High Fashion International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 608)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

CHAIRMAN'S STATEMENT

2016 was characterized by the global uncertainty which greatly impacted the market as witnessed in the tightened consumer market confidence in the first half of the year. The industry pressure, the slowdown in the Mainland growth, the Brexit reality and the rising signs of softness in the US economy have further cast doubt over the macro economic outlook that will remain very challenging in the near term.

In these turbulent times, our export businesses were further exposed to heightened currency exchange rate volatility, particular to the UK and Eurozone regions. Thanks to our diversified business model and geographic customer profile, the Group has weathered this period with little effect and continued to deliver a decent set of 2016 interim results despite profit being dragged down by one-off expenses. This again demonstrated our resilience in difficult market conditions supported by strategically upscale customer segmentation through product innovation and operational excellence in multiple channels.

- Net profit at HK$15.38 million
- Gearing ratio of non-current liabilities to shareholders' fund at 9%. Current ratio at 1.2
- Basic earnings per share landed at HK$0.05
- Net asset value per share amounted to HK$7.37
- An interim dividend per share of HK$0.03

Our core business remains solid with promising future, albeit mixed results among different manufacturing units were reported in the first 6 months of the year. We will continue to accelerate growth through our designated strategies on speed, innovation and technological advancements to adapt to the fast changing market needs.

The Group is in the process of restructuring & reshaping the multi-brand, multi-channel brand business operating in different geographic areas. Positive profitability enhancement has been realized in the first half of the year versus last year while full potential of the brand business has yet to be unlocked. These will be driven by dedicated strategies & initiatives including a new e-commerce operating model leveraging the Group's smart technologies, superb product quality & innovation as well as strong value chain capabilities.

The quality portfolio of property projects at different stage of investment & development serve as additional growth drivers for the Group with progressive value realization to enhance long-term shareholders' value.

Proactive refinement of the FX management and hedging strategies has been executed to mitigate the exposure from the unforeseeable RMB volatility.

Looking ahead, while we stay cautious about the pace of macroeconomic recovery, we are convinced of the ample opportunities available through our strategic business transformation efforts building on the "Internet +" and "One Belt and One Road Initiative" implemented by the China government. We believe these initiatives will over time deliver the planned benefits to the Group over the long run.

I appreciate very much on the enormous support and advice constantly received from our shareholders, bankers, customers, suppliers and our fellow Directors. I would also like to thank the management team and all staff members of our Group for their unfailing dedication and contribution.

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 2016 together with the comparative figures.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3*	**1,268,846**	1,341,224
Cost of sales		**(1,037,694)**	(1,026,243)
Gross profit		**231,152**	314,981
Other income		**35,898**	49,486
Other gains and losses	*4*	**88,068**	19,923
Administrative expenses		**(199,337)**	(199,074)
Selling and distribution expenses		**(81,858)**	(84,362)
Other expenses		**(18,320)**	(27,146)
Finance costs	*5*	**(16,011)**	(22,859)
Share of losses of joint ventures		**(286)**	(8,708)
PROFIT BEFORE TAXATION		**39,306**	42,241
Income tax expenses	*6*	**(26,262)**	(12,379)
PROFIT FOR THE PERIOD	*7*	**13,044**	29,862
OTHER COMPREHENSIVE INCOME	*8*		
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(45,404)**	(16,946)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(2,563)**	264
Fair value gain on hedging instruments under cash flow hedges		**39,033**	62,420
Reclassified to profit or loss on realisation of cash flow hedges		**24,151**	(22,302)
Income tax relating to items that may be reclassified subsequently		**(8,358)**	(6,618)
		52,263	33,764
Other comprehensive income for the period, net of tax		**6,859**	16,818
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**19,903**	46,680

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Cont'd)

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Profit (loss) for the period attributable to:			
Owners of the Company		**15,380**	30,321
Non-controlling interests		**(2,336)**	(459)
		13,044	29,862
Total comprehensive income (expense) attributable to:			
Owners of the Company		**22,300**	46,955
Non-controlling interests		**(2,397)**	(275)
		19,903	46,680
EARNINGS PER SHARE	*9*		
Basic		**5.03 HK cents**	9.92 HK cents

Condensed Consolidated Statement of Financial Position
At 30 June 2016

	Notes	**At 30 June 2016 (Unaudited) *HK$'000***	At 31 December 2015 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**706,073**	732,329
Prepaid lease payments		**111,903**	115,593
Investment properties		**1,154,457**	1,088,754
Interests in joint ventures		**17,545**	18,024
Available-for-sale investments		**6,523**	675
Deferred tax assets		**34,100**	32,033
Deposit placed and prepayment of premium for a life insurance		**26,357**	26,439
Derivative financial instruments		**606**	-
		2,057,564	2,013,847
CURRENT ASSETS			
Inventories		**466,551**	479,824
Trade receivables	*11*	**415,584**	405,299
Bills receivable	*11*	**12,486**	11,466
Prepaid lease payments		**3,168**	3,231
Deposits, prepayments and other receivables		**150,908**	155,649
Amounts due from joint ventures		**27,142**	27,762
Tax recoverable		**163,390**	151,445
Derivative financial instruments		**17,524**	-
Structured deposits	*12*	**458,787**	550,246
Short-term bank deposits		**202,743**	201,402
Bank balances and cash		**408,290**	610,597
		2,326,573	2,596,921
CURRENT LIABILITIES			
Trade payables	*13*	**324,152**	310,691
Other payables and accruals		**183,427**	201,249
Amounts due to joint ventures		**2,754**	1,773
Amount due to an associate		**585**	585
Tax payable		**157,096**	157,072
Derivative financial instruments		**62,389**	125,524
Obligations under finance leases		**86**	52
Bank borrowings		**1,202,925**	1,364,930
Bank overdraft		**410**	3
		1,933,824	2,161,879

Condensed Consolidated Statement of Financial Position (Cont'd)
At 30 June 2016

	At 30 June 2016 (Unaudited) ***HK$'000***	At 31 December 2015 (Audited) *HK$'000*
NET CURRENT ASSETS	**392,749**	435,042
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,450,313**	2,448,889
NON-CURRENT LIABILITIES		
Obligations under finance leases	**126**	-
Deferred tax liabilities	**177,786**	152,848
Derivative financial instruments	**17,249**	50,308
Provision for long service payments	**3,215**	3,289
Other payable	**-**	1,242
	198,376	207,687
NET ASSETS	**2,251,937**	2,241,202
CAPITAL AND RESERVES		
Share capital	**30,562**	30,562
Share premium and reserves	**2,247,350**	2,234,218
Equity attributable to owners of the Company	**2,277,912**	2,264,780
Non-controlling interests	**(25,975)**	(23,578)
TOTAL EQUITY	**2,251,937**	2,241,202

Notes to the Condensed Consolidated Financial Statements

1. Basis of Preparation

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

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 2016 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRSs	Annual improvements to HKFRSs 2012 - 2014 cycle
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKAS 27	Equity method in separate financial statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations

The application of the above amendments to HKFRSs in the current interim period has 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.

3. Segment Information

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

For the six months ended 30 June 2016 (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	**1,162,039**	**106,807**	**1,268,846**	**-**	**1,268,846**
Inter-segment sales (Note a)	**19,462**	**-**	**19,462**	**(19,462)**	**-**
Segment revenue	**1,181,501**	**106,807**	**1,288,308**	**(19,462)**	**1,268,846**
RESULT					
Segment profit (loss) (Note b)	**78,814**	**(22,265)**	**56,549**	**(1,232)**	**55,317**
Finance costs					**(16,011)**
Profit before taxation					**39,306**

For the six months ended 30 June 2015 (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	1,242,936	98,288	1,341,224	-	1,341,224
Inter-segment sales (Note a)	43,842	-	43,842	(43,842)	-
Segment revenue	1,286,778	98,288	1,385,066	(43,842)	1,341,224
RESULT					
Segment profit (loss) (Note b)	100,039	(32,267)	67,772	(2,672)	65,100
Finance costs					(22,859)
Profit before taxation					42,241

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

(b) Segment profit (loss) includes i) fair value gain on investment properties of approximately HK$60,722,000 and nil (30 June 2015: HK$13,367,000 and nil); and ii) fair value gain on derivative financial instruments of approximately HK$23,655,000 and nil (30 June 2015: HK$27,340,000 and nil) attributed to manufacture and trading of garments segment and brand business segment, respectively.

Segment profit (loss) represents the profit (loss) 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.

4. Other Gains and Losses

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Increase in fair value of investment properties	**60,722**	13,367
Change in fair value of derivative financial instruments	**23,655**	27,340
Gain on disposal of property, plant and equipment and prepaid lease payments	**1,479**	77
Net foreign exchange gain (loss)	**3,231**	(9,063)
Net (allowance for) reversal of allowance for bad and doubtful debts	**(1,019)**	508
Impairment loss recognised on amounts due from joint ventures (Note)	**-**	(12,306)
	88,068	19,923

Note:

At the end of each reporting period, the directors made an assessment of the recoverability of the amounts due from joint ventures based on the expected timing of the estimated future cash flows. Impairment loss of HK$12,306,000 had been recognised for the period ended 30 June 2015 on amounts due from joint ventures as the directors considered that the joint venture companies had been incurring significant loss and might not be able to fully repay the amounts due to the Group.

5. Finance Costs

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interests on:		
- bank borrowings and overdrafts	**13,609**	20,024
- finance leases	**6**	8
Bank charges	**2,396**	2,827
	16,011	22,859

6. Income Tax Expenses

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax charge:		
Hong Kong	**979**	4,052
The People's Republic of China (the "PRC")	**2,803**	6,787
Other jurisdictions	**497**	536
	4,279	11,375
Underprovision in prior years:		
The PRC	**6,939**	2,259
Other jurisdictions	**-**	13
	6,939	2,272
Deferred taxation - current period	**15,044**	(1,268)
	26,262	12,379

Current tax

As disclosed in the Group's annual reports published in previous years, the Inland Revenue Department ("IRD") has initiated a tax audit on certain group companies in Hong Kong 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 years of assessment from 1999/2000 to 2009/2010. During the course of the tax audit, there may be a possibility that estimated additional assessments for subsequent years will be issued by the IRD to these group companies.

Up to 30 June 2016, the Group has purchased tax reserve certificates of approximately HK$159,541,000 (31 December 2015: HK$144,300,000) for conditional standover order of objection against the Assessments for the years of assessment from 1999/2000 to 2009/2010 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 period followed the same basis for making provision as adopted in prior years. In the opinion of the directors, the provision made is adequate for the purpose mentioned above.

Deferred tax

Included in tax charge for the period is approximately HK$12,066,000 deferred tax charged on increase in fair value of investment properties.

7. Profit for the Period

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

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Amortisation of prepaid lease payments	**1,617**	1,701
Net allowance for inventory obsolescence (included in cost of sales)	**8,260**	9,066
Realisation of cash flow hedges reclassified from other comprehensive income (Note a)	**24,151**	(22,302)
Investment income earned on:		
- bank interest income	**(4,348)**	(9,462)
- interest income on other receivables	**(407)**	(1,497)
- interest income from structured deposits	**(11,461)**	(14,512)
Written back of custom provision in prior years (Note b)	**-**	(8,525)

Notes: (a) Loss of HK$23,507,000 (30 June 2015: gain of HK$23,084,000) is included in revenue and the remaining balance of a loss of HK$644,000 (30 June 2015: HK$782,000) is included in finance costs.

(b) The Group had been in disputes with the relevant authority in the United States of America on the customs duty and penalty imposed, on which full provision was made in the condensed consolidated financial statements in prior years. During the period ended 30 June 2015, the relevant authority discharged its order and released the Group's obligation for the penalty payment. Accordingly, provision previously made was written back.

8. Other Comprehensive Income

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cash flow hedges:		
Fair value gain on hedging instruments	**39,033**	62,420
Reclassification adjustments upon recognition of hedged items in profit or loss	**24,151**	(22,302)
	63,184	40,118
Exchange differences arising on translation	**(47,967)**	(16,682)
	15,217	23,436
Income tax relating to components of other comprehensive income - fair value change in hedging instruments under cash flow hedges	**(8,358)**	(6,618)
Other comprehensive income for the period, net of tax	**6,859**	16,818

9. Earnings Per Share

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

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the purpose of basic earnings per share attributable to owners of the Company	**15,380**	30,321
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	**305,615,420**	305,615,420

No diluted earnings per share has been presented as there is no potential ordinary share outstanding during both periods or at the end of the respective reporting periods.

10. Dividends

During the current interim period, a final dividend of 3 HK cents (six months ended 30 June 2015: 5 HK cents) per share was declared to the shareholders for the year ended 31 December 2015 (six month ended 30 June 2015: for the year ended 31 December 2014) and paid in cash.

The Board declared that an interim dividend of 3 HK cents per share for the six months ended 30 June 2016 (six months ended 30 June 2015: 3 HK cents) which will be paid to shareholders whose names appear in the register of members on 23 September 2016. This dividend was declared after the end of the reporting period, and therefore it 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, which approximates the respective revenue recognition dates, is as follows:

	At 30 June 2016 (Unaudited) ***HK$'000***	At 31 December 2015 (Audited) *HK$'000*
Within 90 days	**372,644**	384,569
91 to 180 days	**30,063**	11,919
181 to 360 days	**6,883**	4,238
Over 360 days	**5,994**	4,573
	415,584	405,299

At the end of the reporting period, bills receivable of HK$12,486,000 (31 December 2015: HK$11,466,000) are aged within 90 days (31 December 2015: 90 days). Included in the bills receivable is discounted bills with recourse of HK$10,010,000(31 December 2015: HK$10,249,000) of which the corresponding financial liabilities are included in bank borrowings.

12. Structured Deposits

During the current interim period, the Group entered into certain structured deposits with aggregate amount of Renminbi ("RMB") 174,000,000 (equivalent to HK$207,143,000) (six months ended 30 June 2015: RMB243,000,000 (equivalent to HK$303,750,000)) which will mature in various dates from September 2016 to December 2016 (six months ended 30 June 2015: February 2016 to June 2016). The structured deposits are designated as financial assets at fair value through profit or loss on initial recognition. The annual coupon rate is dependent on whether the spot rate for conversion of European dollar and Australian dollar for United States dollar as prevailing in the international foreign exchange market falls under certain ranges as specified in the relevant agreements. The issuing banks have the right to early redeem the structured deposits by repaying the principal and any accrued interest on the structured deposits before maturity. Structured deposits with aggregate carrying amount on maturity date of RMB243,000,000 (equivalent to HK$289,286,000) (six months ended 30 June 2015: RMB692,000,000 (equivalent to HK$865,000,000)) were settled during the current interim period.

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

13. 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:

	At 30 June 2016 (Unaudited) ***HK$'000***	At 31 December 2015 (Audited) *HK$'000*
Within 90 days	**81,582**	111,852
91 to 180 days	**7,388**	8,462
181 to 360 days	**8,015**	2,282
Over 360 days	**5,657**	6,639
	102,642	129,235
Accrued purchases	**221,510**	181,456
	324,152	310,691

The average credit period on purchases of goods is 90 days.

14. Contingent Liabilities

As disclosed in the Group's annual report for the year ended 31 December 2015, there were disputes amongst the Group, Hansen International Limited ("Hansen"), Ms. Leong Ma Li Mary, the beneficial owner of Hansen, 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 evidence is still at an early stage, in the opinion of directors, the ultimate outcome is unable to be determined and no provision has been made accordingly.

On 30 June 2016, the Group received a judgment made by the Intermediate People's Court of the Shaoxing City of Zhejiang Province (the "Judgment") regarding to an enquiry of customs duty for import of certain machinery parts and apparel accessories for manufacturing by the PRC factories into China. According to the Judgment, the Group was convicted an offence of illicit transportation of common goods or articles without paying customs duty and was required to pay a penalty of RMB28 million (the "Fine") and customs of RMB27 million (the "Customs") on these imported machinery parts and apparel accessories, out of which RMB30 million deposit previously detained by the Customs Authority would be confiscated by the Customs Authority and used to offset the amount payable. No payment for the Fine and Customs were made up to the date of this report. After seeking advices from the legal and tax professionals, the PRC counsel has advised that the facts set out in the Judgment were unclear and without merit, and the Group has submitted an appeal application against the Judgment subsequent to the end of the reporting period. Accordingly, no provision is considered necessary by the directors to be made in the condensed consolidated financial statements.

15. Event After the Reporting Period

On 5 August 2016, the Group acquired a land use right in respect of a land located in the PRC for investment purpose at a consideration of RMB46 million (equivalent to HK$54 million). Up to the date of this interim report, a deposit of approximately HK$11 million (equivalent to US$1,430,000) was paid as security deposit.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

Revenue of the Group declined 5.4% to HK$1.27 billion for the six months ended 30 June 2016 versus last year dragged down partly by the reduction in gain from RMB Par Forward contracts compared to last year as a result of unfavorable swing in RMB/USD rate.

Correspondingly, gross margin % comparison between first half 2016 versus same period last year was also unfavorably distorted by the reduction in gain from RMB Par Forward contracts in 2016 compared to last year.

Selling & distribution expenses and administrative expenses managed to maintain at similar level last year in spite of escalating operating cost pressure in China. Overall operating expenses for the year 2016 included also professional & consultancy fees on a number of different projects as well as one-off expenses totaled HK$18.3 million which is classified under "Other Expenses".

Profit attributable to shareholders for the six months ended 30 June 2016 landed at HK$15.4 million, compared with last corresponding period of HK$30.3 million. Basic earnings per share were 5 HK cents. Net asset value per share was HK$7.37.

Review of Operations

The segmental information is as follows:

	Revenue		**Contribution**	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
By principal activity:				
Manufacturing and trading	**1,162,039**	1,242,936	**77,582**	97,367
Brand business	**106,807**	98,288	**(22,265)**	(32,267)
	1,268,846	1,341,224	**55,317**	65,100

Initial benefits has been realized in the first half of 2016 in the process underway in restructuring & reshaping the multi-brand, multi-channel brand business operating in different geographic areas. Mixed results were reported in 2016 among different manufacturing units while business foundation stays strong in the challenging macro-economic environment.

Profit for the first half of 2016 included an exceptional gain on fair value change of derivative financial instruments of HK$24 million (2015: HK$27 million) and an increase in fair value of investment properties, net of tax, amounted to HK$49 million (2015: HK$12 million) in the current period.

Liquidity and Financial Resources

The Group's total outstanding bank borrowings were decreased to HK$1,203 million at the end of interim reporting period compared to HK$1,365 million as at 31 December 2015. The decrease in bank borrowing was mainly due to refinement of our hedging strategies during the year in response of increased volatility of RMB. Our gearing ratio of non-current liabilities to shareholders' funds was 9% at the end of interim reporting period. Current ratio maintained at a healthy level of 1.2.

The Group's total cash and bank balances including structured deposits of HK$459 million (2015: HK$550 million) were HK$1,070 million at the end of interim reporting period compared to HK$1,362 million as at 31 December 2015. 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 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.

As disclosed in note 14, the Group has no other material contingent liabilities. Barring the pledge of trade receivables of certain subsidiaries of HK$14 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 joint ventures as at the end of interim reporting period was about 7,500. 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$14 million in order to upgrade its manufacturing capabilities during the period. Except for the above, there was no material capital expenditure during the period.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 3 HK cents per share for the six months ended 30 June 2016 (six months ended 30 June 2015: interim dividend of 3 HK cents) on the shares in issue amounting to HK$9,168,000 (six months ended 30 June 2015: HK$9,168,000), to the shareholders whose names appear on the Register of Members on 23 September 2016. The dividend will be payable on or about 13 October 2016.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Thursday, 22 September 2016 to Friday, 23 September 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 interim 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 Wednesday, 21 September 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 of Hong Kong Limited throughout the accounting period for the six months ended 30 June 2016, 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.

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 2016.

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

During the six months ended 30 June 2016, 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 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 2016 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, 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 August 2016