High Fashion International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 608)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

CHAIRMAN'S STATEMENT

The net profit attributable to shareholders for the six months ended 30 June 2009 was HK$48.3 million. The Board of Directors declared an interim dividend of 3 HK cents per share for the six months ended 30 June 2009.

The global financial crisis in 2008 that triggered a downturn in the world economy appears to be stabilizing with improving market sentiment in the second half of 2009. The financial market, however, will continue to be unstable with structural correction in economic fundamentals being underway, leading to uncertainty in sustainable recovery on a broader base. We view this unprecedented market difficulty as an opportunity to accelerate our strategic initiatives that we have been formulating for our long term growth, to excel from our quality silk apparel leadership to brand building global enterprise. This is our goal.

At times of economic downturn, impaired market confidence added tremendous pressure to fashion apparel market with USA and Europe being hard hit the most. Continuous sluggish market demand dominated by price conscious consumers is inevitable and will prevail in the foreseeable future. In anticipation of market changes, we have swiftly enriched our product mix to reposition ourselves as the market leader in the ladies apparel industry. We will continue to leverage on our solid foundation with clear and focused strategy on new and innovative silk product development, technology advancement and investment in branded products for the Chinese market to lessen the impact as a result of the financial tsunami.

While consumer sentiment in the US remains weak, our pursuit of market diversification did show some encouraging result. Improvement in European business through new marketing strategy has provided us a solid platform to maximize the upside potential when the market recovers. With the Mainland economy proven to be more resilient than the rest of the world, our strategic direction on brand building in China presents us an exciting opportunity to benefit from the continuous growth of the China economy. Retail operations in the PRC will be strengthened through innovation in marketing, merchandising, distinctive product and quality customer service. We are confident that a strong retail presence in China will add good value to the Group as a whole.

Theme has been undergoing several restructuring exercises in the past but with disappointing results. In view that the unit can hardly turn profitable, we have introduced significant corporate restructuring to turn it around. This move will not only bring benefits to shareholders of both High Fashion and Theme, it will also facilitate the build-up of the Group's presence in the China market through structured deployment and integration of resources.

On 8 September 2009, High Fashion was among the 146 companies awarded the accreditation of " Backbone Enterprise in the Leading Industries of Zhejiang Province" from the Zhejiang provincial government. The objective of this accreditation is to encourage, assist, and promote the escalation of industrial transformation among the awardees in terms of technologies, markets, human resources, taxation and funding, turning them into first class international enterprises. This can be viewed as High Fashion's second significant achievement further to similar support from the municipal government of Hangzhou. We are running an in-depth analysis into our organization, structure and strategic direction to prepare ourselves in order to take full advantage of the provincial government's most important new policy. It is expected that it will help to speed up our transformation into a world class enterprise.

Last but not least, I would like to take this opportunity to express our gratitude to shareholders, customers, suppliers and my fellow Directors for their support. I would also like to thank our talented and dedicated staff for their loyalty and contributions to the Group.

RESULTS

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 2009 together with the comparative figures.

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2009

		Six months ended 30 June	
		2009	2008
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3*	**1,143,699**	1,379,647
Cost of sales		**(775,525)**	(1,008,016)
Gross profit		**368,174**	371,631
Other income		**28,773**	48,013
Other gains and losses	*4*	**10,289**	21,265
Administrative expenses		**(173,594)**	(173,514)
Distribution and selling expenses		**(145,918)**	(174,755)
Finance costs	*5*	**(24,698)**	(33,313)
Share of profit (loss) of jointly controlled entities		**220**	(1,294)
PROFIT BEFORE TAXATION		**63,246**	58,033
Income tax expense	*6*	**(30,201)**	(20,425)
PROFIT FOR THE PERIOD	*7*	**33,045**	37,608
Other comprehensive income (expense)			
Surplus on revaluation of properties		**-**	11,700
Share of other comprehensive income of jointly controlled entities		**-**	1,079
Exchange difference arising on translation		**342**	83,077
Increase (decrease) in fair value changes on cash flow hedges		**2,917**	(7,430)
Transfer to profit and loss on cash flow hedges		**(41,249)**	(33,282)
Income tax relating to components of other comprehensive income		**6,520**	5,623
Other comprehensive (expense) income for the period (net of tax)		**(31,470)**	60,767
Total comprehensive income for the period		**1,575**	98,375
Profit for the period attributable to:			
Owners of the Company		**48,348**	41,573
Minority interests		**(15,303)**	(3,965)
		33,045	37,608
Total comprehensive income (expense) attributable to:			
Owners of the Company		**17,272**	98,449
Minority interests		**(15,697)**	(74)
		1,575	98,375
EARNINGS PER SHARE	*8*		
Basic		**15.20 HK cents**	12.66 HK cents

Condensed Consolidated Statement of Financial Position
At 30 June 2009

	Notes	**30 June 2009 (Unaudited)** *HK$'000*	31 December 2008 (Audited) *HK$'000* (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**918,066**	911,227
Prepaid lease payments		**76,898**	78,443
Deposits for acquisition of land use rights		**56,038**	18,148
Investment properties		**102,800**	102,700
Goodwill		**-**	28,215
Intangible assets		**1,546**	1,890
Investments in associates		**-**	-
Investments in jointly controlled entities		**20,082**	19,862
Available-for-sale investments		**675**	675
Deferred tax assets		**5,162**	7,101
Derivative hedging instruments		**-**	22,239
Long-term receivables		**54,540**	-
Structured deposit		**53,003**	-
		1,288,810	1,190,500
CURRENT ASSETS			
Inventories		**299,199**	371,815
Trade receivables	*10*	**250,513**	296,917
Bills receivable	*10*	**33,473**	71,447
Prepaid lease payments		**1,429**	1,509
Deposits, prepayments and other receivables		**274,024**	399,131
Amounts due from jointly controlled entities		**1,072**	17,713
Tax recoverable		**60,570**	49,141
Derivative hedging instruments		**59,344**	76,623
Structured deposits		**236,654**	226,753
Short-term deposits		**90,909**	376,704
Pledged bank deposits		**-**	142
Bank balances and cash		**595,461**	400,454
		1,902,648	2,288,349
CURRENT LIABILITIES			
Trade payables	*11*	**247,882**	263,565
Bills payable	*11*	**100,362**	3,807
Other payables and accruals		**146,498**	155,926
Amount due to a jointly controlled entity		**-**	25,630
Amount due to an associate		**595**	595
Tax payable		**180,582**	171,393
Derivative financial instruments		**22,298**	23,166
Obligations under finance leases		**84**	88
Bank borrowings		**759,080**	1,007,578
Bank overdrafts		**-**	447
		1,457,381	1,652,195

Condensed Consolidated Statement of Financial Position (Cont'd)
At 30 June 2009

	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000 (Restated)
NET CURRENT ASSETS	**445,267**	636,154
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,734,077**	1,826,654
NON-CURRENT LIABILITIES		
Obligations under finance leases	**62**	81
Bank borrowings	**94,000**	177,000
Deferred tax liabilities	**57,384**	54,487
Provision for long service payments	**1,399**	1,770
	152,845	233,338
	1,581,232	1,593,316
CAPITAL AND RESERVES		
Share capital	**31,722**	31,998
Share premium and reserves	**1,500,111**	1,496,055
Equity attributable to owners of the Company	**1,531,833**	1,528,053
Minority interests	**49,399**	65,263
TOTAL EQUITY	**1,581,232**	1,593,316

Notes to the Condensed Consolidated Financial Statements

1. Basis of Preparation

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

2. Principal Accounting Policies

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

In the current period, the Group has applied a number of new and revised standards, amendments and interpretations ("New and Revised HKFRSs") that are effective for the Group's financial year beginning on 1 January 2009. Except as described below, the same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2008.

HKFRS 8 Operating segments

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments. However, the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss and amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8 (see note 3).

HKAS 1 (revised 2007) Presentation of financial statements

HKAS 1 (revised 2007) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (revised 2007) has had no impact on the reported results or financial position of the Group.

HKAS 23 (Revised 2007) Borrowing costs

HKAS 23 (Revised 2007) removes the option available under the previous version of the standard to recognise all borrowing costs as expenses immediately and requires all such borrowing costs to be capitalised as part of the cost of the qualifying asset. The Group has applied the transitional requirements in HKAS 23 (Revised 2007) and applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. As the Group did not incurred borrowing costs for the qualifying assets, the change has had no impact on amounts reported in prior and current accounting periods.

Improvements to HKFRSs issued in 2008

HKAS 1 *Presentation of Financial Statements* has been amended to clarify whether derivatives that are classified as held for trading in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement* should be presented as current or non-current. The amendment requires derivatives that are held primarily for trading purposes to be presented as current regardless of their maturity dates. In addition, the amendment requires derivatives that are not held for trading purposes to be classified as current or non-current on the basis of their settlement dates. Prior to the amendment, the Group presented all derivative hedging instruments that are financial assets not classified as held for trading in accordance with HKAS 39. The amendment has had no impact on the Group's results for the reported periods. However, the amendment has resulted in derivative hedging instruments with carrying amount of HK$22,239,000, as at 31 December 2008, being reclassified from current to non-current based on their maturity dates. As at 30 June 2009, all derivative hedging instruments have been presented as current as they are due within twelve months after the end of the reporting period.

The adoption of the other New and Revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no other prior period adjustment has been recognised.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 27 (Revised 2008)	Consolidated and separate financial statements[1]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[3]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[3]
HKFRS 3 (Revised 2008)	Business combinations[1]
HK(IFRIC) - INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) - INT 18	Transfers of assets from customers[4]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for transfers on or after 1 July 2009.

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised 2008) 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 other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Segment information

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The Group's executive directors are the chief operating decision maker as they collectively make strategic decisions towards the Group's operation. In contrast, the predecessor standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments.

In prior years, the Group's primary segment information was analysed on the basis of the types of business carried out by the Group including two operating divisions - (i) manufacture and trading of garments and (ii) retailing of garments. And in fact, information reported to the Group's executive directors for the purposes of resource allocation and assessment of performance also focuses on these two operating divisions. Accordingly, the application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. However, the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss and amounts reported for the prior period have been restated to conform to the requirements of HKFRS8.

The following is an analysis of the Group's revenue and results by operating segment for the periods under review:

Condensed consolidated statement of comprehensive income for the six months ended 30 June 2009 (unaudited)

	Manufacture and trading of garments *HK$'000*	**Retailing of garments** *HK$'000*	**Elimina-tions** *HK$'000*	**Consoli-dated** *HK$'000*
REVENUE				
External sales	**1,032,020**	**111,679**	**-**	**1,143,699**
Inter-segment sales (Note)	**-**	**13,491**	**(13,491)**	**-**
Total	**1,032,020**	**125,170**	**(13,491)**	**1,143,699**
RESULT				
Segment profit (loss)	**126,380**	**(38,656)**	**-**	**87,724**
Finance costs				**(24,698)**
Share of profit of jointly controlled entities				**220**
Profit before taxation				**63,246**

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

Condensed consolidated statement of comprehensive income for the six months ended 30 June 2008 (unaudited)

	Manufacture and trading of garments *HK$'000*	Retailing of garments *HK$'000*	Elimina-tions *HK$'000*	Consoli-dated *HK$'000*
REVENUE				
External sales	1,212,002	167,645	-	1,379,647
Inter-segment sales (Note)	-	7,613	(7,613)	-
Total	1,212,002	175,258	(7,613)	1,379,647
RESULT				
Segment profit (loss)	101,378	(8,738)		92,640
Finance costs				(33,313)
Share of loss of jointly controlled entities				(1,294)
Profit before taxation				58,033

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 share of profit or loss of jointly controlled entities and finance costs. This is the measure reported to the Group's executive directors for the purposes of resources allocation and performance assessment. In previous period, the segment profit (loss) also excluded unallocated administrative expenses, directors' salaries, other income and other gains and losses.

The total assets of the Group as at the interim report date do not differ significantly since the latest annual report date.

4. Other Gains and Losses

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Gain (loss) on disposal of property, plant and equipment and prepaid lease payments	**53,387**	(130)
Reversal of allowance (allowance) for bad and doubtful debts	**4,986**	(8,727)
Changes in fair value of derivative financial instruments	**868**	(16,459)
Net foreign exchange gain	**845**	37,261
Increase in fair value of investment properties	**100**	9,320
Discount on acquisition of additional interest in a subsidiary	**91**	-
Impairment loss on property, plant and equipment	**(10,460)**	-
Allowance for amount due from a jointly controlled entity	**(11,313)**	-
Impairment loss on goodwill	**(28,215)**	-
	10,289	21,265

5. Finance costs

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank loans and overdrafts wholly repayable within five years	**21,201**	30,096
Finance leases	**6**	21
Bank charges	**3,491**	3,196
	24,698	33,313

6. Income tax expense

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax charge:		
Hong Kong	**11,000**	1,394
Other jurisdictions	**7,845**	13,843
	18,845	15,237
Underprovision in prior years:		
Other jurisdictions	**-**	3,265
Deferred taxation:		
Current period	**11,356**	2,446
Attributable to a change in tax rate	**-**	(523)
	11,356	1,923
	30,201	20,425

As disclosed in the annual reports published in respect of previous year, 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 to these group companies for the years of assessment 1999/2000 to 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 30 June 2009, the Group has purchased tax reserve certificates of HK$60,570,000 (31 December 2008: HK$48,476,000), in aggregate, for conditional standover order of objection against the notices of estimated additional assessment for the years of assessment 1999/2000 to 2002/2003 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. In the opinion of the directors, the provisions made in previous years are adequate for the purpose mentioned above.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the current and prior periods.

During both periods, the PRC enterprise income tax ("PRC Enterprise Income Tax") was calculated based on the statutory rate of 25% of the assessable profits 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 enjoying 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. Therefore, the applicable tax rate of these PRC subsidiaries is 12.5% for both periods.

(ii) During the period ended 30 June 2008, pursuant to the relevant laws and regulations in the PRC, High Fashion (China) Co. Ltd. ("High Fashion China"), a principal subsidiary of the Company, was entitled to a preferential income tax rate of 13.2%.

In December 2008, High Fashion China has been recognised as an advanced technology enterprise in the PRC and it is entitled to a preferential income tax rate of 15% during the period from year 2009 to year 2010.

Taxation arising in other jurisdictions is recognised at the rates prevailing in the relevant jurisdictions for the six months ended 30 June 2009 and 2008.

7. Profit for the period

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

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation and amortisation		
Owned assets	**40,510**	34,916
Leased assets	**136**	179
Amortisation of trademarks (included in selling and distribution expenses)	**344**	846
Amortisation of prepaid lease payments	**754**	1,172
	41,744	37,113
Allowance (reversal of allowance) for inventory obsolescence (included in cost of sales)	**1,154**	(1,428)
Gain on derivative hedging instruments transferred from equity (included in cost of sales)	**(41,249)**	(32,564)
Investment income earned on		
- bank deposits	**(10,244)**	(15,427)
- structured deposits	**(5,575)**	(3,593)
- derivative financial instruments	**(3,334)**	(13,050)

8. Earnings per share

The calculation of basic earnings per share attributable to the owners of the Company for the six months ended 30 June 2009 together with the comparative figures for 2008 are based on the following data:

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the purpose of basic earnings per share attributable to owners of the Company	**48,348**	41,573
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	**318,154,657**	328,294,012

There was no diluted earnings per share presented for both periods as there were no dilutive ordinary shares outstanding.

9. Dividends

During the current interim period, a final dividend of 3 HK cents (six months ended 30 June 2008: final and special dividends of 5 HK cents and 10 HK cents respectively) per share, amounting to HK$9,516,000 (six months ended 30 June 2008: in aggregate HK$49,134,000), was declared and paid to the shareholders for the year ended 31 December 2008.

The Board declared that an interim dividend of 3 HK cents per share for the six months ended 30 June 2009 (six months ended 30 June 2008: 3 HK cents) which will be paid to shareholders whose names appear in the register of members on 9 October 2009. This dividend was declared after the end of the interim reporting date, and therefore has not been included as a liability in the condensed statement of financial position.

10. 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:

	30 June 2009 (Unaudited) *HK$'000*	31 December 2008 (Audited) *HK$'000*
Within 90 days	**237,332**	269,471
91 to 180 days	**9,674**	22,218
181 to 360 days	**2,512**	4,218
Over 360 days	**995**	1,010
	250,513	296,917

All bills receivable are aged within 90 days.

11. Trade Payables and Bills Payable

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

	30 June 2009 (Unaudited) *HK$'000*	31 December 2008 (Audited) *HK$'000*
Trade payables:		
Within 90 days	**147,148**	137,792
91 to 180 days	**21,923**	6,963
181 to 360 days	**12,055**	6,759
Over 360 days	**11,714**	18,599
	192,840	170,113
Accrued purchases	**55,042**	93,452
	247,882	263,565

The average credit period on purchase of goods is 90 days. All bills payable are aged with 90 days.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

Turnover for the six months ended 30 June 2009 decreased to HK$1.1 billion. The operating profit for the six months ended 30 June 2009 was HK$31.5 million, compared with last corresponding period operating profit of HK$32.2 million. There were exceptional gain on disposal of a land in Hangzhou of HK45 million and an impairment loss on goodwill of HK$28 million in the current period profit. The net profit attributable to shareholders for the six months ended 30 June 2009 was HK$48.3 million, compared with a reported profit of HK$41.6 million of last corresponding period. Basic earnings per share were 15.2 HK cents. Net asset value per share was HK$4.8.

Review of Operations

The segmental information is as follows:-

	Revenue		Contribution	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
By principal activity:				
Manufacturing and trading	**1,032,020**	1,212,002	**126,380**	101,378
Retailing	**111,679**	167,645	**(38,656)**	(8,738)
	1,143,699	1,379,647	**87,724**	92,640
By geographical segments:				
USA	**656,125**	850,117	**55,331**	65,827
Europe	**242,714**	217,449	**17,712**	10,203
Greater China	**208,583**	262,150	**10,653**	11,991
Others	**36,277**	49,931	**4,028**	4,619
	1,143,699	1,379,647	**87,724**	92,640

The Group recorded a drop in revenue for our core manufacturing and trading business when compared with last corresponding period because of the economic slowdown from subprime crisis and financial tsunami but the contribution improved. The profit for the Greater China of the first half of 2009 included an exceptional gain on disposal of a land in Hangzhou of HK$45 million and an impairment loss on goodwill of HK$28 million in the current period profit. The profit for the Greater China of the first half of 2008 included a fair value gain on investment properties of HK$9.3 million.

Geographically, the United States continued to be the Group's major export market, accounting for 57% of turnover for 2009. Our branded business, August Silk accounted for 22% (2008: 22%) of the Group's turnover. August Silk's operation reported profit for two consecutive periods.

Sales to the European market recorded a healthy growth in both revenue and contribution. It contributed 21% (2008: 16%) of total turnover for 2009, an encouraging sign of improvement in our geographical segmentation for a well-balance business portfolio. We will intensify our business activities through aggressive marketing strategies to enhance our market share in Europe.

The turnover of retailing amounted to HK$112 million, decreasing by 33% when compared with 2008. The loss on retailing was mainly from the impairment loss on non current assets and the poor performance of the business of a distribution agency. The retailing business recorded a net operating loss of HK$38.7 million for 2009 (2008: HK$8.7 million). The loss for the first half of 2009 included an allowance for an amount due from a jointly controlled entity of HK$11 million and an impairment loss on property, plant and equipment of HK$10 million.

Liquidity and Financial Resources

The Group's total outstanding bank borrowings were decreased to HK$853 million at the end of interim reporting period compared to HK$1,185 million as at 31 December 2008. Our gearing ratio of non-current liabilities to shareholders' funds was 10% at the end of interim reporting period. Current ratio maintained at a healthy level of 1.3.

The Group's total cash and bank balances were HK$976 million at the end of interim reporting period compared to HK$1,004 million as at 31 December 2008. Based on the comfortable cash position and the ample banking facilities available, the Group had a very strong working capital and liquidity to meet the operating needs.

The Group's trade receivables were mainly denominated in US dollars. Bank borrowings were denominated in US dollars, Hong Kong dollars 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 period.

The Group has no material contingent liabilities. Barring the pledge of trade receivables of certain subsidiaries of HK$67 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.

Human Resources

The total number of employees of the Group including jointly-controlled entities as at the end of interim reporting period was about 12,000. 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 period.

Capital Expenditure

The Group purchased the plant and equipment of HK$66.8 million in order to upgrade its manufacturing capabilities during the period. Except for the above, there was no material capital expenditure during the period.

Event after the end of interim period

On 8 August 2009, the wholly-owned subsidiary of the Company and the immediate holding company of Theme International Holdings Limited (“Theme”), Navigation Limited (“Navigation”), entered into an agreement with Theme to acquire Theme International Holdings (BVI) Limited and its subsidiaries (other than Taiwan Vision Company Limited and Da Hua Li Company Limited).

On 8 August 2009, Navigation entered into an agreement with an independent third party to sell its 63.28% interests in Theme at a consideration of HK$110.6 million.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 3 HK cents per share for the six months ended 30 June 2009 (six months ended 30 June 2008: interim dividend of 3 HK cents) on the shares in issue amounting to HK$9,516,000 (six months ended 30 June 2008 : HK$9,723,000), to the shareholders whose names appear on the Register of Members on 9 October 2009. The dividend will be payable on or about 19 October 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 7 October 2009 to Friday, 9 October 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim 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 not later than 4:30 p.m. on Tuesday, 6 October 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 accounting period for the six months ended 30 June 2009, except for the following deviation:

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.

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 2009.

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

During the period, the Company repurchased a total of 2,764,000 shares (six months ended 30 June 2008: 2,236,000 shares) of HK$0.10 each of the Company on The Stock Exchange of Hong Kong Limited as follows:

Month of the repurchase	**Number of shares repurchased**	**Highest price paid per share**	**Lowest price paid per share**	**Aggregate consideration paid (including direct costs)**
		HK$	HK$	HK$
January 2009	900,000	1.58	1.48	1,375,756.21
February 2009	840,000	1.45	1.38	1,195,162.25
April 2009	546,000	1.37	1.29	728,652.30
May 2009	478,000	1.40	1.38	671,904.58
	2,764,000			3,971,475.34

The above repurchased shares were cancelled during the period 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 period 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, the Company had not redeemed any of the Company's listed securities, and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the period.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The 2009 Interim 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
High Fashion International Limited
Lam Foo Wah
Chairman & Managing Director

Hong Kong, 21 September 2009