High Fashion International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 608)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

CHAIRMAN'S STATEMENT

Revenue for the six months ended 30 June 2010 increased to HK$1.3 billion, up 11% as compared with last corresponding period. Net profit attributable to shareholders for the six months ended 30 June 2010 was HK$97 million, compared with last corresponding period of HK$48 million. The Board of Directors has declared an interim dividend of 5 HK cents per share. The Company's net asset value per share at the end of interim reporting period was HK$5.5.

The global economy continues to develop in a diversified manner, which will inevitably bring about different challenges, competition, and crises. In anticipation of the advent of these great changes, our staff have vigorously made preparation for and are ready to respond to them rapidly. With the award of "Backbone Enterprise in the Leading Industries of Zhejiang Province" by the government, we will undertake the glorious responsibility as a backbone enterprise in silk industry.

In the first half, the whole Group had made cohesive efforts and taken initiatives to plan ahead, while at the same time earnestly put our plan in action, with a view to transform the Group into the next level of development.

Our three brand businesses, silk brand 丝绸世界 SILK WORLD, 丝绸故事 SILK LEGEND and August moon 雅慕, fashion brand as AUGUST SILK, august silk, Theme and Cslr 城市俪人, and silk fabric brand 達利霞 Highfashion, which were mainly established to develop the PRC market, have achieved satisfactory growth and progress in the first half. We are forging ahead to power up our brand businesses and create and attain our competitive edge in the market. The businesses of “Theme” and “CSLR” started to record profit in the first half while our brand in the USA “August silk” continued its sound growth and consistently provided satisfactory profit contribution. We are fully confident and excited with, and hold high expectations of, the future of our Group’s brand businesses, especially our brand businesses in the PRC.

In the first half, while the manufacturing business in the global markets was still very difficult, we managed to progress. Faced with an extremely challenging, diversified and unstable future, we need to speed up our business transformation with concentration and dedication. In respect of our established direction and goals, including proactively exploring the market and developing new products and techniques, the Group will confront the future with determination and conviction. We have full confidence in establishing our leadership as the number one silk enterprise in the world through “growth through establishing strength” and “advancement by transformation and innovation”.

I would like to take this opportunity to express my gratitude to all shareholders, customers, suppliers and my fellow Directors for their support. I would also like to thank our loyal staff from various regions for their dedication and contribution in furthering the mission of 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 2010 together with the comparative figures.

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2010

		Six months ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3*	**1,268,267**	1,143,699
Cost of sales		**(917,504)**	(775,525)
Gross profit		**350,763**	368,174
Other income		**31,224**	28,773
Other gains and losses	*4*	**64,982**	10,289
Administrative expenses		**(165,661)**	(173,594)
Selling and distribution expenses		**(132,420)**	(145,918)
Finance costs	*5*	**(20,392)**	(24,698)
Share of (loss) profit of jointly controlled entities		**(925)**	220
PROFIT BEFORE TAXATION		**127,571**	63,246
Income tax expense	*6*	**(30,508)**	(30,201)
PROFIT FOR THE PERIOD	*7*	**97,063**	33,045
OTHER COMPREHENSIVE INCOME (EXPENSE)	*8*		
Exchange differences arising on translation		**13,593**	342
(Loss) gain on fair value changes on cash flow hedges		**(9,349)**	2,917
Reclassification to profit and loss on cash flow hedges		**(24,377)**	(41,249)
Income tax relating to components of other comprehensive income		**4,529**	6,520
Other comprehensive income (expense) for the period, net of tax		**(15,604)**	(31,470)
Total comprehensive income for the period		**81,459**	1,575
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		**97,063**	48,348
Non-controlling interests		**-**	(15,303)
		97,063	33,045
TOTAL COMPREHENSIVE INCOME (EXPENSE) ATTRIBUTABLE TO:			
Owners of the Company		**81,459**	17,272
Non-controlling interests		**-**	(15,697)
		81,459	1,575
EARNINGS PER SHARE	*9*		
Basic and diluted		**31.61 HK cents**	15.20 HK cents

Condensed Consolidated Statement of Financial Position
At 30 June 2010

	Notes	**30 June 2010 (Unaudited) *HK$'000***	31 December 2009 (Audited) *HK$'000* (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**840,239**	862,842
Prepaid lease payments		**60,791**	67,131
Deposits for property, plant and equipment and prepaid lease payments		**49,769**	31,877
Investment properties		**234,857**	211,568
Intangible assets		**859**	1,203
Investments in associates		-	-
Investments in jointly controlled entities		**18,811**	19,620
Available-for-sale investments		**675**	675
Deferred tax assets		**10,763**	9,064
Long-term receivables		-	31,813
Deposit placed for a life insurance		**22,012**	-
Derivative financial instruments		-	2,422
		1,238,776	1,238,215
CURRENT ASSETS			
Inventories		**399,696**	333,964
Trade receivables	*11*	**354,752**	292,836
Bills receivable	*11*	**42,062**	63,868
Prepaid lease payments		**1,326**	1,167
Deposits, prepayments and other receivables		**188,925**	302,799
Amounts due from jointly controlled entities		**2,957**	1,985
Tax recoverable		**75,684**	63,532
Derivative financial instruments		**54,595**	34,850
Structured deposits		**391,123**	280,607
Short-term deposits		**449,898**	301,714
Bank balances and cash		**557,546**	452,125
		2,518,564	2,129,447
CURRENT LIABILITIES			
Trade payables	*12*	**337,021**	251,723
Bills payable	*12*	**37**	20,721
Other payables and accruals		**174,473**	194,447
Amounts due to jointly controlled entities		**301**	4,637
Amount due to an associate		**592**	595
Tax payable		**226,297**	185,049
Derivative financial instruments		**8,663**	10,209
Obligations under finance leases		**237**	297
Bank borrowings		**1,014,460**	908,354
Bank overdrafts		**266**	51
		1,762,347	1,576,083

Condensed Consolidated Statement of Financial Position (Cont'd)
At 30 June 2010

	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000 (Restated)
NET CURRENT ASSETS	**756,217**	553,364
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,994,993**	1,791,579
NON-CURRENT LIABILITIES		
Obligations under finance leases	**285**	411
Bank borrowings	**271,000**	82,000
Deferred tax liabilities	**44,015**	62,576
Derivative financial instruments	**7,188**	4,181
Provision for long service payments	**2,384**	2,948
	324,872	152,116
	1,670,121	1,639,463
CAPITAL AND RESERVES		
Share capital	**30,462**	30,913
Share premium and reserves	**1,639,659**	1,608,550
Equity attributable to owners of the Company	**1,670,121**	1,639,463

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").

The functional currency of the Company is Renminbi, the currency of the primary economic environment in which the Company and its major subsidiaries operate. For the purpose of the preparation of the condensed consolidated financial statements and convenience of the financial statements users, the results and financial position of the Group are presented in Hong Kong dollars ("HK$").

2. Principal Accounting Policies

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009 except as described below.

In current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

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

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

Except as described below, the application of other new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Amendment to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the condensed consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payments to property, plant and equipment retrospectively. This resulted in a reclassification of prepaid lease payments with previous carrying amounts of HK$4,282,000 and HK$3,987,000 as at 1 January 2009 and 31 December 2009 respectively to property, plant and equipment that are measured at cost model. In addition, the depreciation charge for the period had been increased by HK$52,000 (six months ended 30 June 2009: HK$55,000) whereas the amortisation of prepaid lease payments had been decreased by HK$52,000 (six months ended 30 June 2009: HK$55,000) accordingly. Both depreciation charge and amortisation of prepaid lease payments are included in administrative expenses.

Summary of the effect of the above changes in accounting policies

The effect of changes in accounting policies described above on the condensed consolidated statements of financial position of the Group as at 31 December 2009 and 1 January 2009 are as follows:

	As at 31.12.2009 *HK$'000* (originally stated)	Adjustments *HK$'000*	As at 31.12.2009 *HK$'000* (restated)
Property, plant and equipment	858,855	3,987	862,842
Prepaid lease payments	72,285	(3,987)	68,298
Total effects on net assets	931,140	-	931,140

	As at 1.1.2009 *HK$'000* (originally stated)	Adjustments *HK$'000*	As at 1.1.2009 *HK$'000* (restated)
Property, plant and equipment	911,227	4,282	915,509
Prepaid lease payments	79,952	(4,282)	75,670
Total effects on net assets	991,179	-	991,179

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 9	Financial Instruments[5]
HK(IFRIC) - INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) - INT 19	Extinguishing Financial Liabilities with Equity Instruments[3]

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
[2] Effective for annual periods beginning on or after 1 February 2010
[3] Effective for annual periods beginning on or after 1 July 2010
[4] Effective for annual periods beginning on or after 1 January 2011
[5] Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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

In previous years, the Group's operating segments are determined based on the types of business carries out by the Group including two operating divisions - (i) manufacture and trading of garments and (ii) retailing of garments. As disclosed in the Group's annual report for 2009, the Group changed the structure of internal organisation in January 2010, which resulted in redesignation of its operating segments. Under the new structure of internal organisation, the information reported to the chief operating decision maker, the Group's executive directors, for the purposes of resources allocation and performance assessment, is analysed based on the types of goods sold, including (i) manufacture and trading of garments and (ii) brand business. Accordingly, the redesignation of operating segments resulted in a change in the basis of measurement of the Group's operating segment revenue and results and the amounts reported for prior period have also been restated to conform to such redesignation.

Information regarding the above segments is reported below.

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

For the six months ended 30 June 2010 (unaudited)

	Manufacture and trading of garments	**Brand business**	**Segment total**	**Elimination**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
REVENUE					
External sales	**912,685**	**355,582**	**1,268,267**	**-**	**1,268,267**
Inter-segment sales (Note)	**33,747**	**-**	**33,747**	**(33,747)**	**-**
Segment revenue	**946,432**	**355,582**	**1,302,014**	**(33,747)**	**1,268,267**
RESULT					
Segment profit	**117,552**	**30,411**	**147,963**	**-**	**147,963**
Finance costs					**(20,392)**
Profit before taxation					**127,571**

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

For the six months ended 30 June 2009 (unaudited)

	Manufacture and trading of garments	Brand business	Segment total	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
External sales	788,756	354,943	1,143,699	-	1,143,699
Inter-segment sales (Note)	20,614	-	20,614	(20,614)	-
Segment revenue	809,370	354,943	1,164,313	(20,614)	1,143,699
RESULT					
Segment profit (loss)	125,515	(37,571)	87,944	-	87,944
Finance costs					(24,698)
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.

Segment profit (loss) represents the profit (loss) earned or incurred 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.

As the assets and liabilities for operating segments are not provided to the Company's executive directors for the purposes of resources allocation and performance assessment, no segment assets and liabilities are presented accordingly.

4. Other Gains and Losses

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Changes in fair value of derivative financial instruments	**54,552**	868
Increase in fair value of investment properties	**22,749**	100
Reversal of allowance for bad and doubtful debts	**464**	4,986
Impairment loss recognised in respect of property, plant and equipment	**(10,237)**	(10,460)
Impairment loss recognised in respect of amount due from a jointly controlled entity	**(1,382)**	(11,313)
Impairment loss recognised in respect of goodwill	**-**	(28,215)
Net foreign exchange (loss) gain	**(912)**	845
(Loss) gain on disposal of property, plant and equipment and prepaid lease payments	**(252)**	53,387
Discount on acquisition of additional interest in a subsidiary	**-**	91
	64,982	10,289

5. Finance Costs

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank loans and overdrafts wholly repayable within five years	**16,336**	21,201
Finance leases	**25**	6
Bank charges	**2,892**	3,491
Loss on derivative financial instruments designated as cash flow hedge reclassified from other comprehensive income	**1,139**	-
	20,392	24,698

6. Income Tax Expense

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax charge:		
Hong Kong	**12,207**	11,000
PRC	**29,581**	6,550
Other jurisdictions	**4,453**	1,295
	46,241	18,845
Deferred taxation – Current period	**(15,733)**	11,356
	30,508	30,201

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 to these group companies for the years of assessment 1999/2000 to 2003/2004. 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 2010, the Group has purchased tax reserve certificates of approximately HK$75,684,000 (31 December 2009: HK$60,570,000), in aggregate, for conditional standover order of objection against the notices of estimated additional assessment for the years of assessment 1999/2000 to 2003/2004 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 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.

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for current and prior periods, except for the following PRC subsidiaries entitled to preferential tax rates.

High Fashion (China) Co., Ltd. and High Fashion Silk (Zhejiang) Co., Ltd. have been recognised as advanced technology enterprises in the PRC in 2008 and 2009, respectively. They are subject to an income tax rate of 15% for three years starting from the year being recognised as advanced technology enterprises.

During current and prior periods, certain PRC subsidiaries were subject to income tax rate of 12.5% pursuant to the relevant laws and regulations in the PRC.

Taxation arising in other jurisdictions is recognised at the rates prevailing in the relevant jurisdictions for current and prior periods.

7. Profit for the Period

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

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Depreciation and amortisation		
Owned assets	**36,530**	40,565
Leased assets	**137**	136
Amortisation of trademarks (included in selling and distribution expenses)	**344**	344
Amortisation of prepaid lease payments	**842**	699
	37,853	41,744
(Written back) allowance for inventory obsolescence (included in cost of sales) (Note)	**(9,448)**	1,154
Gain on derivative financial instruments reclassified from other comprehensive income (included in cost of sales)	**(25,516)**	(41,249)
Investment income earned on:		
- bank interest income	**(7,223)**	(10,244)
- structured deposits	**(5,680)**	(5,575)
- derivative financial instruments	**-**	(3,334)

Note : For the period ended 30 June 2010, excess obsolete inventory provisions are written back when the relevant inventories are sold.

8. Other Comprehensive Income (Expense)

	Six months ended 30 June 2010 (Unaudited) *HK$'000*	2009 (Unaudited) *HK$'000*
Exchange differences arising on translating foreign operations:		
Exchange differences arising during the period	**13,593**	342
Cash flow hedges:		
(Loss) gain on fair value changes on cash flow hedges	**(9,349)**	2,917
Reclassification adjustments to profit or loss	**(24,377)**	(41,249)
Other comprehensive income (expense)	**(33,726)**	(38,332)
Income tax relating to components of other comprehensive income:		
Fair value changes on cash flow hedge	**4,529**	6,520
Other comprehensive income (expense) for the year, net of tax	**(15,604)**	(31,470)

9. Earnings Per Share

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

	Six months ended 30 June 2010 (Unaudited) *HK$'000*	2009 (Unaudited) *HK$'000*
Profit for the purpose of basic and diluted earnings per share attributable to owners of the Company	**97,063**	48,348
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**307,064,624**	318,154,657

10. Dividends

During current interim period, a final dividend of 5 HK cents (six months ended 30 June 2009: 3 HK cents) per share, amounting to HK$15,253,000 (six months ended 30 June 2009: HK$9,516,000), and a special dividend of 8 HK cents per share, amounting to HK$24,406,000 were declared and paid to the shareholders for the year ended 31 December 2009.

The Board declared an interim dividend of 5 HK cents per share for the six months ended 30 June 2010 (six months ended 30 June 2009: 3 HK cents) which will be paid to shareholders whose names appear in the register of members on 15 September 2010. 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. 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 2010 (Unaudited)	31 December 2009 (Audited)
	HK$'000	*HK$'000*
Within 90 days	**335,756**	284,470
91 to 180 days	**15,072**	6,203
181 to 360 days	**2,674**	1,780
Over 360 days	**1,250**	383
	354,752	292,836

At the end of the reporting period, bills receivable of HK$35,081,000 (31 December 2009: HK$41,124,000) are aged within 90 days and the remaining amount of HK$6,981,000 (31 December 2009: HK$22,744,000) are aged between 91 days and 180 days. Included in the bills receivable are approximately HK$33,174,000 (31 December 2009: HK$37,445,000) discounted bills with recourse.

12. Trade Payables and Bills Payable

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

	30 June 2010 (Unaudited)	31 December 2009 (Audited)
	HK$'000	*HK$'000*
Trade payables:		
Within 90 days	**151,682**	117,081
91 to 180 days	**13,724**	8,744
181 to 360 days	**3,629**	11,529
Over 360 days	**11,096**	4,714
	180,131	142,068
Accrued purchases	**156,890**	109,655
	337,021	251,723

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

MANAGEMENT DISCUSSION AND ANALYSIS

Results

Revenue for the six months ended 30 June 2010 increased to HK$1.3 billion, up 11%. Net profit attributable to shareholders for the six months ended 30 June 2010 was HK$97 million, compared with last corresponding period of HK$48 million. Basic earnings per share was 31.6 HK cents. Net asset value per share was HK$5.5.

Review of Operations

The segmental information is as follows:-

	Revenue		Contribution	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
By principal activity:				
Manufacturing and trading	**912,685**	788,756	**117,552**	125,515
Brand business	**355,582**	354,943	**30,411**	(37,571)
	1,268,267	1,143,699	**147,963**	87,944
By geographical segments:				
USA	**711,190**	656,125	**57,672**	46,633
Europe	**246,042**	242,714	**7,579**	12,674
Greater China	**252,201**	208,583	**79,933**	25,342
Others	**58,834**	36,277	**2,779**	3,295
	1,268,267	1,143,699	**147,963**	87,944

The revenue of our own brand business increased in the first half of 2010. The contribution improved sharply, which was mainly contributed from the Greater China brand business of Theme and CSLR. We have achieved encouraging results in the first half of 2010.

We have delivered an encouraging set of results against an uncertain and unstable external environment in not only our major export market, the USA, but also the European nations in the period under review. Our August Silk brand in the USA, to the contrary, has demonstrated its resilience with remarkable profit contribution recorded in the third consecutive year. We will continue to leverage on our proven success on brand building strategic initiatives with full implementation to capitalize on emerging opportunities in the vibrant, affluent consumer market in Mainland China.

Our strategic penetration in the European market continues to be on a healthy track albeit in a mist of relatively sharp depreciation of Euro currency. We will be very cautious of the fragile recovery and expect to have an increase of our market share in the region in accordance with our diversification business plan.

The profit for the Greater China of the first half of 2010 included an exceptional gain on fair value gain of derivative financial instrument of HK$40 million, which is the financial instruments for hedging Rmb for the year from 2010 to 2012 and an increase in fair value of investment properties of HK$19 million in the current period profit.

Liquidity and Financial Resources

The Group's total outstanding bank borrowings were increased to HK$1,285 million at the end of interim reporting period compared to HK$990 million as at 31 December 2009. 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 19% at the end of interim reporting period. Current ratio maintained at a healthy level of 1.43.

The Group's total cash and bank balances were HK$1,398 million at the end of interim reporting period compared to HK$1,034 million as at 31 December 2009. 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, 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$33 million, there were no charges on the Group's assets.

Tax Audit

The Inland Revenue Department (IRD) initiated a tax audit on certain group companies in February 2006 for the years of assessment from 1999/2000 onwards. The management is of the opinion that, in all the years, adequate Hong Kong tax provision were made on the Hong Kong sourced income. Since the tax audit is still at a fact-finding stage, the outcome of the tax audit cannot be readily ascertained. After consulting with professional advisers, the management is of the opinion that the existing provisions are adequate.

Human Resources

The total number of employees of the Group including jointly-controlled entities as at the end of interim reporting period was about 10,300. 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$23 million in order to upgrade its manufacturing capabilities during the period. Except for the above, there was no material capital expenditure during the period.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 5 HK cents per share for the six months ended 30 June 2010 (six months ended 30 June 2009: interim dividend of 3 HK cents) on the shares in issue amounting to HK$15,222,000 (six months ended 30 June 2009: HK$9,516,000), to the shareholders whose names appear on the Register of Members on 15 September 2010. The dividend will be payable on or about 27 September 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 13 September 2010 to Wednesday, 15 September 2010, 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 Friday, 10 September 2010.

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 2010, 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 2010.

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

During the period, the Company repurchased a total of 4,510,000 shares (six months ended 30 June 2009: 2,764,000 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 2010	50,000	1.80	1.80	90,425.10
February 2010	1,652,000	1.90	1.78	3,086,715.76
April 2010	460,000	2.79	2.73	1,275,950.73
May 2010	2,348,000	2.90	2.73	6,689,128.83
	4,510,000			11,142,220.42

The above repurchase 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 2010 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, 26 August 2010