High Fashion International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 608)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

CHAIRMAN'S STATEMENT

I am pleased to report that our strategic focus on strengthening the Group's platform for long term growth produced encouraging solid result in 2010.

- Revenue for the year ended 31 December 2010 was HK$2.7 billion, up 20%
- Net profit attributable for the year ended 31 December 2010 was HK$217 million, up 31%
- Basic earnings per share was HK$0.71
- Net asset per share was HK$6.1
- Final dividend per share was HK$0.13 and the total dividend payment for the year will amount to HK$0.18 per share as compared with last year of HK$0.16 per share

The global economic recovery has certainly made some progress, albeit it is a very polarized recovery and still vulnerable to the challenges of the fragile US and European economies. Economic growth in China, on the contrary, is expected to remain robust this year, though at a less rapid pace.

Aided by the reviving consumer market in China as a continuous driver of economic growth, we have since proactively prepared ourselves with timely implementation of strategic measures to take full advantage of the abundant opportunities amplified by favourable market fundamentals in China.

While we are deeply saddened by the suffering and devastation caused by the recent 9.0 magnitude earthquake, tsunami and subsequent nuclear crisis in Japan, it has not caused any direct impact on the financial and business operations of the Group.

Brand Business

In pursuit of our strategic initiative on multi-brand portfolio development on august silk, AS AUGUST SILK, 丝绸世界 SILK WORLD, 丝绸故事 SILK LEGEND, August moon 雅慕, Theme, Cslr 城市俪人, which all yielded satisfactory progress in line with our expectation, our august silk brand business in the USA has provided improved contribution on both sales and profit to the Group. We consider this a very encouraging market response to our enhanced brand recognition as a result of our quality product and reserve, providing a firm foothold for our brand expansion in China.

Manufacturing Business

While we continue to see a wealth of growth opportunities for our brand business in China, we have never underestimated the dampening impact of the inflationary pressure in our country on our manufacturing export business. Running in parallel with our relentless efforts on staying lean and competitive through constant operation integration and process automation, we have taken decisive initiative proactively in rebalancing our marketing strategy, moving upstream through our proven strength in product innovation to tap the higher end market with impeccable quality products at an affordable price level. We believe that the upmarket segment will create the greatest long term value to the Group.

Through our continuous product transformation, innovation and upscaling, we shall continue to maintain our edge and leadership in the silk apparel industry.

Looking ahead, 2011 will be an exciting year full of challenges and opportunities. We have well equipped ourselves and will enter the year with great hope and enthusiasm. Given the unfailing efforts of our quality and loyal staff, our capital strength and our uniquely created platform for future growth and expansion, we shall continue to implement our mission as the world's no.1 silk enterprise.

I would like to take this opportunity to express my gratitude to the shareholders, banks, customers, suppliers and my fellow Directors for their support. I would also like to especially thank our 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 audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010 together with the comparative figures for the year ended 31 December 2009 are set out as follows: -

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2010

	Notes	**2010** **HK$'000**	2009 HK$'000
REVENUE	*3*	**2,724,299**	2,271,566
Cost of sales		**(2,060,386)**	(1,581,413)
Gross profit		**663,913**	690,153
Other income		**71,364**	68,516
Other gains and losses	*5*	**161,738**	82,622
Administrative expenses		**(310,534)**	(323,250)
Selling and distribution expenses		**(275,918)**	(278,931)
Finance costs	*6*	**(39,287)**	(45,900)
Share of losses of jointly controlled entities		**(295)**	(753)
PROFIT BEFORE TAXATION		**270,981**	192,457
Income tax expense	*7*	**(53,969)**	(35,007)
PROFIT FOR THE YEAR	*8*	**217,012**	157,450
OTHER COMPREHENSIVE INCOME (EXPENSE)	*9*		
Gain on revaluation of properties		**-**	39,577
Share of other comprehensive income of jointly controlled entities		**718**	1
Exchange difference arising on translation		**69,493**	(2,282)
Reclassification of translation reserve to profit and loss on disposal of subsidiaries		**-**	6,287
Gain on fair value changes on cash flow hedges		**32,744**	10,915
Reclassification to profit and loss on cash flow hedges		**(31,583)**	(77,457)
Income tax relating to components of other comprehensive income		**(4,266)**	4,958
Other comprehensive income (expense) for the year, net of tax		**67,106**	(18,001)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**284,118**	139,449

	Note	2010 HK$'000	2009 HK$'000
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**217,012**	165,507
Non-controlling interests		**-**	(8,057)
		217,012	157,450
TOTAL COMPREHENSIVE INCOME (EXPENSE) ATTRIBUTABLE TO:			
Owners of the Company		**284,118**	148,418
Non-controlling interests		**-**	(8,969)
		284,118	139,449
EARNINGS PER SHARE			
Basic and diluted	*10*	**HK$0.71**	HK$0.52

Consolidated Statement of Financial Position
At 31 December 2010

	Notes	**31/12/2010** **HK$'000**	31/12/2009 HK$'000 (Restated)	1/1/2009 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment		**852,372**	862,842	915,509
Prepaid lease payments		**91,799**	67,131	74,270
Investment properties		**268,035**	211,568	102,700
Goodwill		**-**	-	28,215
Intangible assets		**516**	1,203	1,890
Investments in jointly controlled entities		**20,043**	19,620	19,862
Available-for-sale investments, at cost		**675**	675	675
Deferred tax assets		**21,503**	9,064	7,101
Long-term deposits, prepayments and other receivables		**43,960**	63,690	18,148
Derivative financial instruments		**48,108**	2,422	22,239
Structured deposits		**52,941**	-	-
		1,399,952	1,238,215	1,190,609
CURRENT ASSETS				
Inventories		**455,785**	333,964	371,815
Trade receivables	12	**425,429**	292,836	296,917
Bills receivable	13	**39,702**	63,868	71,447
Prepaid lease payments		**2,436**	1,167	1,400
Deposits, prepayments and other receivables		**184,317**	302,799	399,131
Amounts due from jointly controlled entities		**2,931**	1,985	17,713
Tax recoverable		**75,684**	63,532	49,141
Derivative financial instruments		**80,993**	34,850	76,623
Structured deposits		**351,765**	280,607	226,753
Short-term deposits		**488,615**	301,714	376,704
Pledged bank deposits		**-**	-	142
Bank balances and cash		**622,156**	452,125	400,454
		2,729,813	2,129,447	2,288,240
CURRENT LIABILITIES				
Trade payables	14	**337,577**	251,723	263,565
Bills payable	14	**340**	20,721	3,807
Other payables and accruals		**223,208**	194,447	155,926
Amounts due to jointly controlled entities		**3**	4,637	25,630
Amount due to an associate		**592**	595	595
Tax payable		**229,848**	185,049	171,393
Derivative financial instruments		**10,728**	10,209	23,166
Obligations under finance leases		**273**	297	88
Bank borrowings		**1,389,382**	990,354	1,184,578
Bank overdrafts		**441**	51	447
		2,192,392	1,658,083	1,829,195

	31/12/2010	31/12/2009	1/1/2009
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	*(Restated)*
NET CURRENT ASSETS	**537,421**	471,364	459,045
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,937,373**	1,709,579	1,649,654
NON-CURRENT LIABILITIES			
Obligations under finance leases	**333**	411	81
Deferred tax liabilities	**80,971**	62,576	54,487
Derivative financial instruments	**-**	4,181	-
Provision for long service payments	**2,492**	2,948	1,770
	83,796	70,116	56,338
	1,853,577	1,639,463	1,593,316
CAPITAL AND RESERVES			
Share capital	**30,322**	30,913	31,998
Share premium and reserves	**1,823,255**	1,608,550	1,496,055
Equity attributable to owners of the Company	**1,853,577**	1,639,463	1,528,053
Non-controlling interests	**-**	-	65,263
TOTAL EQUITY	**1,853,577**	1,639,463	1,593,316

Notes to the Consolidated Financial Statements

1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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 and by the Hong Kong Companies Ordinance.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

<u>New and revised standards, amendments and interpretations applied in the current year</u>

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 39 (Amendments)	Eligible hedged items
HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HK(IFRIC) - INT 17	Distributions of non-cash assets to owners
HK - INT 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidation financial statements.

Amendments 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 consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require 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 amendments 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 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. In addition, the depreciation charge for the year had been increased by HK$104,000 (2009: HK$107,000) whereas the amortisation of prepaid lease payments had been decreased by HK$104,000 (2009: HK$107,000) accordingly. Both depreciation charge and amortisation of prepaid lease payments are included in administrative expenses.

HK INT 5 Presentation of financial statements - Classification by the borrower of a term loan that contains a repayment on demand clause

The HK INT 5 Presentation of financial statements - Classification by the borrower of a term loan that contains a repayment on demand clause clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK INT 5 for the first time in the current year. HK INT 5 requires retrospective application.

In order to comply with the requirements set out in HK INT 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK INT 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK$82,000,000 and HK$177,000,000 as at 31 December 2009 and 1 January 2009 respectively have been reclassified from non-current liabilities to current liabilities. As at 31 December 2010, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK$241,400,000 have been classified as current liabilities. The application of HK INT 5 has had no impact on the reported profit or loss for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities.

Amendments to HKAS 7 Statement of cash flows

As part of the consequential amendments of HKAS 27, HKAS 7 specifies that the cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control should be classified as financing activities in the statement of cash flows. This change has been applied retrospectively. This application has resulted in reclassification of the consideration for acquisition of additional interest in subsidiaries amounting to approximately HK$6,281,000 paid in 2009 be reclassified from investing activities to financing activities in the consolidated statement of cash flows.

Summary of the effects of the above changes in accounting policies

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

	31 December 2009 *HK$'000* (originally stated)	Adjustments *HK$'000*	31 December 2009 *HK$'000* (restated)
Property, plant and equipment	858,855	3,987	862,842
Prepaid lease payments	72,285	(3,987)	68,298
Bank borrowings – current	(908,354)	(82,000)	(990,354)
Bank borrowings – non-current	(82,000)	82,000	-
Total effects on net assets	(59,214)	-	(59,214)

	1 January 2009 *HK$'000* (originally stated)	Adjustments *HK$'000*	1 January 2009 *HK$'000* (restated)
Property, plant and equipment	911,227	4,282	915,509
Prepaid lease payments	79,952	(4,282)	75,670
Bank borrowings – current	(1,007,578)	(177,000)	(1,184,578)
Bank borrowings – non-current	(177,000)	177,000	-
Total effects on net assets	(193,399)	-	(193,399)

The application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in the consolidated statement of comprehensive income and basic and diluted earnings per share for the current and prior years.

New and revised standards, amendments and interpretations issued but not yet effective

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 issued in 2010 [1]
HKFRS 7 (Amendments)	Disclosures – transfers of Financial Assets [3]
HKFRS 9	Financial instruments [4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of underlying assets [5]
HKAS 24 (Revised)	Related party disclosures [6]
HKAS 32 (Amendments)	Classification of rights issues [7]
HK(IFRIC) - INT 14 (Amendments)	Prepayments of a minimum funding requirement [6]
HK(IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments [2]

[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 July 2010.
[3] Effective for annual periods beginning on or after 1 July 2011.
[4] Effective for annual periods beginning on or after 1 January 2013.
[5] Effective for annual periods beginning on or after 1 January 2012.
[6] Effective for annual periods beginning on or after 1 January 2011.
[7] Effective for annual periods beginning on or after 1 February 2010.

HKFRS 9 "Financial Instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial Instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and that the application of the new standard will affect the classification and measurement of the Group's available-for-sale investment and may affect the classification and measurement of the Group's other assets. Specifically, HKFRS 9 requires available-for-sale investments be measured at fair values, however, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKAS 12 titled "Deferred Tax: Recovery of Underlying Assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property". Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances.

If the presumption is not rebutted, the directors anticipate that the application of the amendments to HKAS 12 may have a significant impact on deferred tax recognised for investment properties that are measured using the fair value model. The application of this new standard may result in additional deferred tax liabilities being provided with the corresponding adjustment being recognised in accumulated profits.

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 consolidated financial statements.

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:

	2010 *HK$'000*	2009 *HK$'000*
Manufacture and trading of garments	**1,896,599**	1,487,653
Brand business	**827,700**	783,913
	2,724,299	2,271,566

4. 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.

The Group's operating and reportable segments are (i) manufacture and trading of garments and (ii) brand business.

<u>Segment revenue and results</u>

The following is an analysis of the Group's revenue and results by operating segment.

For the year ended 31 December 2010

	Manufacture and trading of garments *HK$'000*	**Brand business** *HK$'000*	**Segment total** *HK$'000*	**Elimina-tions** *HK$'000*	**Consoli-dated** *HK$'000*
REVENUE					
External sales	**1,896,599**	**827,700**	**2,724,299**	**-**	**2,724,299**
Inter-segment sales (Note)	**330,043**	**-**	**330,043**	**(330,043)**	**-**
Segment revenue	**2,226,642**	**827,700**	**3,054,342**	**(330,043)**	**2,724,299**
RESULT					
Segment profit	**286,340**	**26,624**	**312,964**	**(2,696)**	**310,268**
Finance costs					**(39,287)**
Profit before taxation					**270,981**

For the year ended 31 December 2009

	Manufacture and trading of garments *HK$'000*	Brand business *HK$'000*	Segment total *HK$'000*	Elimina-tions *HK$'000*	Consoli-dated *HK$'000*
REVENUE					
External sales	1,487,653	783,913	2,271,566	-	2,271,566
Inter-segment sales (Note)	255,772	-	255,772	(255,772)	-
Segment revenue	1,743,425	783,913	2,527,338	(255,772)	2,271,566
RESULT					
Segment profit (loss)	247,434	(7,155)	240,279	(1,922)	238,357
Finance costs					(45,900)
Profit before taxation					192,457

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

The accounting policies of the operating segments are the same as the Group's accounting policies. 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. Furthermore, 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.

Other segment information

For the year ended 31 December 2010

	Manufacture and trading of garments ***HK$'000***	**Brand Business** ***HK$'000***	**Consolidated** ***HK$'000***
Amounts included in the measure of segment profit or loss:			
Depreciation of property, plant and equipment	**63,459**	**9,492**	**72,951**
Amortisation of trademarks	**687**	**-**	**687**
Amortisation of prepaid lease payments	**1,669**	**-**	**1,669**
Allowance for bad and doubtful debts	**2,745**	**5,413**	**8,158**
Allowance for inventory obsolescence	**4,847**	**10,841**	**15,688**
Impairment loss in respect of amount due from a jointly controlled entity	**1,532**	**1,296**	**2,828**
Impairment loss in respect of property, plant and equipment	**9,050**	**31,323**	**40,373**
Impairment loss in respect of deposits, prepayments and other receivables	**-**	**2,056**	**2,056**
Changes in fair value of derivative financial instruments	**116,758**	**-**	**116,758**
Increase in fair value of investment properties	**30,000**	**22,598**	**52,598**
Loss on disposal of property, plant and equipment and prepaid lease payments	**1,283**	**50**	**1,333**

For the year ended 31 December 2009

	Manufacture and trading of garments *HK$'000*	Brand Business *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or loss:			
Depreciation of property, plant and equipment	85,087	13,141	98,228
Amortisation of trademarks	687	-	687
Amortisation of prepaid lease payments	787	478	1,265
Allowance for bad and doubtful debts	4,813	112	4,925
Allowance for (reversal of) inventory obsolescence	2,489	(2,290)	199
Impairment loss in respect of amount due from a jointly controlled entity	-	3,250	3,250
Impairment loss in respect of goodwill	28,215	-	28,215
Impairment loss in respect of property, plant and equipment	10,540	10,460	21,000
Changes in fair value of derivative financial instruments	8,756	-	8,756
Increase (decrease) in fair value of investment properties	5,900	(1,273)	4,627
Gain (loss) on disposal of property, plant and equipment and prepaid lease payments	54,921	(4,618)	50,303

Geographical information

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

The Group's revenue from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue		**Non-current assets**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
USA	**1,461,382**	1,277,251	**3,585**	4,561
Europe	**585,718**	446,099	**2,445**	2,813
Greater China	**566,401**	457,459	**1,276,354**	1,167,229
Others	**110,798**	90,757	**178**	18
	2,724,299	2,271,566	**1,282,562**	1,174,621

Note : Non-current assets excluded investments in jointly controlled entities, available-for-sale investments, deferred tax assets, long-term other receivables and deposit placed and prepayment of premium for a life insurance and derivative financial instruments.

Information about major customer

There is a single (2009 : single) customer from manufacture and trading of garments segment whose contributing over 10% of the total sales of the Group whose revenue is approximately HK$361 million (2009: HK$332 million).

5. Other Gains and Losses

	2010	2009
	HK$'000	*HK$'000*
(Loss) gain on disposal of property, plant and equipment and prepaid lease payments	**(1,333)**	50,303
Gain on disposal of subsidiaries	**-**	89,411
Allowance for bad and doubtful debts	**(8,158)**	(4,925)
Government compensation income (Note)	**38,236**	-
Changes in fair value of derivative financial instruments	**116,758**	(8,756)
Net foreign exchange gains	**8,894**	3,235
Increase in fair value of investment properties	**52,598**	4,627
Discount on acquisition of additional interest in a subsidiary	**-**	91
Impairment loss recognized		
- Goodwill	**-**	(28,215)
- Property, plant and equipment	**(40,373)**	(21,000)
- Amount due from a jointly controlled entity	**(2,828)**	(3,250)
- Deposits, prepayments and other receivables	**(2,056)**	-
Gain on derivative financial instruments reclassified from other comprehensive income to profit or loss in respect of discontinued cash flow hedges	**-**	1,101
	161,738	82,622

Note: Pursuant to an agreement entered into with Hangzhou government on 3 August 2010, the Group received a compensation for relocation from Hangzhou government of Renminbi ("RMB") 30,000,000 (equivalent to HK$34,482,000) (2009 : nil). The compensation relates to leasehold improvements and buildings on Liuxia Street which the Group vacated and accounted as disposal in 2007.

6. Finance Costs

	2010	2009
	HK$'000	*HK$'000*
Interest on:		
Bank loans and overdrafts wholly repayable within five years	**33,821**	40,645
Finance leases	**38**	24
Bank charges	**5,428**	5,231
	39,287	45,900

7. Income Tax Expense

	2010	2009
	HK$'000	*HK$'000*
Current tax charge (credit) :		
Hong Kong	**18,900**	6,080
The People's Republic of China ("PRC")	**29,007**	19,212
Other jurisdictions	**6,017**	4,033
Withholding tax paid in respect of distribution of PRC subsidiaries	**3,725**	-
(Over)underprovision in prior years:		
Hong Kong	**(443)**	-
PRC	**(5,077)**	(4,872)
Other jurisdictions	**(100)**	1,100
	52,029	25,553
Deferred taxation:		
Current year	**1,940**	9,747
Attributable to a change in tax rate	**-**	(293)
	1,940	9,454
	53,969	35,007

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 the 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, 2002/2003, 2003/2004 and 2004/2005. 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 2010, the Group has purchased tax reserve certificates of approximately HK$75,684,000 (2009: HK$60,570,000) for conditional standover order of objection against the notices of estimated additional assessment for the years of assessment 1999/2000, 2000/2001, 2001/2002, 2002/2003 and 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 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.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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% from 1 January 2008 onwards, except for High Fashion Silk (Zhejiang) Co., Ltd. and High Fashion (China) Co., Ltd.

High Fashion (China) Co., Ltd. and High Fashion Silk (Zhejiang) Co., Ltd. had 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.

For the year ended 31 December 2009, 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 calculated at the rates prevailing in the relevant jurisdictions.

8. Profit for the Year

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

	2010 ***HK$'000***	2009 *HK$'000* *(Restated)*
Depreciation and amortisation		
Owned assets	**72,668**	97,933
Leased assets	**283**	295
Amortisation of trademarks (included in selling and distribution expenses)	**687**	687
Amortisation of prepaid lease payments	**1,669**	1,265
Allowance for inventory obsolescence (included in cost of sales)	**15,688**	199
Gain on derivative financial instruments reclassified from other comprehensive income (included in cost of sales)	**(33,591)**	(76,356)
Loss on derivative financial instruments reclassified from other comprehensive income (included in finance costs)	**2,008**	-
Investment income earned on loans and receivables		
- Bank interest income	**(12,424)**	(15,403)
- Interest income on other receivables	**(344)**	(394)
Investment income earned on derivative financial instruments		
- Income from cross currency and interest rate swaps	**-**	(5,282)
- Interest income from structured deposits	**(17,514)**	(8,528)

9. Other Comprehensive Income (Expense)

	2010	2009
	HK$'000	*HK$'000*
Exchange differences arising on translating foreign operations:		
Exchange differences arising during the year	**69,493**	(2,282)
Reclassification adjustments relating to foreign operations disposed of during the year	**-**	6,287
	69,493	4,005
Cash flow hedges:		
Gain on fair value changes on cash flow hedges	**32,744**	10,915
Reclassification adjustments to profit or loss	**(31,583)**	(77,457)
	1,161	(66,542)
Gain on revaluation of properties	**-**	39,577
Share of other comprehensive income of jointly controlled entities	**718**	1
	718	39,578
Other comprehensive income (expense)	**71,372**	(22,959)
Income tax relating to components of other comprehensive income:		
- revaluation of properties	**-**	(7,641)
- fair value changes on cash flow hedge	**(9,731)**	(441)
- reclassification adjustments to profit or loss	**5,465**	13,040
	(4,266)	4,958
Other comprehensive income (expense) for the year, net of tax	**67,106**	(18,001)

10. Earnings Per Share

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

	2010	2009
	HK$'000	*HK$'000*
Profit for the purpose of basic and diluted earnings per share attributable to owners of the Company	**217,012**	165,507
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**305,448,107**	315,921,461

11. Dividends

	2010	2009
	HK$'000	*HK$'000*
Dividend recognised as distribution and paid during the year:		
Interim dividend – 5 HK cents per ordinary share for 2010 (2009: 3 HK cents for 2009)	**15,165**	9,458
Final dividend – 5 HK cents per ordinary share for 2009 (2009: 3 HK cents for 2008)	**15,253**	9,516
Special final dividend – 8 HK cents per ordinary share for 2009	**24,406**	-
	54,824	18,974

The final dividend of 13 HK cents (2009: final dividend of 5 HK cents and special dividend of 8 HK cents) per ordinary share has been proposed by the directors and are subject to the approval by the Company's shareholders at the forthcoming annual general meeting.

12. Trade Receivables

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:

	31/12/2010	31/12/2009
	HK$'000	*HK$'000*
Within 90 days	**395,040**	284,470
91 to 180 days	**27,983**	6,203
181 to 360 days	**2,126**	1,780
Over 360 days	**280**	383
	425,429	292,836

13. Bill Receivable

At the end of the reporting period, bills receivable of HK$38,803,000 (31/12/2009: HK$41,124,000) are aged within 90 days and the remaining amount of HK$899,000 (31/12/2009: HK$22,744,000) are aged between 91 days and 180 days. Included in the bills receivable is approximately HK$29,651,000 (31/12/2009: HK$37,445,000) discounted bills with recourse.

14. 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:

	31/12/2010	31/12/2009
	HK$'000	*HK$'000*
Within 90 days	**154,814**	117,081
91 to 180 days	**5,509**	8,744
181 to 360 days	**1,706**	11,529
Over 360 days	**4,064**	4,714
	166,093	142,068
Accrued purchases	**171,484**	109,655
	337,577	251,723

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

All bills payable are aged within 90 days.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

Revenue for the year ended 31 December 2010 was HK$2.7 billion. Net profit attributable to shareholders for the year ended 31 December 2010 was HK$217 million, compared with a profit of HK$166 million of 2009, up 31%. There were exceptional gains of HK$81 million as compared with last year of HK$106 million. Basic earnings per share were HK$0.71, up 37%. Net asset value per share increased from HK$5.3 to HK$6.1.

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	**1,896,599**	1,487,653	**283,644**	245,512
Brand business	**827,700**	783,913	**26,624**	(7,155)
	2,724,299	2,271,566	**310,268**	238,357
By geographical segments:				
USA	**1,461,382**	1,277,251	**105,874**	86,700
Europe	**585,718**	446,099	**29,066**	17,990
Greater China	**566,401**	457,459	**169,893**	127,867
Others	**110,798**	90,757	**5,435**	5,800
	2,724,299	2,271,566	**310,268**	238,357

The revenue of our brand business increased in the year of 2010. The contribution improved satisfactorily in line with our expectation, which was contributed from China and USA brand businesses. The brand business of August Silk increased its share of both revenue and contribution in the current year. Moving forward, we are diversifying our product offering and adding new brands to our brand business portfolio.

China consumer market continued to prosper in 2010, which helped in facilitating the growth of our retail brands in China. The Group would further expand the multi-brand portfolios to major cities, streamline the operation process, enhance the brand value to capture the new tastes of customers, and leverage the competitive advantages of the Group. We have already developed a strong foothold through our increasingly powerful brands as our perceived growth driver especially in the lucrative China retailing market.

In spite of the immense inflationary pressure with rising raw material costs and other operational overheads, the Group continued to deliver solid results in our manufacturing export business, through implementation of a series of effective measures to enhance our efficiency and competitiveness over the years. Not only our major export market, the USA, has depicted encouraging results, but also the European market with continuous sound improvement through strategized quality product innovation to capture the unexplored higher end market.

The profit for the Greater China of 2010 included an exceptional increase in fair value of investment properties net of tax of HK$43 million and government compensation income of HK$38 million in the current year contribution.

Liquidity and Financial Resources

The Group's total outstanding bank borrowings were increased to HK$1,390 million at the end of reporting period compared to HK$990 million as at 31 December 2009. The increase in bank borrowing was mainly due to our hedging arrangement during the year. Our gearing ratio of non-current liabilities to shareholders' funds was only 5% at the end of reporting period. Current ratio has been maintained at a healthy level of 1.25.

The Group's total cash and bank balances were HK$1,515 million at the end of 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 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 and bills receivables of certain subsidiaries of HK$106 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 end of the 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 year.

Capital Expenditure

The Group has purchased the plant and equipment and the leasehold improvement and construction in progress of around HK$86 million in order to upgrade its manufacturing capabilities 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 13 HK cents (2009: final dividend of 5 HK cents and special dividend of 8 HK cents) per ordinary share for the year ended 31 December 2010 at the forthcoming annual general meeting to be held on 2 June 2011. Subject to the shareholders' approval, the final dividend will be payable on or about 15 June 2011 to shareholders whose names appear on the Register of Members on 2 June 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 30 May 2011 to Thursday, 2 June 2011, 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 Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Friday, 27 May 2011.

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 2010, 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 2010, 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 2010. 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 2010.

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

During the year, the Company repurchased 5,912,000 (2009: 10,846,000) ordinary shares of HK$0.10 each of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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$
January 2010	50,000	1.80	1.80	90,425
February 2010	1,652,000	1.90	1.78	3,086,716
April 2010	460,000	2.79	2.73	1,275,951
May 2010	2,348,000	2.90	2.73	6,689,129
July 2010	182,000	2.46	2.40	445,988
September 2010	608,000	2.90	2.90	1,769,566
October 2010	538,000	2.99	2.85	1,605,491
November 2010	74,000	2.90	2.90	216,597
	5,912,000			**15,179,863**

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, 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 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 the Stock Exchange (www.hkexnews.hk).

The 2010 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
High Fashion International Limited
Lam Foo Wah
Chairman & Managing Director

Hong Kong, 30 March 2011