High Fashion International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 608)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2011

CHAIRMAN'S STATEMENT

Despite the continual turbulence of the global economy and unresolved major economic issues, the Group achieved a satisfactory growth and performance during the first half of 2011.

- Revenue for the period was HK$1.38 billion, up 9.2%
- Net profit for the period was HK$148 million, up 52%
- Basic earnings per share was HK$0.49
- Net asset value per share was HK$6.8
- An interim dividend per share of HK$0.07

Our major development strategy is to strengthen and expand our number one silk enterprise in the world as well as our brand business, product innovation, market diversification and upscaling, which have helped us to expand and enhance our market competitiveness during the period.

Given the weaknesses and difficulties in the European and U.S. markets, we have been working positively with our customers to create and develop strategies that evolves with time. As a result of our seamless collaboration and well established foundation with our customers for the past 30 years, we have been able to work closely with our partners and attain a win-win situation.

Not only has the China's market achieved its status as a growth driver in the global economy, it has also offered major growth opportunity. So far this has provided good return to us. This will therefore continue to be our Group's important focus.

Brand Business

Brand building is one of the core drivers of the Group's business. Our silk brand business, like 丝绸世界 SILK WORLD, 丝绸故事 SILK LEGEND, August moon 雅慕 and fashion brand business, like august silk, as AUGUST SILK, Theme, Cslr 城市俪人, cluny, S.en Soie PARIS are part of our multi-brand strategy aimed to achieve different and distinct brand penetration and positioning. Coupled with the Group's position as the number one silk enterprise, our strength and exclusive image will be better recognised.

We firmly believe and are fully determined and confident on the development of our own brands. More resources will be deployed to promote and heighten the value of our brands so that our brand business will capture the markets and customers in the right segments in the future.

Manufacturing Business

China's export business has been deeply impacted by the volatility in the economy of Europe and U.S., surging inflationary pressures, weak consumer markets and a possible slowdown in global trading. Despite the same, our export manufacturing business has recorded a growth of 16% as compared to the same period of last year. We look upon the present difficult market as a challenge. Through process automation, effective operational integration, cost control, product creation and innovation and aligning ourselves with market movements, we have continuously maintained our market competitiveness. In addition, we shall continue to develop the high-end market as part of our corporate strategy, which we believe will help us to honour our commitment as the world leader in the silk apparel industry.

Outlook

We are highly alert to any changes in the present uncertain global economy. We remain confident on and committed to the continuation of our mission to maintain our Group as the world number one silk enterprise through our transformation, innovation and expansion so as to deliver sustainable growth and profitability to the Group.

Last but not least, I am greatly appreciative of the enormous support and advice we constantly receive from our shareholders, banks, customers, suppliers and our fellow Directors. I would also like to thank the management team and all staff members of our Group for their dedication and contribution who have helped lead the Group to another successful era.

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 2011 together with the comparative figures.

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2011

		Six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3*	**1,384,997**	1,268,267
Cost of sales		**(1,038,951)**	(917,504)
Gross profit		**346,046**	350,763
Other income		**36,819**	31,224
Other gains and losses	*4*	**45,005**	64,982
Administrative expenses		**(179,708)**	(165,661)
Selling and distribution expenses		**(143,419)**	(132,420)
Finance costs	*5*	**(17,979)**	(20,392)
Share of profit (loss) of jointly controlled entities		**245**	(925)
PROFIT BEFORE TAXATION		**87,009**	127,571
TAXATION	*6*		
Overprovision in respect of gain on disposal of property, plant and equipment and prepaid lease payments in prior years		**72,974**	-
Income tax expense		**(12,261)**	(30,508)
PROFIT FOR THE PERIOD AND ATTRIBUTABLE TO OWNERS OF THE COMPANY	*7*	**147,722**	97,063
OTHER COMPREHENSIVE INCOME (EXPENSE)	*8*		
Exchange differences arising on translation		**51,672**	13,593
Gain on revaluation of properties		**81,436**	-
Loss on fair value changes on cash flow hedges		**(10,958)**	(9,349)
Reclassification to profit and loss on cash flow hedges		**(15,043)**	(24,377)
Income tax relating to components of other comprehensive income		**(16,448)**	4,529
Other comprehensive income (expense) for the period, net of tax		**90,659**	(15,604)
Total comprehensive income for the period and attributable to owners of the Company		**238,381**	81,459
EARNINGS PER SHARE	*9*		
Basic		**48.74 HK cents**	31.61 HK cents

Condensed Consolidated Statement of Financial Position
At 30 June 2011

	Notes	**30 June 2011 (Unaudited) *HK$'000***	31 December 2010 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**816,007**	852,372
Prepaid lease payments		**92,638**	91,799
Investment properties		**403,486**	268,035
Intangible assets		**172**	516
Interests in jointly controlled entities		**20,800**	20,043
Available-for-sale investments		**675**	675
Deferred tax assets		**30,880**	21,503
Long-term deposits, prepayments and other receivables		**44,309**	43,960
Derivative financial instruments		**39,020**	48,108
Structured deposit		**-**	52,941
		1,447,987	1,399,952
CURRENT ASSETS			
Inventories		**465,697**	455,785
Trade receivables	*11*	**386,477**	425,429
Bills receivable	*11*	**46,777**	39,702
Prepaid lease payments		**2,442**	2,436
Deposits, prepayments and other receivables		**151,885**	184,317
Amounts due from jointly controlled entities		**676**	2,931
Tax recoverable		**88,443**	75,684
Derivative financial instruments		**70,547**	80,993
Structured deposits		**409,576**	351,765
Short-term deposits		**651,362**	488,615
Bank balances and cash		**584,556**	622,156
		2,858,438	2,729,813
CURRENT LIABILITIES			
Trade payables	*12*	**336,707**	337,577
Bills payable	*12*	**-**	340
Other payables and accruals		**184,684**	223,208
Amounts due to jointly controlled entities		**499**	3
Amount due to an associate		**592**	592
Tax payable		**169,018**	229,848
Derivative financial instruments		**6,409**	10,728
Obligations under finance leases		**294**	273
Bank borrowings		**1,456,860**	1,389,382
Bank overdrafts		**82**	441
		2,155,145	2,192,392

Condensed Consolidated Statement of Financial Position (Cont'd)
At 30 June 2011

	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
NET CURRENT ASSETS	**703,293**	537,421
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,151,280**	1,937,373
NON-CURRENT LIABILITIES		
Obligations under finance leases	**206**	333
Deferred tax liabilities	**78,314**	80,971
Derivative financial instruments	**18,541**	-
Provision for long service payments	**2,392**	2,492
	99,453	83,796
	2,051,827	1,853,577
CAPITAL AND RESERVES		
Share capital	**30,298**	30,322
Share premium and reserves	**2,021,529**	1,823,255
Equity attributable to owners of the Company	**2,051,827**	1,853,577

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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

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)	Improvements to HKFRSs 2010
HKAS 24 (Revised 2009)	Related party disclosures
HKAS 32 (Amendments)	Classification of rights issues
HK(IFRIC) - INT 14	Prepayments of a minimum funding requirement
HK(IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments

The application of the new and revised HKFRSs in current interim period had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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

The following new or revised standards and amendment have been issued after the date of the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance which are not yet effective:

HKFRS 10	Consolidated financial statements [2]
HKFRS 11	Joint arrangements [2]
HKFRS 12	Disclosure of interests in other entities [2]
HKFRS 13	Fair value measurement [2]
HKAS 1 (Amendments)	Presentation of items of other comprehensive income [1]
HKAS 19 (Revised 2011)	Employee benefits [2]
HKAS 27 (Revised 2011)	Separate financial statements [2]
HKAS 28 (Revised 2011)	Investments in associates and joint ventures [2]

[1] Effective for annual periods beginning on or after 1 July 2012.
[2] Effective for annual periods beginning on or after 1 January 2013.

The directors of the Company anticipate that the application of these new and revised standards or amendments will have no material impact on the results and the financial position of the Group.

3. Segment Information

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

For the six months ended 30 June 2011 (unaudited)

	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	**1,025,479**	**359,518**	**1,384,997**	**-**	**1,384,997**
Inter-segment sales (Note)	**102,599**	**-**	**102,599**	**(102,599)**	**-**
Segment revenue	**1,128,078**	**359,518**	**1,487,596**	**(102,599)**	**1,384,997**
RESULT					
Segment profit	**83,901**	**23,575**	**107,476**	**(2,488)**	**104,988**
Finance costs					**(17,979)**
Profit before taxation					**87,009**

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

For the six months ended 30 June 2010 (unaudited)

	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	886,193	382,074	1,268,267	-	1,268,267
Inter-segment sales (Note)	136,026	-	136,026	(136,026)	-
Segment revenue	1,022,219	382,074	1,404,293	(136,026)	1,268,267
RESULT					
Segment profit	124,872	24,940	149,812	(1,849)	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 among group companies.

Segment profit represents the profit 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.

4. Other Gains and Losses

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Increase in fair value of investment properties	**36,248**	22,749
Net foreign exchange gain (loss)	**14,968**	(912)
Impairment loss recognised in respect of property, plant and equipment	**(25,552)**	(10,237)
(Allowance for) reversal of bad and doubtful debts	**(441)**	464
Changes in fair value of derivative financial instruments	**22,452**	54,552
Loss on disposal of property, plant and equipment and prepaid lease payments	**(1,875)**	(252)
Impairment loss recognised in respect of amounts due from jointly controlled entities	**(795)**	(1,382)
	45,005	64,982

5. Finance Costs

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank loans and overdrafts wholly repayable within five years	**15,770**	17,475
Finance leases	**28**	25
Bank charges	**2,181**	2,892
	17,979	20,392

6. Taxation

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax charge:		
Hong Kong	**(8,127)**	(12,207)
People's Republic of China ("PRC")	**(8,117)**	(33,089)
Other jurisdictions	**(623)**	(3,000)
Withholding tax paid in respect of distribution of PRC subsidiaries	**(7,649)**	-
	(24,516)	(48,296)
Over(under)provision in prior years:		
PRC (Note)	**55,841**	3,508
Other jurisdictions	**-**	(1,453)
	55,841	2,055
Deferred taxation:		
Current period	**6,018**	15,733
Overprovision in prior years (Note)	**23,370**	-
	29,388	15,733
	60,713	(30,508)
Analysed for reporting as:		
Overprovision in respect of gain on disposal of property, plant and equipment and prepaid lease payments in prior years	**72,974**	-
Income tax expense	**(12,261)**	(30,508)
	60,713	(30,508)

Note: Included in the PRC tax overprovision in prior years is an amount of HK$49,604,000 and a reversal of deferred tax liability of HK$23,370,000 related to gain on disposal of property, plant and equipment and prepaid lease payments in prior years. In 2007 and 2009, the Group disposed of property, plant and equipment and prepaid lease payments in Liuxia Street and Deng Yun Lu under the city redevelopment plan formulated by the Hangzhou government (the "Disposals") and recognised gain on disposal of HK$361 million and HK$53 million in 2007 and 2009, respectively. In March 2010 and January 2011, the Group received in full the sales proceeds from the respective Disposals. On 31 December 2010, the Group filed the audited statement on the costs incurred for the Disposals to clarify the nature and amounts of the costs incurred under the Disposals with the local tax bureau. Pursuant to 國家稅務總局《關於企業政策性搬遷或處置收入有關企業所得稅處理問題的通知》(國稅函〔2009〕118 號) ("Tax Interpretation (2009) No.118"), proceeds from sales of property, plant and equipment and prepaid lease payments resulted from city redevelopment plan formulated by government is subject to enterprise income tax after deduction of related costs incurred for reallocating manufacturing plants, provided the respective costs met the criteria set out in this rule. In 2011, the local tax bureau refunded RMB1,150,000 (equivalent to HK$1,369,000) to the Group in respect of previous tax paid by the Group in relation to the Disposals. Based on the statement of costs and the tax refund received by the Group, the directors of the Company considered that the capitalised expenses incurred for the acquired and/or improved assets under the relocation plan were deductible for calculation of Enterprise Income Tax under Tax Interpretation (2009) No.118. Accordingly, the Group reversed respective tax payable and deferred tax recognised for the Disposals in current period.

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 2005/2006. 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 2011, the Group has purchased tax reserve certificates of approximately HK$88,443,000 (31 December 2010: HK$75,684,000), in aggregate, for conditional standover order of objection against the notices of estimated additional assessment for the years of assessment 1999/2000 to 2005/2006 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 High Fashion Silk (Zhejiang) Co., Ltd.

High Fashion Silk (Zhejiang) Co., Ltd. has been recognised as advanced technology enterprises in the PRC in 2009. It is subject to an income tax rate of 15% for three years starting from the year being recognised as advanced technology enterprises.

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	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation and amortisation		
Owned assets	**37,445**	36,530
Leased assets	**175**	137
Amortisation of trademarks (included in selling and distribution expenses)	**344**	344
Amortisation of prepaid lease payments	**1,211**	842
	39,175	37,853
Written back allowance for inventory obsolescence (included in cost of sales)*	**(5,208)**	(9,448)
Gain on derivative financial instruments reclassified from other comprehensive income (included in cost of sales)	**(16,365)**	(25,516)
Investment income earned on		
- bank interest income	**(11,177)**	(7,223)
- interest income on other receivables	**(297)**	-
- interest income from structured deposits	**(6,895)**	(5,680)

* Allowance for inventory obsolescence was written back when the relevant inventory was sold.

8. Other Comprehensive Income (Expense)

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Exchange differences arising on translating foreign operations during the period	**51,672**	13,593
Cash flow hedges:		
Loss on fair value changes on cash flow hedges	**(10,958)**	(9,349)
Reclassification adjustments to profit or loss	**(15,043)**	(24,377)
Gain on revaluation of properties	**81,436**	-
Other comprehensive income (expense)	**107,107**	(20,133)
Income tax relating to components of other comprehensive income:		
- fair value changes on cash flow hedge	**3,911**	4,529
- revaluation of properties	**(20,359)**	-
	(16,448)	4,529
Other comprehensive income (expense) for the period, net of tax	**90,659**	(15,604)

9. Earnings Per Share

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

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the purpose of basic earnings per share attributable to owners of the Company	**147,722**	97,063
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	**303,101,417**	307,064,624

No diluted earnings per share have been presented as there were no potential ordinary shares outstanding during both periods.

10. Dividends

During current interim period, a final dividend of 13 HK cents per share, amounting to HK$39,387,000 were declared and paid to the shareholders for the year ended 31 December 2010.

During the six months ended 30 June 2010, a final dividend of 5 HK cents per share, amounting to HK$15,253,000, 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 7 HK cents per share for the six months ended 30 June 2011 (six months ended 30 June 2010: 5 HK cents) which will be paid to shareholders whose names appear in the register of members on 20 September 2011. 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 2011 (Unaudited) *HK$'000*	31 December 2010 (Audited) *HK$'000*
Within 90 days	**364,027**	395,040
91 to 180 days	**18,975**	27,983
181 to 360 days	**2,340**	2,126
Over 360 days	**1,135**	280
	386,477	425,429

At the end of the reporting period, bills receivable of HK$44,074,000 (31 December 2010: HK$38,803,000) are aged within 90 days and the remaining amount of HK$2,703,000 (31 December 2010: HK$899,000) are aged between 91 days to 180 days. Included in the bills receivable are approximately HK$31,841,000 (31 December 2010: HK$29,651,000) 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 2011 (Unaudited) *HK$'000*	31 December 2010 (Audited) *HK$'000*
Trade payables:		
Within 90 days	**130,506**	154,814
91 to 180 days	**12,494**	5,509
181 to 360 days	**6,130**	1,706
Over 360 days	**10,204**	4,064
	159,334	166,093
Accrued purchases	**177,373**	171,484
	336,707	337,577

The average credit period on purchases of goods is 90 days. As at 31 December 2010, all bills payable were aged within 90 days.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

Revenue for the six months ended 30 June 2011 increased to HK$1.38 billion, up 9%. Net profit attributable to shareholders for the six months ended 30 June 2011 was HK$148 million, compared with last corresponding period of HK$97 million, up 52%. Basic earnings per share was 48.7 HK cents. Net asset value per share was HK$6.8.

Review of Operations

The segmental information is as follows:-

	Revenue		Contribution	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
By principal activity:				
Manufacturing and trading	**1,025,479**	886,193	**81,413**	123,023
Brand business	**359,518**	382,074	**23,575**	24,940
	1,384,997	1,268,267	**104,988**	147,963
By geographical segments:				
USA	**732,204**	711,190	**62,882**	60,050
Europe	**295,087**	246,042	**11,477**	11,138
Greater China	**281,069**	252,201	**26,274**	74,310
Others	**76,637**	58,834	**4,355**	2,465
	1,384,997	1,268,267	**104,988**	147,963

China consumer market has excellent development potential in 2011 which helped in facilitating the growth of our retail brands in China. The Group would expedite its expansion through the multi-brand strategy to capture different classes of customers in China and also refining our distribution strategy with marketing support. The USA brand businesses are diversifying our product offering and adding new brands to our brand business portfolio. We are forging ahead to power up our brand businesses and create our competitive edge in the market.

In spite of the rising inflationary cost pressure in our supply chain, the revenue of our manufacturing export business increased by 16% in the period of 2011. Not only our major export market, the USA, increased in both revenue and contribution, but also the European countries in the period under review. We will achieve additional efficiencies through streamlining the operation process continuously in order to limit the impact of rising raw material and other operational overheads and also strategized quality product innovation to capture the unexplored higher end market.

The manufacturing business continued to deliver solid results though there was a drop in contribution which was mainly due to the following exceptional items. The profit for the Greater China of the first half of 2011 included an exceptional gain on fair value change of derivative financial instrument of HK$22 million (2010: HK$55 million), which is the financial instruments for hedging Rmb for the year from 2011 to 2013 and an increase in fair value of investment properties of HK$36 million (2010: HK$23 million) in the current period and an impairment loss of property, plant and equipment of HK$26 million (2010: HK$10 million).

Liquidity and Financial Resources

The Group's total outstanding bank borrowings were increased to HK$1,457 million at the end of interim reporting period compared to HK$1,389 million as at 31 December 2010. 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 5% at the end of interim reporting period. Current ratio maintained at a healthy level of 1.33.

The Group's total cash and bank balances were HK$1,645 million at the end of interim reporting period compared to HK$1,515 million as at 31 December 2010. 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 and Hong Kong dollars. 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$35 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 10,100. 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$22 million in order to upgrade its manufacturing capabilities during the period. Except for the above, there was no material capital expenditure during the period.

The revitalizing the existing industrial building in Hong Kong to convert to non-industrial use has been approved by the Town Planning Board on 3 June 2011. The Group will continue to grow its recurrent income base while the premises will be converted as offices, restaurants and shops.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 7 HK cents per share for the six months ended 30 June 2011 (six months ended 30 June 2010: interim dividend of 5 HK cents) on the shares in issue amounting to HK$21,208,000 (six months ended 30 June 2010: HK$15,222,000), to the shareholders whose names appear on the Register of Members on 20 September 2011. The dividend will be payable on or about 30 September 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Friday, 16 September 2011 to Tuesday, 20 September 2011, 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 Thursday, 15 September 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 accounting period for the six months ended 30 June 2011, 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 2011.

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

During the period, the Company repurchased a total of 244,000 shares (six months ended 30 June 2010: 4,510,000 shares) of HK$0.10 each of the Company on the Stock Exchange 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$
March 2011	20,000	2.94	2.94	59,052.70
April 2011	224,000	3.05	3.02	685,104.74
	244,000			744,157.44

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 2011 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, 31 August 2011