High Fashion International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 608)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

CHAIRMAN'S STATEMENT

2015 was an extraordinary year with unprecedented challenges to the apparel industry. The combination of global sluggish consumer demand and the escalating operating cost especially in China have exerted an impact on our performance, in particular the abrupted RMB depreciation taken place in the second half of last year.

Against the backdrop of a challenging macroeconomic environment with our major export markets in the USA and Europe all experiencing strong headwinds, our principal business continued to perform solidly. Our proactive strategic initiatives focusing on high end customers and market expansion through distinctive product innovation and operational excellence have not only demonstrated our strong resilience, but has also secured our market position to drive the Group for a sustainable long term growth. It is the sudden and sharp depreciation of the RMB in the second half of the year that had dragged down the full year results significantly, compounded by the ongoing restructuring and direction of the brand business from convention mode to e-commerce as our overall strategic objective.

- Net profit at HK$ 46 million
- Net debt position at HK$ 3 million
- Basic earnings per share landed at HK$0.15
- Net asset value per share amounted to HK$7.3
- Proposed final dividend per share is HK$0.03 and the total dividend for the year will be HK$0.06 per share

Leveraging on the Group's smart technologies and innovation alongside strong value chain capabilities that further solidify our leadership position in fashion market, we have also foreseen the speedy structural change in retailing, led by the relentless advance of e-commerce which has re-written the rules of the market place. We adapt and respond swiftly through a number of efficiency measures in 2015 with dedicated resources to gear ourselves up to reap the full benefits from this channel as our new initiative in driving for long term growth.

Riding on the Group's unique silk heritage and multi-dimensional core competence, the Group has been strategically shaping the development and business model of each specific development project on hand with reference to the latest market dynamics and changing consumer demand to enhance long-term shareholders' value with initial investment reflected in the 2015 results.

Looking ahead, we will remain subdued in 2016 against a difficult backdrop in the slowing pace of global economic recovery and the challenging environment which is likely to continue for some time. We are optimistic on our long term prospects and are fully committed to continue our current strategies and operational excellence to weather the challenges. Proactive refinement of the FX management and hedging strategies is also in progress to mitigate the exposure from the unforeseeable RMB volatility.

The Group is well positioned to capture the enormous opportunities ahead of us alongside the "Belt & Road Initiative" strategy implemented by the China government as a result of our unique points of leadership & differentiation in addition to diversified business portfolio with considerable synergies.

On behalf of the Board, I am grateful for the untiring support and trust of our shareholders, banks, customers, suppliers and our fellow Directors. I would also like to thank the management and staff for their dedication and contribution in the past year.

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 2015 together with the comparative figures for the year ended 31 December 2014 are set out as follows: -

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2015

	Notes	**2015** ***HK$'000***	2014 *HK$'000*
REVENUE	*3,4*	**2,678,240**	2,864,787
Cost of sales		**(2,103,707)**	(2,152,159)
Gross profit		**574,533**	712,628
Other income		**110,581**	124,726
Other gains and losses	*5*	**5,647**	(18,770)
Administrative expenses		**(376,678)**	(384,552)
Selling and distribution expenses		**(174,303)**	(232,636)
Other expenses		**(27,373)**	-
Finance costs	*6*	**(44,126)**	(68,838)
Share of losses of joint ventures		**(11,270)**	(9,317)
PROFIT BEFORE TAXATION		**57,011**	123,241
Income tax expenses	*7*	**(13,768)**	(30,900)
PROFIT FOR THE YEAR	*8*	**43,243**	92,341
OTHER COMPREHENSIVE (EXPENSE) INCOME	*9*		
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(166,032)**	(66,283)
Exchange differences arising on translation of joint ventures		**(559)**	(641)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(602)**	(98)
Fair value loss on hedging instruments under cash flow hedges		**(87,984)**	(92,969)
Reclassified to profit and loss on realisation of cash flow hedges		**(30,436)**	(66,551)
Income tax relating to items that may be reclassified subsequently		**15,473**	26,355
Other comprehensive expense for the year, net of tax		**(270,140)**	(200,187)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		**(226,897)**	(107,846)

	Note	**2015**	2014
		HK$'000	*HK$'000*
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**46,424**	101,468
Non-controlling interests		**(3,181)**	(9,127)
		43,243	92,341
TOTAL COMPREHENSIVE EXPENSE ATTRIBUTABLE TO:			
Owners of the Company		**(223,952)**	(98,926)
Non-controlling interests		**(2,945)**	(8,920)
		(226,897)	(107,846)
EARNINGS PER SHARE	*11*		
Basic		**HK$0.15**	HK$0.34

Consolidated Statement of Financial Position
At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**732,329**	803,683
Prepaid lease payments		**115,593**	126,086
Investment properties		**1,088,754**	1,021,482
Interests in joint ventures		**18,024**	21,915
Available-for-sale investments		**675**	675
Deposit placed and prepayment of premium for a life insurance		**26,439**	26,589
Derivative financial instruments		**-**	347
Deferred tax assets		**32,033**	35,335
		2,013,847	2,036,112
CURRENT ASSETS			
Inventories		**479,824**	498,700
Trade receivables	*12*	**405,299**	378,467
Bills receivable	*13*	**11,466**	27,546
Prepaid lease payments		**3,231**	3,197
Deposits, prepayments and other receivables		**155,649**	200,230
Amounts due from joint ventures		**27,762**	120,408
Tax recoverable		**151,445**	134,847
Derivative financial instruments		**-**	24,847
Structured deposits	*15*	**550,246**	1,164,792
Short-term bank deposits		**201,402**	555,038
Bank balances and cash		**610,597**	562,739
		2,596,921	3,670,811
CURRENT LIABILITIES			
Trade payables	*14*	**310,691**	322,509
Other payables and accruals		**201,249**	206,676
Amounts due to joint ventures		**1,773**	39,056
Amount due to an associate		**585**	589
Tax payable		**157,072**	168,853
Derivative financial instruments		**125,524**	40,632
Obligations under finance leases		**52**	128
Bank borrowings		**1,364,930**	2,194,906
Bank overdraft		**3**	49
		2,161,879	2,973,398
NET CURRENT ASSETS		**435,042**	697,413
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,448,889**	2,733,525

	2015	2014
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Obligations under finance leases	**-**	55
Deferred tax liabilities	**152,848**	167,808
Derivative financial instruments	**50,308**	50,828
Provision for long service payments	**3,289**	3,303
Other payable	**1,242**	-
	207,687	221,994
NET ASSETS	**2,241,202**	2,511,531
CAPITAL AND RESERVES		
Share capital	**30,562**	30,562
Share premium and reserves	**2,234,218**	2,482,619
Equity attributable to owners of the Company	**2,264,780**	2,513,181
Non-controlling interests	**(23,578)**	(1,650)
TOTAL EQUITY	**2,241,202**	2,511,531

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

2. Application of New and Revised HKFRSs

<u>Amendments to HKFRSs that are mandatorily effective for the current year</u>

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle
Amendments to HKAS 19	Defined benefit plans: Employee contributions

The application of the above amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle [1]
HKFRS 9	Financial instruments [2]
HKFRS 15	Revenue from contracts with customers [2]
Amendments to HKAS 1	Disclosure initiative [1]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation [1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants [1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture [3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception [1]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations [1]

[1] Effective for annual periods beginning on or after 1 January 2016.
[2] Effective for annual periods beginning on or after 1 January 2018.
[3] Effective for annual periods to be determined.

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2014 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2015 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 recognition 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that the application of HKFRS 9 in the future may not have material impact on the Group’s current hedge designation and hedge accounting but may have an impact on the amounts reported in respect of the Group's available-for-sale investments. Specifically, HKFRS 9 requires available-for-sale equity investments to be measured at fair value with changes in fair value being accounted for either in the profit or loss or other comprehensive income. In addition, the application of HKFRS 9 may also result in early recognition of credit losses based on expected loss model in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from contracts with customers

In July 2015, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. For more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In the opinion of the directors, it is not practicable to provide a reasonable estimate of the effect for the application of HKFRS 15 until a detailed review has been completed.

Except as disclosed above, the directors of the Company anticipate that the application of the other new and revised HKFRSs in issue but not yet effective will have no material impact on the results and financial position of the Group.

3. Revenue

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

	2015	2014
	HK$'000	*HK$'000*
Manufacture and trading of garments	**2,462,319**	2,497,293
Brand business	**215,921**	367,494
	2,678,240	2,864,787

4. Segment Information

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, representing sales of branded garments developed by the Group, which includes the results of High Fashion New Media Corporation Limited and its subsidiaries.

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

Segment revenues and results

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

For the year ended 31 December 2015

	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	**2,462,319**	**215,921**	**2,678,240**	**-**	**2,678,240**
Inter-segment sales (Note)	**56,928**	**-**	**56,928**	**(56,928)**	**-**
Segment revenue	**2,519,247**	**215,921**	**2,735,168**	**(56,928)**	**2,678,240**
RESULTS					
Segment profit (loss)	**164,937**	**(61,916)**	**103,021**	**(1,884)**	**101,137**
Finance costs					**(44,126)**
Profit before taxation					**57,011**

For the year ended 31 December 2014

	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	2,497,293	367,494	2,864,787	-	2,864,787
Inter-segment sales (Note)	122,956	-	122,956	(122,956)	-
Segment revenue	2,620,249	367,494	2,987,743	(122,956)	2,864,787
RESULTS					
Segment profit (loss)	244,447	(49,350)	195,097	(3,018)	192,079
Finance costs					(68,838)
Profit before taxation					123,241

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 represents the profit earned 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 2015

	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	**68,622**	**1,039**	**69,661**
Amortisation of prepaid lease payments	**3,356**	**-**	**3,356**
Gain on disposal of property, plant and equipment and prepaid lease payments	**3,996**	**13**	**4,009**
Net allowance (reversal of allowance for) for bad and doubtful debts	**724**	**(25)**	**699**
Net (allowance for) reversal of allowance for inventory obsolescence (Note)	**(8,752)**	**5,693**	**(3,059)**
Fair value loss of derivative financial instruments	**23,356**	**-**	**23,356**
Increase in fair value of investment properties	**59,554**	**-**	**59,554**
Share of losses of joint ventures	**8,095**	**3,175**	**11,270**

For the year ended 31 December 2014

	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	67,356	5,995	73,351
Amortisation of prepaid lease payments	3,422	-	3,422
Net reversal of allowance for bad and doubtful debts	1,341	349	1,690
Net (allowance for) reversal of allowance for inventory obsolescence (Note)	(2,258)	9,684	7,426
Impairment loss recognised on amounts due from joint ventures	13,451	-	13,451
Fair value loss of derivative financial instruments	50,162	-	50,162
Increase in fair value of investment properties	56,751	-	56,751
(Loss) gain on disposal of property, plant and equipment	(541)	1	(540)
Share of losses of joint ventures	879	8,438	9,317

Note : Allowance for obsolete inventory was written back when the relevant inventory was sold.

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**	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
USA	**1,092,672**	1,255,466	**737**	671
Europe	**474,561**	568,764	**1,131**	1,698
Greater China	**819,732**	747,532	**1,927,510**	1,940,405
Others	**291,275**	293,025	**7,298**	8,477
	2,678,240	2,864,787	**1,936,676**	1,951,251

Note : Non-current assets excluded interests in joint ventures, available-for-sale investments, deferred tax assets, deposit placed and prepayment of premium for a life insurance and derivative financial instruments.

Information about major customer

During the current year, there was a customer from manufacture and trading of garments segment which contributed over 10% of the total revenue of the Group whose revenue was approximately HK$326 million (2014: HK$353 million).

5. Other Gains and Losses

	2015	2014
	HK$'000	*HK$'000*
Gain (loss) on disposal of property, plant and equipment and prepaid lease payments	**4,009**	(540)
Net (allowance for) reversal of allowance for bad and doubtful debts	**(699)**	1,690
Change in fair value of derivative financial instruments	**(23,356)**	(50,162)
Net foreign exchange loss	**(11,983)**	(13,058)
Increase in fair value of investment properties	**59,554**	56,751
Impairment loss recognized on amounts due from joint ventures	**-**	(13,451)
Net loss arising on deemed acquisition of subsidiaries	**(21,878)**	-
	5,647	(18,770)

6. Finance Costs

	2015	2014
	HK$'000	*HK$'000*
Interests on:		
Bank borrowings and overdrafts (Note)	**37,499**	62,058
Finance leases	**14**	21
Bank charges	**6,613**	6,759
	44,126	68,838

Note : Included loss on realisation of cash flow hedges reclassified from other comprehensive income of HK$1,799,000 (2014: HK$2,609,000).

7. Income Tax Expenses

	2015	2014
	HK$'000	*HK$'000*
Current tax charge :		
Hong Kong	**1,000**	4,994
The People's Republic of China ("PRC")	**6,055**	6,474
Other jurisdictions	**69**	115
	7,124	11,583
Under(over)provision in prior years :		
Hong Kong	**-**	543
PRC	**1,052**	1,770
Other jurisdictions	**-**	(40)
	1,052	2,273
Deferred taxation :		
Current year	**10,911**	28,455
Reclassified from other comprehensive income	**(5,319)**	(11,411)
	5,592	17,044
	13,768	30,900

The Hong Kong Inland Revenue Department ("IRD") has initiated a tax audit on certain group companies for the year of assessment from 1999/2000 onwards. As a matter of IRD's practice, the IRD has issued estimated/additional assessments ("Assessments") demanding for tax to the relevant group companies for the year of assessment from 1999/2000 to 2008/2009. During the course of the tax audit, there is a possibility that estimated additional assessments for subsequent years will be issued by the IRD to these group companies.

Up to 31 December 2015, the Group has purchased tax reserve certificates of approximately HK$144,300,000 (2014: HK$134,094,000) for conditional standover order of objection against the Assessments for the year of assessment from 1999/2000 to 2008/2009 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 reasonable accuracy. 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.

Other than the tax audit, one of the companies of the Group has also purchased a tax reserve certificate of approximately HK$753,000 (2014: HK$753,000) for conditional standover order of objection against the Assessment for the year of assessment 2006/2007 and the amount is included in tax recoverable.

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. which had been recognised as an advanced technology enterprise by the PRC Tax Bureau in 2015. The entity is subject to an income tax rate of 15% for three years starting from the year being recognised as an advanced technology enterprise.

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

8. Profit for the Year

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

	2015 ***HK$'000***	2014 *HK$'000*
Costs of inventories recognised as expenses (included in cost of sales) (Note i)	**2,100,648**	2,159,585
Amortisation of prepaid lease payments	**3,356**	3,422
Net allowance for (reversal of allowance for) inventory obsolescence (included in cost of sales) (Note ii)	**3,059**	(7,426)
Realisation of cash flow hedges reclassified from other comprehensive income (included in revenue)	**(32,235)**	(69,160)
Realisation of cash flow hedges reclassified from other comprehensive income (included in finance costs)	**1,799**	2,609
Interest income earned on loans and receivables (included in other income)		
- bank interest income	**(21,528)**	(39,807)
- interest income on other receivables	**(990)**	(825)
Interest income earned on financial assets at fair value through profit and loss ("FVTPL") (included in other income)		
- interest income from structured deposits	**(20,636)**	(43,171)

Notes :

i. The amounts have been arrived at before deducting net allowance for inventory obsolescence of HK$3,059,000 (2014: net reversal of allowance for inventory obsolescence of HK$7,426,000).

ii. Allowance for inventory obsolescence is written back when the relevant inventory is sold.

9. Other Comprehensive (Expense) Income

	2015 *HK$'000*	2014 *HK$'000*
Cash flow hedges:		
Fair value loss on hedging instruments	**(87,984)**	(92,969)
Reclassification adjustments upon recognition of hedged items in profit or loss	**(30,436)**	(66,551)
	(118,420)	(159,520)
Exchange differences arising on translation of joint ventures	**(559)**	(641)
Exchange differences arising on translation to presentation currency	**(166,032)**	(66,283)
Exchange differences arising on translation of foreign operations	**(602)**	(98)
Other comprehensive expense	**(285,613)**	(226,542)
Income tax relating to components of other comprehensive income:		
- fair value changes on hedging instruments under cash flow hedges	**10,154**	14,944
- reclassification adjustments of fair value changes of hedging instruments to profit or loss	**5,319**	11,411
	15,473	26,355
Other comprehensive expense for the year, net of tax	**(270,140)**	(200,187)

10. Dividends

	2015 *HK$'000*	2014 *HK$'000*
Dividend recognised as distribution and paid during the year:		
Interim dividend – 3 HK cents per ordinary share for 2015 (2014: 5 HK cents for 2014)	**9,168**	15,281
Final dividend – 5 HK cents per ordinary share for 2014 (2014: 15 HK cents for 2013)	**15,281**	44,582
	24,449	59,863

The final dividend of 3 HK cents (2014: 5 HK cents) per ordinary share was proposed by the directors and is subject to the approval by the Company's shareholders at the forthcoming annual general meeting.

11. Earnings Per Share

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

	2015	2014
	HK$'000	*HK$'000*
Earnings for the purpose of basic earnings per share attributable to owners of the Company	**46,424**	101,468

	2015	2014
Weighted average number of ordinary shares for the purpose of basic earnings per share	**305,615,420**	301,218,825

No presentation of diluted earnings per share as there is no potential ordinary shares outstanding during both years or at the end of the respective reporting periods.

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 is presented based on the invoice date at the end of the reporting period, which approximates the respective revenue recognition dates.

	2015	2014
	HK$'000	*HK$'000*
Within 90 days	**384,569**	362,861
91 to 180 days	**11,919**	12,138
181 to 360 days	**4,238**	1,269
Over 360 days	**4,573**	2,199
	405,299	378,467

13. Bills Receivable

At the end of the reporting period, bills receivable of HK$11,466,000 (2014: HK$27,546,000) are aged within 90 days (2014: 180 days) from respective invoice dates. Included in the bills receivable are discounted bills with recourse of HK$10,249,000 (2014: HK$23,413,000), their corresponding financial liabilities are included in bank borrowings.

14. Trade Payables

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

	2015	2014
	HK$'000	*HK$'000*
Within 90 days	**111,852**	121,757
91 to 180 days	**8,462**	5,420
181 to 360 days	**2,282**	3,166
Over 360 days	**6,639**	5,585
	129,235	135,928
Accrued purchases	**181,456**	186,581
	310,691	322,509

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.

15. Structured Deposits

The structured deposits are placed with banks in HK and the PRC and contain embedded derivatives, the returns of which are determined by reference to the change in certain exchange rates or interest rates quoted in the market. The structured deposits are designated as financial asset at FVTPL at initial recognition.

Major terms of the structured deposits at the end of the reporting period are as follows:

At 31 December 2015

Principal amount	Maturity (Note i)	Annual coupon rate	Notes
RMB326,000,000	February - August 2016	From 2.4% to 4.55%	(ii)
RMB122,000,000	March – July 2016	from 2.0% to 4.2%	(iii)

At 31 December 2014

Principal amount	Maturity (Note i)	Annual coupon rate	Notes
RMB284,000,000	February - September 2015	from 2.0% to 5.0%	(ii)
RMB331,500,000	January - August 2015	from 2.4% to 4.5%	(iii)
RMB40,000,000	March 2015	0% or 4.3%	(iv)
RMB80,000,000	January - August 2015	from 3.0% to 4.0%	(v)
RMB161,000,000	February - March 2015	from 3.3% to 3.5%	(vi)

Notes:

(i) All the deposits are subject to the option for early termination by issuing banks.

(ii) The annual coupon rate is dependent on whether the spot rate for conversion of European dollar for United States dollar ("US$") as prevailing in the international foreign exchange market falls within ranges as specified in the relevant agreements during the period from inception date to maturity date of the relevant agreements.

(iii) The annual coupon rate is dependent on whether the spot rate for conversion of Australian dollar for US$ as prevailing in the international foreign exchange market falls within ranges as specified in the relevant agreements during the period from inception date to maturity date of the relevant agreements.

(iv) The annual coupon rate was dependent on whether the spot rate for conversion of Renminbi for US$ as prevailing in the international foreign exchange market falls within ranges as specified in the relevant agreement during the period from inception date to maturity date of the relevant agreement.

(v) The annual coupon rate was dependent on whether the spot rate for conversion of US$ for HK$ as prevailing in the international foreign exchange market fell within ranges as specified in the relevant agreements during the period from inception date to maturity date of the relevant agreements.

(vi) The annual coupon rate was dependent on whether 1 month London Interbank Offered Rate for deposits in US$ fell within 0% to 3% during the period from inception date to maturity date of the relevant agreements.

At the end of the reporting period, the structured deposits are stated at fair values based on valuation provided by respective counterparties. The fair values are calculated using discounted cash flow analysis based on the applicable yield curves of relevant interest rates and exchange rates.

16. Contingent Liabilities

There were disputes amongst the Group, Hansen, Ms. Leong and certain directors of the Company and several legal proceedings are taking place. The aforesaid parties in the action have agreed to generally extend the deadlines of filing various documents with court. Given that the consideration of the evidence is still at an early stage, in the opinion of director, the ultimate outcome is unable to be determined and no provision has been made accordingly.

In addition, there is an ongoing enquiry of customs duty raised by Shaoxing City of Zhejiang Province. Subsequent to the end of the reporting period, a subsidiary of the Group received a statement of charges from the People's Procuratorate of the Shaoxing City of Zhejiang Province (the "Statement of Charges") regarding the aforesaid case. After seeking advice from legal and tax professionals, the PRC counsel has advised that the facts set out in the Statement of Charges were unclear with insufficient evidence to uphold a conviction. The directors consider that the claims included in the Statement of Charges are without merit and the subsidiary has strong grounds to defend. Accordingly, no provision is considered necessary by the directors to be made in the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Review of Operations

Revenue of the Group declined 6.5% to HK$2.7 billion for the year versus last year whose comparison was negatively distorted by the classification of High Fashion New Media Corporation Limited as joint venture from September 2014 to November 2015 where revenue is no long consolidated into the Group for most period of 2015.

Gross margin comparison versus last year has also been subjected to the same negative classification distortion. Underlying gross margin% of our core manufacturing business in 2015 managed to maintain at similar level as the year before despite the tough global trading environment while the brand business in US suffered a year-on-year decline in gross margin%.

Selling & distribution expenses and administrative expenses on the other hand was positively distorted by the above-mentioned classification. Underlying cost ratio (cost as a % of sales) of these two cost items together in 2015 managed to maintain at similar level last year in spite of escalating operating cost pressure in China.

Overall operating expenses for the year 2015 included also consultancy and project expenses on a number of different projects totalled HK$27.4 million which is classified under "Other Expenses".

The unexpected sharp depreciation of RMB in the second half of 2015 has also dragged down the reported profit in the year. Recognized gain and income from RMB contracts has been significantly reduced in 2015 versus last year while loss on fair value change of derivative financial instruments has been narrowed to HK$23.4 million (2014: HK$50.1 million). Increase in fair value of investment properties amounted to HK$59.6 million in 2015, similar to the level recorded last year (HK$56.8 million).

Net profit attributable to shareholders for the year ended 31 December 2015 landed at HK$46 million compared to the profit of HK$101 million in 2014. Basic earnings per share were HK$0.15. Net asset value per share was HK$7.3.

Segment Information

	Revenue		**Contribution**	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
By principal activity:				
Manufacturing and trading	**2,462,319**	2,497,293	**163,053**	241,429
Brand business	**215,921**	367,494	**(61,916)**	(49,350)
	2,678,240	2,864,787	**101,137**	192,079
By geographical segments:				
USA	**1,092,672**	1,255,466	**34,543**	71,215
Europe	**474,561**	568,764	**16,278**	36,494
Greater China	**819,732**	747,532	**41,586**	69,873
Others	**291,275**	293,025	**8,730**	14,497
	2,678,240	2,864,787	**101,137**	192,079

Despite all the challenging macroeconomic conditions, the manufacturing and trading business continued to be the profit contributor of the Group while the brand business is in the process of restructuring.

Liquidity and Financial Resources

The Group's total outstanding bank borrowings were decreased to HK$1,365 million at the end of reporting period compared to HK$2,195 million as at 31 December 2014. The decrease in bank borrowing was mainly due to refinement of our hedging strategies during the year in response to increased volatility of RMB. Our gearing ratio of non-current liabilities to shareholders' funds was only 9% at the end of reporting period. Current ratio has been maintained at a healthy level of 1.2.

The Group's total cash and bank balances were HK$1,362 million at the end of reporting period compared to HK$2,283 million as at 31 December 2014. Based on the ample banking facilities available, the Group had a 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 and Hong Kong dollar. Since the Hong Kong dollar is pegged to the US dollar, the Group considers that its foreign exchange risk in this aspect 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.

Barring the pledge of trade receivables and bills receivables of certain subsidiaries of HK$19 million, there were no charges on the Group's assets.

Environmental, Social and Corporate Responsibility

As a responsible corporation, the Group is committed to maintaining the highest environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations in relation to its business including health and safety, workplace conditions and employment and the environment. The Group understands a better future depends on everyone's customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

The Group maintains strong relationship with its employees, has enhanced cooperation with its suppliers and has provided high quality products and services to its customers so as to ensure sustainable development.

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 joint ventures as at the end of the reporting period was about 7,000. 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 plant and equipment and leasehold improvement and construction in progress of around HK$27 million in order to upgrade its manufacturing capabilities and environmental protection during the year. Except for the above, there was no material capital expenditure during the year.

Contingent Liabilities

Please refer to note 16 for details of contingent liabilities at 31 December 2015.

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") of the Company will be held at 10th Floor, High Fashion Centre, 1-11 Kwai Hei Street, Kwai Chung, New Territories, Hong Kong on Friday, 3 June 2016 at 10:30 a.m. The notice of AGM will be published on the website of the Company (www.highfashion.com.hk) and the designated issuer website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (www.hkexnews.hk).

FINAL DIVIDEND

The Board recommends a final dividend of 3 HK cents (2014: 5 HK cents) per share payable to shareholders of the Company (the "Shareholders") whose names appear on the Register of Members on 14 June 2016, making a total dividend for the year ended 31 December 2015 of 6 HK cents (2014: 10 HK cents) per share. Dividend warrants for the final dividend is expected to be despatched on or around Wednesday, 29 June 2016.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 1 June 2016 to Friday, 3 June 2016, both days inclusive, during which period no transfer of shares will be registered. In order to determine members who are entitled to attend and vote at the AGM, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by not later than 4:30 p.m. on Tuesday, 31 May 2016.

In addition, the Register of Members will also be closed from Monday, 13 June 2016 to Tuesday, 14 June 2016, both days inclusive, during which period no transfer of shares will be registered. In order to determine members who are entitled to qualify for the proposed 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by not later than 4:30 p.m. on Friday, 10 June 2016.

CORPORATE GOVERNANCE

The Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the accounting period for the year ended 31 December 2015, except for the following deviations:

Code provision A.2.1

Under the code provision A.2.1 of the CG 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.

Code provision A.6.7

Under the code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors, should attend general meetings and develop a balanced understanding of the views of shareholders.

Due to other engagements, Professor Yeung Kwok Wing (Non-executive Director) was not able to attend the annual general meeting held on 8 June 2015.

AUDIT COMMITTEE REVIEW

The Audit Committee of the Company 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 as set out in the terms of reference of the Audit Committee.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2015.

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

During the year, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities.

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 2015 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, Ms. So Siu Hang, Patricia, Mr. Lam Gee Yu, Will and Mr. Lam Din Yu, Well; (2) non-executive director: 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 2016