High Fashion International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 608)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

CHAIRMAN'S STATEMENT

The net profit attributable to shareholders for the year ended 31 December 2008 was HK$91 million. The Board of Directors recommended a final dividend of HK$0.03 per share. When taking into account of the interim dividend of HK$0.03 per share paid in October 2008, the total dividend payment for the year amounted to HK$0.06 per share. Net asset value per share is HK$4.8.

The year 2008 witnessed not only the worst financial crisis in living memory, but also a virtual meltdown of the financial systems in the US and European economies followed by a series of drastic measures to revive the world economy. Early in the year, we were still complaining about high inflation, soaring oil prices and so on. Without any forewarning, we were swamped with a substantial shrinkage in global trade that left many sectors of the economy with a very difficult business environment. The whole world is now inevitably undergoing a necessary consolidation on an unprecedented scale in terms of magnitude and depth.

In anticipation of the highly volatile global economic climate with accelerated correction taking place in the year ahead, we will strengthen our capability and solidify our resources in order to enable us to capture any opportunities that may arise from the turbulent market. Whilst we have taken aggressive, tailored and focused actions on product and service innovation, we will continue to be conscious of our risk management by adopting a prudent financial policy and maintaining high liquidity and low gearing levels. I am confident that we can respond swiftly to any changes in the market demand.

Despite the uncertainty and the unprecedented financial crisis that is not going to end soon, our solid fundamentals enable us to capitalize on our core strength in enhancing our competitiveness, profitability and sustainable development. The prestigious award of "National Advanced Technology Enterprise" to our largest subsidiary in the PRC recently granted by the State Council signifies its recognition of our dedication and contribution in the Chinese silk industry. This is a key part of our strategic priorities catering for our long term growth with focus on the PRC consumer market. We strongly believe that China will be the first country to engineer a recovery from the economic crisis and stronger and better than ever.

Our corporate mission as "No. 1 Silk Enterprise in the World" is within sight and based on our solid foundation we are well prepared for the challenges and opportunities in the years ahead.

I would like to take this opportunity to express my gratitude to the shareholders, customers, suppliers and my fellow Directors for their support. I would also like to thank our staff from various regions for their dedication and contribution in furthering our mission goal.

RESULTS

The Board of Directors (the "Board") of High Fashion International Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008 together with the comparative figures for the year ended 31 December 2007 are set out as follows: -

Consolidated Income Statement
For the year ended 31 December 2008

	Notes	**2008** *HK$'000*	2007 *HK$'000*
REVENUE	*3*	**2,598,031**	2,554,781
Cost of sales		**(1,874,324)**	(1,838,757)
Gross profit		**723,707**	716,024
Other income		**144,063**	37,889
(Loss) gain on disposal of property, plant and equipment and prepaid lease payments		**(2,510)**	359,769
Gain on partial disposal of shares in a subsidiary		**-**	279,392
Administrative expenses		**(364,529)**	(334,871)
Distribution and selling expenses		**(329,659)**	(295,676)
Finance costs	*5*	**(68,299)**	(32,168)
Change in fair value of derivative financial instruments		**(5,660)**	(17,506)
Share of losses of jointly controlled entities		**(209)**	(161)
PROFIT BEFORE TAXATION		**96,904**	712,692
Income tax expense	*6*	**(18,551)**	(157,315)
PROFIT FOR THE YEAR	*7*	**78,353**	555,377
Attributable to			
Equity holders of the Company		**90,635**	566,616
Minority interests		**(12,282)**	(11,239)
		78,353	555,377
EARNINGS PER SHARE	*8*		
Basic		**HK$0.28**	HK$1.70
Diluted		**HK$0.28**	HK$1.70

Consolidated Balance Sheet
At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**911,227**	733,011
Prepaid lease payments		**78,443**	76,207
Deposit for acquisition of land use right		**18,148**	17,172
Investment properties		**102,700**	85,920
Goodwill		**28,215**	23,808
Intangible assets		**1,890**	11,094
Investments in associates		**-**	-
Investments in jointly controlled entities		**19,862**	19,537
Available-for-sale investments		**675**	675
Deferred tax assets		**7,101**	6,347
		1,168,261	973,771
CURRENT ASSETS			
Inventories		**371,815**	407,756
Trade receivables	*10*	**296,917**	328,431
Bills receivable		**71,447**	59,997
Prepaid lease payments		**1,509**	1,441
Deposits, prepayments and other receivables		**399,131**	508,446
Amounts due from jointly controlled entities		**17,713**	10,014
Tax recoverable		**49,141**	32,382
Derivative hedging instruments		**98,862**	317,254
Structured deposits		**226,753**	-
Short-term deposits		**376,704**	-
Pledged bank deposits		**142**	108
Bank balances and cash		**400,454**	671,676
		2,310,588	2,337,505
CURRENT LIABILITIES			
Trade payables	*11*	**263,565**	296,077
Bills payable		**3,807**	4,468
Other payables and accruals		**155,926**	176,707
Amounts due to jointly controlled entities		**25,630**	-
Amount due to an associate		**595**	597
Tax payable		**171,393**	116,663
Derivative financial instruments		**23,166**	17,506
Derivative hedging instruments		**-**	1,400
Obligations under finance leases		**88**	337
Bank borrowings		**1,007,578**	374,167
Bank overdrafts		**447**	599
		1,652,195	988,521
NET CURRENT ASSETS		**658,393**	1,348,984
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,826,654**	2,322,755

	2008	2007
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Obligations under finance leases	**81**	231
Bank borrowings	**177,000**	483,000
Deferred tax liabilities	**37,546**	89,564
Provision for long service payments	**1,770**	929
	216,397	573,724
	1,610,257	1,749,031
CAPITAL AND RESERVES		
Share capital	**31,998**	32,881
Share premium and reserves	**1,512,996**	1,626,511
Equity attributable to equity holders of the Company	**1,544,994**	1,659,392
Minority interests	**65,263**	89,639
TOTAL EQUITY	**1,610,257**	1,749,031

Notes to Consolidated Financial Statements

1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Companies Ordinance.

2. Application of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) - INT 11	HKFRS 2 - Group and treasury share transactions
HK(IFRIC) - INT 12	Service concession arrangements
HK(IFRIC) - INT 14	HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of the new HKFRSs had no material effect on how the Group's results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs [1]
HKAS 1 (Revised)	Presentation of financial statements [2]
HKAS 23 (Revised)	Borrowing costs [2]
HKAS 27 (Revised)	Consolidated and separate financial statements [3]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation [2]
HKAS 39 (Amendment)	Eligible hedged items [3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate [2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [2]
HKFRS 3 (Revised)	Business combinations [3]
HKFRS 7 (Amendment)	Improving disclosures about financial instruments [2]
HKFRS 8	Operating segments [2]
HK(IFRIC) - INT 9 & HKAS 39 (Amendments)	Embedded derivatives [4]
HK(IFRIC) - INT 13	Customer loyalty programmes [5]
HK(IFRIC) - INT 15	Agreements for the construction of real estate [2]
HK(IFRIC) - INT 16	Hedges of a net investment in a foreign operation [6]
HK(IFRIC) - INT 17	Distribution of non-cash assets to owners [3]
HK(IFRIC) - INT 18	Transfer of assets from customers [7]

1 Effective for accounting periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for accounting periods beginning on or after 1 July 2009.
2 Effective for accounting periods beginning on or after 1 January 2009.
3 Effective for accounting periods beginning on or after 1 July 2009.
4 Effective for accounting periods ending on or after 30 June 2009.
5 Effective for accounting periods beginning on or after 1 July 2008.
6 Effective for accounting periods beginning on or after 1 October 2008.
7 Effective for transfers on or after 1 July 2009.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Revenue

Revenue represents the amount received and receivable for goods sold by the Group, net of discount and sales related tax. An analysis of the Group's revenue is as follows:

	2008	2007
	HK$'000	*HK$'000*
Manufacture and trading of garments	**2,325,193**	2,246,486
Retailing of garments	**272,838**	308,295
	2,598,031	2,554,781

4. Business and Geographical Segments

(a) Business segments

For management purposes, the Group is currently organised into two operating divisions – (i) manufacture and trading of garments and (ii) retailing of garments. These divisions are the basis on which the Group reports its primary segment information.

Consolidated income statement for the year ended 31 December 2008

	Manufacture and trading of garments	**Retailing of garments**	**Elimina-tions**	**Consoli-dated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
REVENUE				
External sales	**2,325,193**	**272,838**	**-**	**2,598,031**
Inter-segment sales (note)	**-**	**28,169**	**(28,169)**	**-**
Total	**2,325,193**	**301,007**	**(28,169)**	**2,598,031**
RESULT				
Segment result	**340,621**	**19,703**	**-**	**360,324**
Unallocated other income				**144,063**
Unallocated corporate expenses				**(338,975)**
Share of loss of jointly controlled entities	**(209)**	**-**	**-**	**(209)**
Finance costs				**(68,299)**
Profit before taxation				**96,904**
Income tax expense				**(18,551)**
Profit for the year				**78,353**

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

Consolidated balance sheet as at 31 December 2008

	Manufacture and trading of garments *HK$'000*	Retailing of garments *HK$'000*	Consolidated *HK$'000*
ASSETS			
Segment assets	**2,056,256**	**221,348**	**2,277,604**
Investments in jointly controlled entities	**19,862**	**-**	**19,862**
Unallocated corporate assets			**1,181,383**
Consolidated total assets			**3,478,849**
LIABILITIES			
Segment liabilities	**363,557**	**61,511**	**425,068**
Unallocated corporate liabilities			**1,443,524**
Consolidated total liabilities			**1,868,592**

Other information for the year ended 31 December 2008

	Manufacture and trading of garments *HK$'000*	Retailing of garments *HK$'000*	Consolidated *HK$'000*
Additions to property, plant and equipment	**227,566**	**18,838**	**246,404**
Addition to goodwill	**-**	**6,207**	**6,207**
Depreciation of property, plant and equipment	**64,013**	**17,187**	**81,200**
Amortisation of trademarks	**690**	**1,000**	**1,690**
Amortisation of prepaid lease payments	**2,118**	**574**	**2,692**
Allowance for bad and doubtful debts	**10,581**	**651**	**11,232**
Allowance for (write back) inventory obsolescence *	**7,564**	**(3,120)**	**4,444**
Impairment loss on amount due from a jointly controlled entity	**-**	**3,326**	**3,326**
Impairment loss recognised in respect of goodwill	**-**	**1,800**	**1,800**
Impairment loss recognised in respect of property, plant and equipment	**10,418**	**-**	**10,418**
Impairment loss recognised in respect of an intangible asset	**-**	**7,500**	**7,500**
Loss on disposal of property, plant and equipment	**2,066**	**444**	**2,510**

* Obsolete inventory allowance was written back when the relevant inventory was sold.

Consolidated income statement for the year ended 31 December 2007

	Manufacture and trading of garments *HK$'000*	Retailing of garments *HK$'000*	Elimina-tions *HK$'000*	Consoli-dated *HK$'000*
REVENUE				
External sales	2,246,486	308,295	-	2,554,781
Inter-segment sales (note)	-	8,643	(8,643)	-
Total	2,246,486	316,938	(8,643)	2,554,781
RESULT				
Segment result	349,802	53,040	-	402,842
Unallocated other income				37,889
Unallocated corporate expenses				(333,471)
Share of profit (loss) of jointly controlled entities	1,295	(1,456)		(161)
Gain (loss) on disposal of property, plant and equipment and prepaid lease payments	361,172	(1,403)		359,769
Gain on partial disposal of shares in a subsidiary				279,392
Impairment loss recognised in respect of property, plant and equipment				(1,400)
Finance costs				(32,168)
Profit before taxation				712,692
Income tax expense				(157,315)
Profit for the year				555,377

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

Consolidated balance sheet as at 31 December 2007

	Manufacture and trading of garments *HK$'000*	Retailing of garments *HK$'000*	Consolidated *HK$'000*
ASSETS			
Segment assets	2,244,822	239,795	2,484,617
Investments in jointly controlled entities	18,993	544	19,537
Unallocated corporate assets			807,122
Consolidated total assets			3,311,276
LIABILITIES			
Segment liabilities	428,190	68,897	497,087
Unallocated corporate liabilities			1,065,158
Consolidated total liabilities			1,562,245

Other information for the year ended 31 December 2007

	Manufacture and trading of garments *HK$'000*	Retailing of garments *HK$'000*	Consolidated *HK$'000*
Additions to property, plant and equipment	295,361	17,674	313,035
Addition to goodwill	-	22,008	22,008
Amortisation of trademarks	687	1,000	1,687
Amorisation of prepaid lease payments	2,228	518	2,746
Depreciation of property, plant and equipment	42,698	11,619	54,317
Allowance for bad and doubtful debts	7,016	917	7,933
Allowance for inventory obsolescence	7,805	8,124	15,929

(b) Geographical segments

The Group's operations are located in the United States of America ("USA"), Europe, Greater China and other areas.

The following table provides an analysis of the Group's sale by geographical market, irrespective of the origin of the goods:

	Sales revenue by geographical market	
	2008	2007
	HK$'000	*HK$'000*
USA	**1,501,270**	1,570,294
Europe	**442,110**	422,815
Greater China	**564,277**	492,390
Others	**90,374**	69,282
	2,598,031	2,554,781

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and goodwill, analysed by geographical area in which the assets are located:

	Carrying amount of segment assets		**Additions to property, plant and equipment, and goodwill**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
USA	**146,067**	122,770	**1,075**	216
Europe	**8,156**	17,562	**342**	339
Greater China	**2,122,210**	2,341,232	**232,355**	316,199
Others	**1,171**	3,053	**18,839**	18,289
	2,277,604	2,484,617	**252,611**	335,043

5. Finance Costs

	2008	2007
	HK$'000	*HK$'000*
Interest on:		
Bank loans and overdrafts wholly repayable within five years	**60,903**	25,723
Finance leases	**31**	41
Bank charges	**7,365**	6,404
	68,299	32,168

6. Income Tax Expense

	2008 *HK$'000*	2007 *HK$'000*
Current tax charge:		
Hong Kong	**1,546**	4,276
Other jurisdictions	**58,855**	45,716
Under(over)provision in prior years:		
Hong Kong	**13,971**	32,455
Other jurisdictions	**(1,253)**	(1,668)
	73,119	80,779
Deferred taxation:		
Current year	**(22,184)**	77,078
Attributable to a change in tax rate	**(32,384)**	(542)
	(54,568)	76,536
	18,551	157,315

The Hong Kong 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 to these group companies for the years of assessment 1999/2000, 2000/2001, 2001/2002 and 2002/2003. 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 31 December 2008, the Group has purchased tax reserve certificates of approximately HK$48,476,000 (2007: HK$32,382,000) for conditional standover order of objection against the notices of estimated additional assessment for the years of assessments 1999/2000, 2000/2001 and 2001/2002 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. The management has in the current year 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.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

Up to 31 December 2007, the PRC Enterprise Income Tax was calculated based on the statutory rate of 33% of the assessable profit for subsidiaries established in the PRC, as determined in accordance with the relevant income tax rules and regulations in the PRC, except for certain PRC subsidiaries enjoyed preferential income tax as set out below.

(i) Pursuant to the relevant laws and regulations in the PRC, certain of the Company's PRC subsidiaries are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction in the applicable tax rate for the next three years.

(ii) Pursuant to the relevant laws and regulations in the PRC, High Fashion (China) Co. Ltd., a principal subsidiary of the Company was entitled to a preferential income tax rate of 26.4% and subject to 50% reduction. Accordingly, High Fashion (China) Co., Ltd was subject to income tax rate of 13.2%.

On 16 March 2007, the PRC government promulgated the Law of the PRC on Enterprise Income Tax (the "New Law"). On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulations, the Enterprise Income Tax rate has changed to 25% from 1 January 2008.

According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprises Income Tax (Guofa 2007 No. 39), the tax rate of the Company's PRC subsidiaries that previously enjoyed the tax preferential treatment as set out in (i) above is 12.5%.

In December 2008, High Fashion (China) Co. Ltd. has been recognised as an advanced technology enterprise in the PRC and it is subject to income tax rate of 15% during the period from year 2008 to year 2011.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

7. Profit for the Year

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

	2008	2007
	HK$'000	*HK$'000*
Depreciation and amortisation		
Owned assets	**80,868**	54,024
Leased assets	**332**	293
Amortisation of trademarks (included in selling and distribution expenses)	**1,690**	1,687
Amortisation of prepaid lease payments	**2,692**	2,746
Allowance for bad and doubtful debts (included in administrative expenses)	**11,232**	7,933
Allowance for inventory obsolescence (included in cost of sales)	**4,444**	15,929
Net foreign exchange (gain) loss	**(28,270)**	6,601
Gain on derivative hedging instruments transferred from equity (included in cost of sales)	**(65,327)**	(29,662)
Loss on derivative hedging instruments transferred from equity (included in finance costs)	**2,317**	-
Gain on derivative hedging instruments in respect of discontinued cash flow hedges (included in other income)	**(29,773)**	-
Investment income earned on loans and receivables		
- Bank interest income	**(31,088)**	(5,585)
- Interest income on other receivables	**(6,184)**	-
Investment income earned on financial assets or financial liabilities designated at fair value through profit or loss		
- Income from derivative financial instruments	**(16,287)**	-
- Interest income from structured deposits	**(5,503)**	-

8. Earnings Per Share

The calculation of basic and diluted earnings per share attributable to equity holders of the Company for the year ended 31 December 2008 together with the comparative figures for 2007 are based on the following data:

	2008	2007
	HK$'000	*HK$'000*
Profit for the purpose of basic and diluted earnings per share attributable to equity holders of the Company	**90,635**	566,616
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	**325,613,918**	332,372,541
Effect of dilutive potential ordinary shares assuming exercise of share options	**-**	273,713
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**325,613,918**	332,646,254

9. Dividends

	2008	2007
	HK$'000	*HK$'000*
Dividend recognised as distribution and paid during the year:		
Interim dividend – HK 3 cents per ordinary share (2007: HK 5 cents)	**9,706**	16,573
Special interim dividend – nil (2007: HK 10 cents per ordinary share)	**-**	33,147
Final dividend – HK 5 cents per ordinary share (2007: HK7 cents)	**16,367**	23,319
Special final dividend – HK 10 cents per ordinary share (2007: nil)	**32,733**	-
Additional final dividend paid arising from shares issued under share option scheme	**-**	71
	58,806	73,110

The final dividend of HK 3 cents (2007: HK 5 cents and a special dividend of HK 10 cents) per ordinary share has been proposed by the directors and is subject to the approval by the Company's shareholders at the forthcoming annual general meeting.

10. Trade Receivables

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

The aged analysis of the Group's trade receivables net of allowance for doubtful debts at the balance sheet date is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within 90 days	**269,471**	310,871
91 to 180 days	**22,218**	12,109
181 to 360 days	**4,218**	4,491
Over 360 days	**1,010**	960
	296,917	328,431

11. Trade Payables

The following is an aged analysis of the trade payables at the balance sheet date:

	2008	2007
	HK$'000	*HK$'000*
Within 90 days	**137,792**	172,309
91 to 180 days	**6,963**	5,880
181 to 360 days	**6,759**	12,341
Over 360 days	**18,599**	12,997
	170,113	203,527
Accrued purchases	**93,452**	92,550
	263,565	296,077

MANAGEMENT DISCUSSION AND ANALYSIS

Results

Revenue for the year ended 31 December 2008 increased to HK$2.6 billion. Net profit attributable to shareholders for the year ended 31 December 2008 was HK$91 million, compared with a reported profit of HK$567 million of last year. There were one-off gains on partial disposal of interests in a subsidiary and disposal of property in Liu Xia district, Hangzhou of HK$525 million in the last year profit. Basic earnings per share were HK$0.28. Net asset value per share was HK$4.8.

Review of Operations

The segmental information is as follows:-

	Revenue		Contribution	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
By principal activity:				
Manufacturing and trading	**2,325,193**	2,246,486	**196,447**	135,417
Retailing	**272,838**	308,295	**(31,035)**	(16,501)
	2,598,031	2,554,781	**165,412**	118,916
By geographical segments:				
USA	**1,501,270**	1,570,294	**86,686**	99,828
Europe	**442,110**	422,815	**15,976**	6,509
Greater China	**564,277**	492,390	**56,989**	4,850
Others	**90,374**	69,282	**5,761**	7,729
	2,598,031	2,554,781	**165,412**	118,916

The Group recorded a healthy growth in both revenue and operating profit of our core manufacturing and trading business when compared with last year. The profit for the Greater China of 2008 included the interest income from fixed and structured deposits and derivative financial instruments of HK$53 million.

Geographically, the United States continued to be the Group's major export market, accounting for 58% of revenue for the year of 2008. However, this represents a fall from 61% in 2007 and reflects our success in geographical diversification. Our brand business, August Silk accounted for 39% (2007: 32%) of our revenue in the USA. August Silk's operation reported profit for consecutive years.

Sales to the European market has increased to 17% of revenue for the year of 2008, a well-planned business strategy and a prudent approach to cushion the impact of global financial tsunami.

We will continue to intensify our business activities through aggressive marketing strategies to expand our business portfolio in both the USA and Europe.

The revenue of our retail group of Theme amounted to HK$273 million. The retailing business recorded a net operating loss of HK$31 million for the year of 2008 due to over-inventory problem and poor retail result in both PRC and Taiwan.

Liquidity and Financial Resources

The Group's total outstanding bank borrowings were increased to HK$1,185 million at the balance sheet date compared to HK$858 million as at 31 December 2007. The increase in bank borrowing was mainly due to our hedging facilities arrangement during the year. Our gearing ratio of non-current liabilities to shareholders' funds was only 14% at the balance sheet date. Current ratio has been maintained at a healthy level of 1.4.

The Group's total cash and bank balances were HK$1,004 million at the balance sheet date compared to HK$672 million as at 31 December 2007. Based on the comfortable cash position and the ample banking facilities available, the Group had a very strong working capital and liquidity to meet its operating needs.

The Group's receivables were mainly denominated in US dollar. Bank borrowings were denominated in US dollar, Hong Kong dollar and Renminbi. 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 year.

The Group has no material contingent liabilities. Barring the pledge of trade receivables, bills receivables and bank deposits of certain subsidiaries of HK$81 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 provisions were made on the Hong Kong sourced income. Since the tax audit is still at a fact-finding stage, the outcome of the tax audit cannot be readily ascertained. After consulting with professional advisers, the management is of the opinion that the existing provisions are adequate.

Human Resources

The total number of employees of the Group including jointly-controlled entities as at the balance sheet date was about 11,000. 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 year.

Capital Expenditure

The Group entered into construction contracts to construct the production complex and living quarter complex at the Xiaoshan district of Hangzhou leading to the increase in the construction in progress and buildings by HK$177 million during the year. Except for the above, there was no material capital expenditure during the year.

FINAL DIVIDEND

The Board recommends a final dividend of HK 3 cents (2007: final dividend of HK 5 cents and special dividend of HK 10 cents) per ordinary share for the year ended 31 December 2008 at the forthcoming annual general meeting to be held on 16 June 2009. Subject to the shareholders' approval, the final dividend will be payable on or about 29 June 2009 to shareholders whose names appear on the Register of Members on 16 June 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 10 June 2009 to Tuesday, 16 June 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's sub-registrar and transfer agent in Hong Kong, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Tuesday, 9 June 2009.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in Appendix 14 Code on Corporate Governance Practices (the "Code") of the Listing Rules throughout the year ended 31 December 2008, except for the following deviation :

Code provision A.1.1

Under the code provision A.1.1 of the Code, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.

In 2008, the Board meetings held three times a year. The Board believes that such arrangements were adequate to cover all major issues arising throughout the year ended 31 December 2008. In any event, all Directors were available for consultation by management from time to time during the year.

Code provision A.2.1

Under the code provision A.2.1 of the 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.

AUDIT COMMITTEE AND FINANCIAL INFORMATION

The Company has an Audit Committee which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The terms of reference of the Audit Committee were duly revised in accordance with the provisions set out in the Code.

The members of the Company's Audit Committee, which comprises two non-executive directors and three independent non-executive directors have reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2008.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the year, the Company repurchased 8,836,000 (2007: 6,366,000) ordinary shares of HK$0.10 each of the Company on The Stock Exchange of Hong Kong Limited as follows:

Month of the repurchases	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate consideration paid (including direct costs)
		HK$	HK$	HK$
April 2008	584,000	2.89	2.80	1,661,901
May 2008	860,000	2.93	2.85	2,494,801
June 2008	792,000	2.97	2.68	2,228,235
July 2008	1,806,000	2.70	2.47	4,714,394
August 2008	668,000	2.57	2.45	1,710,640
September 2008	530,000	1.98	1.78	991,270
October 2008	1,898,000	2.03	1.63	3,510,462
November 2008	872,000	1.65	1.47	1,351,726
December 2008	826,000	1.55	1.47	1,273,771
	8,836,000			**19,937,200**

The above repurchased shares were cancelled during the year and the issued share capital of the Company was reduced by the par value thereof. An amount equivalent to the par value of the shares cancelled has been transferred from the accumulated profits of the Company to the capital redemption reserve.

The repurchase of the Company's shares during the year was effected by the directors, pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value and earnings per share of the Group.

Save as disclosed herein, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Company (www.highfashion.com.hk) and the designated issuer website of Stock Exchange (www.hkexnews.hk).

The 2008 annual report of the Company will be dispatched to the shareholders of the Company and available on the above websites in due course.

MEMBERS OF THE BOARD

As at the date of this announcement, the Board of the Company comprises of (1) executive directors: Mr. Lam Foo Wah and Ms. So Siu Hang, Patricia; (2) non-executive directors: Mr. Chan Wah Tip, Michael and Professor Yeung Kwok Wing; and (3) independent non-executive directors: Mr. Woo King Wai, Mr. Wong Shiu Hoi, Peter and Mr. Leung Hok Lim.

By Order of the Board
Lam Foo Wah
Chairman

Hong Kong, 7 April 2009