Renminbi.



As a major player in the silk apparel industry, the Group fully deployed its vertically integrated facilities to develop and produce new and exciting silk and silk-blended products to respond to fast changing customer needs. With the silk yarn price stabilizing and the Group's success in developing new silk products, the Group showed an improvement in this challenging period.

Effective actions were taken to combat competition through cost reduction, improved productivity, strengthened customer relationship and the introduction of new products. The Group was able to record an improved margin while maintaining the sales volume. Our major marketing company in the USA, August Silk Inc., further improved its performance in the period under review and made profit contributions to the Group.

While the US market was encouraging, the European apparel market was generally soft. However, we believe that the European market, though soft, will offer great potentials for our new products. We are putting in more resources to develop this market.

For the past few years, the Group strengthened its management and succeeded in reducing cost. We are now embarking on building ourselves as a Total Customer Loyalty and Total Quality Management company to strive for business excellence.

## **OUTLOOK**

With intensified marketing efforts, the Group achieved close strategic partnership relationships with our key customers and an expanded customer portfolio. We shall continue to focus on delivering more value to our customers through innovative products and comprehensive services. We are well positioned to meet challenges and opportunities of the new millenium.

## **DIRECTORS' INTERESTS IN SHARES**

As at 31st March, 1999, the interests of the Directors and their associates in the share capital of the Company, its subsidiaries and associated corporations as recorded in the register required to be kept under section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

### **(i) The Company**

Name of Director	Nature of interest	Notes	Number of ordinary shares held
Poon Hon Kam	Other	1, 5	55,465,074
Lam Foo Wah	Other	2, 3, 5	112,634,655
Ip Weng Kun	Other	4, 5	29,688,198
So Siu Hang, Patricia	Personal		1,026,961
Hui Yip Wing	Family		2,652,007
Wong Shing Loong, Raymond	Personal		2,450,000

### **(ii) Subsidiary - High Fashion Knitters Limited**

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

*Notes:*

1. Mr. Poon Hon Kam is deemed to have an interest in 31,404,724 shares which are beneficially owned by Excel Investments Ltd., the entire issued share capital of which is held under a related discretionary trust.
2. Mr. Lam Foo Wah is deemed to have an interest in 10,164,569 shares which are beneficially owned by Annick Investment Limited, the entire issued share capital of which is held under a related discretionary trust.
3. Mr. Lam Foo Wah is deemed to have an interest in 78,409,736 shares which are beneficially owned by Hinton Company Limited, the entire issued share capital of which is held under a related discretionary trust.
4. Mr. Ip Weng Kun is deemed to have an interest in 5,627,848 shares which are beneficially owned by Major Rank Holdings Limited, the entire issued share capital of which is held under a related discretionary trust.
5. Messrs. Poon Hon Kam, Lam Foo Wah and Ip Weng Kun are deemed to have interests in 24,060,350 shares which are beneficially owned by High Fashion Charitable Foundation Limited, the entire issued share capital of which is held under a related discretionary trust.
6. 5,339,431 shares under corporate interest are held through three companies beneficially owned by Mr. Lam Foo Wah.

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

Ordinance) as recorded in the register required to be kept under section 29 of the SDI Ordinance as at 31st March, 1999.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES**

Apart from the Company's share option scheme, at no time during the six months ended 31st March, 1999 was the Company or any of its subsidiaries a party to enable the Company's directors, their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

As at 31st March, 1999, no options had been granted pursuant to the existing share option scheme during the period.

On 1st June, 1999, options to subscribe for 15,200,000 ordinary shares of the Company were granted to certain executive directors and some employees of the Group pursuant to the share option scheme mentioned above.

### **SUBSTANTIAL SHAREHOLDERS**

As at 31st March, 1999, according to the register kept by the Company under Section 16(1) of the SDI Ordinance, the only shareholder with an interest in 10% or more of the issued share capital of the Company was Hinton Company Limited which held 78,409,736 shares. This interest has also been disclosed as an interest of Mr. Lam Foo Wah in the Directors' interests in shares above.

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

## **CODE OF BEST PRACTICE**

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the period under review.

By Order of the Board

**Lam Foo Wah**

*Managing Director*

Hong Kong, 22nd June, 1999

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Source: High Fashion International Limited