High Fashion International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 608)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

CHAIRMAN'S STATEMENT

In 2017, the global economy has regained momentum and has continued to show synchronized and broad based growth in the beginning of 2018 while international trade conflicts has intensified creating undesirable market uncertainty and volatility. Our results for the year have demonstrated a satisfactory growth in top line sales of our core business manufacturing.

Our fast adaptability to the constant changing market needs and flexible business model helped to deliver a decent set of 2017 annual results, anchoring on our strategized, focused and innovative product development and operational excellence.

Looking ahead, the upswing global economic environment has set a favorable backdrop with momentum for us to push forward our strategic multi development plan in a timely manner. We are convinced of the ample opportunities available from our promising portfolio of quality business we have long established and strategized to ride on the " Internet +" , " Belt and Road Initiatives" and "Smart Manufacturing 2025" implemented by the China government. Nevertheless, the recent rise of trade protectionism and political instability will add complexity for industry to monitor closely. The results for the year are as follows:

- Net profit at HK$41.98 million
- Gearing ratio of non-current liabilities to shareholders' fund at 10%. Current ratio at 1.2
- Basic earnings per share landed at HK$0.14
- Net asset value per share amounted to HK$8.25
- Proposed final dividend per share is HK$0.03 and the total dividend for the year will be HK$0.06

We continue to strengthen our engagement with global customers/ partners through technological advancement on product innovation, speed to market strategies and digitalization to make our operation even leaner and more agile with inclusive solutions to enhance convenience and enrich our customer centred service proposition that will take our business to the next stage of success.

Contributed by the progressive ramp up of the e-commerce business, positive profitability enhancement continues to be realized in our multi-brand, multi-channel brand business through sharpened operating models with refreshed market positioning; enriched product offer as well as re-engineered cost structure. Full potential of the brand business is yet to be unlocked, to be driven by dedicated strategies & initiatives leveraging the Group's smart technologies, superb product quality & innovation coupled with strong value chain capabilities which can tremendously broaden the customer base of the Group by tapping into a wide population of new customer segments, especially in the Mainland China.

With a quality portfolio of property projects at different stage of investment & development, the property business has started generating sales proceeds in addition to the recurring rental income stream as well as the year-over-year progressive value appreciation.

Strategically located with easy access to other key central business districts, airport and the border to China, the revitalization of the Group's headquarter building in Kwai Chung has started and will be converted to an iconic commercial & retail hub in the region in 2019. Along the attainment of development milestones of each project, the property business will serve as additional growth driver for the Group with continuous enhancement in long-term shareholders' value.

I appreciate very much on the enormous support and advice constantly received 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.

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 2017 together with the comparative figures for the year ended 31 December 2016 are set out as follows: -

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
REVENUE	*3,4*	**2,732,974**	2,422,545
Cost of sales		**(2,208,070)**	(1,947,474)
Gross profit		**524,904**	475,071
Other income		**34,395**	70,465
Other gains and losses	*5*	**95,363**	165,803
Administrative expenses		**(323,812)**	(384,815)
Selling and distribution expenses		**(191,475)**	(185,578)
Other expenses		**(18,147)**	(24,355)
Finance costs	*6*	**(32,100)**	(30,740)
Share of losses of joint ventures		**(527)**	(619)
PROFIT BEFORE TAXATION		**88,601**	85,232
Income tax expenses	*7*	**(45,926)**	(43,968)
PROFIT FOR THE YEAR	*8*	**42,675**	41,264
OTHER COMPREHENSIVE INCOME (EXPENSE)	*9*		
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**211,177**	(168,702)
Gain on revaluation of properties		**101,201**	5,797
Income tax relating to items that will not be reclassified		**(25,300)**	(1,449)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(2,806)**	3,784
Fair value gain on hedging instruments under cash flow hedges		**34,077**	4,990
Reclassified to profit and loss on realisation of cash flow hedges		**21,782**	63,463
Income tax relating to items that may be reclassified subsequently		**(7,518)**	(8,857)
Other comprehensive income (expense) for the year, net of tax		**332,613**	(100,974)
TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR		**375,288**	(59,710)

	Note	2017 HK$'000	2016 HK$'000
PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**41,976**	43,277
Non-controlling interests		**699**	(2,013)
		42,675	41,264
TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**375,298**	(57,982)
Non-controlling interests		**(10)**	(1,728)
		375,288	(59,710)
EARNINGS PER SHARE	*11*		
Basic		**HK$0.14**	HK$0.14

Consolidated Statement of Financial Position
At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**609,975**	638,585
Prepaid lease payments		**68,717**	105,071
Investment properties		**1,649,855**	1,188,791
Intangible assets		**6,529**	-
Interests in joint ventures		**17,070**	16,246
Available-for-sale investments, at cost		**675**	675
Deposit placed and prepayment of premium for a life insurance		**26,074**	26,264
Deferred tax assets		**26,012**	19,989
		2,404,907	1,995,621
CURRENT ASSETS			
Inventories		**522,524**	416,796
Properties held for sale		**188,891**	157,192
Trade receivables	*12*	**403,249**	370,466
Bills receivable	*13*	**5,807**	4,961
Prepaid lease payments		**2,001**	3,026
Deposits, prepayments and other receivables		**175,968**	150,234
Amounts due from joint ventures		**27,050**	26,136
Tax recoverable		**175,872**	162,333
Derivative financial instruments		-	64,769
Short-term bank deposits		**490,131**	623,092
Bank balances and cash		**503,357**	331,255
		2,494,850	2,310,260
CURRENT LIABILITIES			
Trade payables	*14*	**360,773**	329,595
Bills payable	*14*	**602**	441
Other payables and accruals		**203,089**	188,394
Amount due to a joint venture		-	867
Amount due to an associate		**583**	583
Tax payable		**167,239**	157,731
Derivative financial instruments		**4,485**	63,847
Obligations under finance leases		**75**	62
Bank borrowings		**1,387,004**	1,215,433
Bank overdrafts		**694**	1,060
		2,124,544	1,958,013
NET CURRENT ASSETS		**370,306**	352,247
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,775,213**	2,347,868

	2017	2016
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**251,492**	178,051
Derivative financial instruments	**734**	3,092
Provision for long service payments	**2,859**	3,483
Obligations under finance leases	**20**	86
	255,105	184,712
NET ASSETS	**2,520,108**	2,163,156
CAPITAL AND RESERVES		
Share capital	**30,562**	30,562
Share premium and reserves	**2,514,862**	2,157,900
Equity attributable to owners of the Company	**2,545,424**	2,188,462
Non-controlling interests	**(25,316)**	(25,306)
TOTAL EQUITY	**2,520,108**	2,163,156

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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12	As part of the annual improvements to HKFRSs 2014 - 2016 cycle

The application of the 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 except for the addition 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:

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases [3]
HKFRS 17	Insurance contracts[3]
HK(IFRIC) - Int 22	Foreign currency transactions and advance consideration[1]
HK(IFRIC) - Int 23	Uncertainty over income tax treatments[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts[1]
Amendments to HKFRS 9	Prepayment features with negative compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014 - 2016 cycle[1]
Amendments to HKAS 28	Long-term interests in associates and joint ventures[2]
Amendments to HKAS 40	Transfers of investment property[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2015 - 2017 cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for annual periods beginning on or after a date to be determined.

3. Revenue

An analysis of the Group's revenue is as follows:

	2017	2016
	HK$'000	*HK$'000*
Manufacture and trading of garments	**2,492,109**	2,204,317
Brand business	**175,663**	218,228
Property investment and development (Note)	**65,202**	-
	2,732,974	2,422,545

Note: Revenue from property investment and development includes proceeds from sale of developed properties and rental income from letting investment properties. Rental income for the year ended 31 December 2016 from property investment, which was not regarded as the Group's principal activity, is not represented but included in other income.

4. Segment Information

Information reported to the Group's executive directors, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and performance assessment, is analysed based on components of the Group that are regularly reviewed by the CODM. These components are (i) manufacture and trading of garments; (ii) brand business; and (iii) property investment and development. During the year, property investment and development has been reported as separate component due to substantial increase of such activities and revenue contribution to the Group. The comparative segment information has been restated to reflect such change.

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 2017

	Manufacture and trading of garments *HK$'000*	Brand business *HK$'000*	Property investment and development *HK$'000*	Segment total *HK$'000*	Elimina-tions *HK$'000*	Consoli-dated *HK$'000*
REVENUE						
External sales	**2,492,109**	**175,663**	**65,202**	**2,732,974**	**-**	**2,732,974**
Inter-segment sales (Note i)	**38,108**	**-**	**-**	**38,108**	**(38,108)**	**-**
Segment revenue	**2,530,217**	**175,663**	**65,202**	**2,771,082**	**(38,108)**	**2,732,974**
RESULTS						
Segment profit (loss) (excluding loss on cash flow hedges reclassified from other comprehensive income)	**52,015**	**(28,012)**	**24,313**	**48,316**	**-**	**48,316**
Realisation of cash flow hedges reclassified from other comprehensive income	**(21,782)**	**-**	**-**	**(21,782)**	**-**	**(21,782)**
Segment profit (loss)	**30,233**	**(28,012)**	**24,313**	**26,534**	**-**	**26,534**
Change in fair value of derivative financial instruments						**(73,809)**
Change in fair value of investment properties						**170,743**
Corporate overhead (Note ii)						**(8,673)**
Other expenses						**(18,147)**
Unallocated items						**(8,047)**
Profit before taxation						**88,601**

For the year ended 31 December 2016 (restated)

	Manufacture and trading of garments *HK$'000*	Brand business *HK$'000*	Property investment and development *HK$'000*	Segment total *HK$'000*	Elimina-tions *HK$'000*	Consoli-dated *HK$'000*
REVENUE						
External sales	2,204,317	218,228	-	2,422,545	-	2,422,545
Inter-segment sales (Note i)	42,256	-	-	42,256	(42,256)	-
Segment revenue	2,246,573	218,228	-	2,464,801	(42,256)	2,422,545
RESULTS						
Segment profit (loss) (excluding loss on cash flow hedges reclassified from other comprehensive income)	45,941	(36,262)	12,135	21,814	-	21,814
Realisation of cash flow hedges reclassified from other comprehensive income	(63,463)	-	-	(63,463)	-	(63,463)
Segment profit (loss)	(17,522)	(36,262)	12,135	(41,649)	-	(41,649)
Change in fair value of derivative financial instruments						87,728
Change in fair value of investment properties						92,540
Corporate overhead (Note ii)						(15,315)
Other expenses						(24,355)
Unallocated items						(13,717)
Profit before taxation						85,232

Notes:

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

(ii) Central administration costs are apportioned between segments and corporate and allocated to the respective segments according to segment revenue in the respective reporting periods.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit (loss) earned (incurred) by each segment without the allocation of change in fair value of derivative financial instruments not designated for hedge accounting and investment properties, certain portion of the central administration costs and other expenses. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment. Furthermore, as the assets and liabilities for operating segments are not provided to the CODM for the purposes of resources allocation and performance assessment, no segment assets and liabilities is presented accordingly.

Other segment information

For the year ended 31 December 2017

	Manufacture and trading of garments *HK$'000*	Brand business *HK$'000*	Property investment and development *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or loss:				
Depreciation of property, plant and equipment	**63,014**	**321**	**-**	**63,335**
Amortisation of prepaid lease payments	**2,442**	**-**	**-**	**2,442**
Loss on disposal/written-off of property, plant and equipment and prepaid lease payments	**1,072**	**-**	**-**	**1,072**
Net allowance for bad and doubtful debts	**3,268**	**121**	**-**	**3,389**
Net allowance for (reversal of allowance for) inventory obsolescence (Note)	**6,828**	**(3,121)**	**-**	**3,707**
Interest income	**18,672**	**313**	**205**	**19,190**
Finance costs	**32,021**	**77**	**2**	**32,100**
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
Fair value loss on derivative financial instruments	**73,809**	**-**	**-**	**73,809**
Increase in fair value of investment properties	**-**	**-**	**170,743**	**170,743**
Share of losses of joint ventures	**527**	**-**	**-**	**527**

For the year ended 31 December 2016 (restated)

	Manufacture and trading of garments *HK$'000*	Brand business *HK$'000*	Property investment and development *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or loss:				
Depreciation of property, plant and equipment	62,833	848	-	63,681
Amortisation of prepaid lease payments	3,106	-	-	3,106
Loss on disposal/written-off of property, plant and equipment and prepaid lease payments	7,497	126	-	7,623
Net allowance for (reversal of allowance for) bad and doubtful debts	11,522	(4,110)	-	7,412
Net allowance for inventory obsolescence	3,709	4,995	-	8,704
Interest income	23,560	140	15	23,715
Finance costs	30,667	70	3	30,740
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss:				
Fair value gain on derivative financial instruments	87,728	-	-	87,728
Increase in fair value of investment properties	-	-	92,540	92,540
Share of losses of joint ventures	619	-	-	619

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

Geographical information

The Group's operations are mainly located in the Greater China.

Information about the Group's revenue from continuing operations from external customers is presented based on the location of the customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue		**Non-current assets**	
	2017 ***HK$'000***	2016 *HK$'000*	**2017** ***HK$'000***	2016 *HK$'000*
United States of America ("USA")	**951,845**	949,298	**205**	417
Europe	**485,785**	423,672	**365**	783
Greater China	**951,314**	784,844	**2,330,060**	1,924,708
Others	**344,030**	264,731	**4,446**	6,539
	2,732,974	2,422,545	**2,335,076**	1,932,447

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

Information about major customer

During the year ended 31 December 2017, there is no customer from manufacture and trading of garments segment, brand business nor property investment and development segment which contributed over 10% of the total revenue of the Group.

During the year ended 31 December 2016, there was a customer from manufacture and trading of garments segment contributed over 10% of the total revenue of the Group whose revenue was approximately HK$251,000,000.

5. Other Gains and Losses

	2017	2016
	HK$'000	*HK$'000*
Loss on disposal/written-off of property, plant and equipment and prepaid lease payments	**(1,072)**	(7,623)
Net allowance for bad and doubtful debts	**(3,389)**	(7,412)
Change in fair value of derivative financial instruments	**(73,809)**	87,728
Net foreign exchange gain	**2,890**	570
Increase in fair value of investment properties	**170,743**	92,540
	95,363	165,803

6. Finance Costs

	2017	2016
	HK$'000	*HK$'000*
Interests on:		
Bank borrowings and overdrafts	**29,966**	25,037
Finance leases	**12**	15
Bank charges on discounted bills	**5,767**	4,126
Total borrowing costs	**35,745**	29,178
Less: Amount capitalised in investment properties under construction that is arisen from specific borrowings	**(5,028)**	-
	30,717	29,178
Fair value loss reclassified from other comprehensive income profit of loss on interest rate swaps designated as cash flow hedges for variable-rate bank borrowings	**1,383**	1,562
	32,100	30,740

7. Income Tax Expenses

	2017	2016
	HK$'000	*HK$'000*
Current tax charge :		
Hong Kong	**1,617**	1,942
The People's Republic of China ("PRC")	**4,741**	5,502
Other jurisdictions	**568**	68
	6,926	7,512
Underprovision in prior years :		
Hong Kong	**7,908**	-
PRC	**1,177**	6,919
	9,085	6,919
Deferred taxation :		
Current year	**27,222**	21,366
Reclassified from other comprehensive income	**2,693**	8,171
	29,915	29,537
	45,926	43,968

The Hong Kong Inland Revenue Department (the "IRD") has initiated a tax audit on certain group companies for the year of assessment from 1999/2000 onwards in relation to the taxability on certain offshore income. 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 2010/2011. 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 2017, the Group has made tax payment of approximately HK$172,384,000 (2016: HK$160,294,000) for conditional standover order of objection against the Assessments, including approximately HK$160,294,000 (2016: HK$160,294,000) tax reserve certificates purchased by the Group. The amount is included in "tax recoverable" in the consolidated statement of financial position.

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 of the Group has in the current year followed the same basis for making provision as adopted in prior years. In the opinion of the directors of the Company, the provision made is adequate for the purpose mentioned above.

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards, except for High Fashion Silk (Zhejiang) Co., Ltd. and High Fashion (China) Co., Ltd, which have been recognised as an advanced technology enterprise by the PRC Tax Bureau in 2015 and 2016, respectively. These entities are 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):

	2017 HK$'000	2016 HK$'000
Costs of inventories recognised as expenses (including net allowance for inventory obsolescence and research and development cost)	**2,174,167**	1,947,474
Cost of properties sold (included in cost of sales)	**26,606**	-
Amortisation of prepaid lease payments	**2,442**	3,106
Depreciation of property, plant and equipment	**63,335**	63,681
Realisation of cash flow hedges reclassified from other comprehensive income (included in revenue)	**20,399**	61,901
Realisation of cash flow hedges reclassified from other comprehensive income (included in finance costs)	**1,383**	1,562
Interest income earned on loans and receivables (included in other income)		
- bank interest income	**(18,325)**	(14,173)
- interest income on other receivables	**(865)**	(828)
	(19,190)	(15,001)
Interest income earned on financial assets at fair value through profit or loss (included in other income)		
- interest income from structured deposits	**-**	(8,715)

9. Other Comprehensive Income (Expense)

	2017 HK$'000	2016 HK$'000
Cash flow hedges:		
Fair value gain on hedging instruments	**34,077**	4,990
Reclassification adjustments upon realisation of hedged items in profit or loss	**21,782**	63,463
	55,859	68,453
Gain on revaluation of properties	**101,201**	5,797
Exchange differences arising on translation to presentation currency	**211,177**	(168,702)
Exchange differences arising on translation of foreign operations	**(2,806)**	3,784
Other comprehensive income (expense)	**365,431**	(90,668)
Income tax relating to components of other comprehensive expense:		
- fair value changes in hedging instruments under cash flow hedges	**(4,825)**	(686)
- reclassification adjustments of fair value changes in hedging instruments to profit or loss	**(2,693)**	(8,171)
- revaluation of properties	**(25,300)**	(1,449)
	(32,818)	(10,306)
Other comprehensive income (expense) for the year, net of tax	**332,613**	(100,974)

10. Dividends

	2017	2016
	HK$'000	*HK$'000*
Dividends recognised as distribution and paid during the year:		
Interim dividend - 3 HK cents per ordinary share for 2017 (2016: 3 HK cents for 2016)	**9,168**	9,168
Final dividend - 3 HK cents per ordinary share for 2016 (2016: 3 HK cents for 2015)	**9,168**	9,168
	18,336	18,336

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2017 of 3 HK cents (2016: final dividend in respect of the year ended 31 December 2016 of 3 HK cents) per ordinary share, in an aggregate amount of HK$9,168,000 (2016: HK$9,168,000) has been proposed by the directors of the Company 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:

	2017	2016
	HK$'000	*HK$'000*
Earnings for the purpose of basic earnings per share attributable to owners of the Company	**41,976**	43,277

	2017	2016
Number of ordinary shares for the purpose of basic earnings per share	**305,615,420**	305,615,420

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

12. Trade Receivables

Trade receivables mainly comprise receivables from sales of garments and renting of properties. Credit terms granted to the customers for garment trading range from 30 days to 90 days. Rentals are payable by tenants upon presentation of demand notes. No credit period is granted to tenants.

The aged analysis of the Group's trade receivables net of allowance for doubtful debt is presented based on the invoice date at the end of the reporting period, which approximates the respective revenue recognition dates.

	2017	2016
	HK$'000	*HK$'000*
Within 90 days	**367,945**	335,280
91 to 180 days	**23,413**	30,687
181 to 360 days	**9,514**	2,390
Over 360 days	**2,377**	2,109
	403,249	370,466

13. Bills Receivable

At the end of the reporting period, bills receivable of HK$5,807,000 (2016: HK$4,961,000) are aged within 90 days (2016: 90 days) from the respective invoice dates. Included in the bills receivable are discounted bills with recourse of HK$4,303,000 (2016: HK$4,147,000), their corresponding financial liabilities are included in bank borrowings.

14. Trade and Bills Payables

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

	2017	2016
	HK$'000	*HK$'000*
Within 90 days	**115,079**	114,090
91 to 180 days	**7,475**	10,864
181 to 360 days	**3,214**	2,656
Over 360 days	**7,917**	7,033
	133,685	134,643
Accrued purchases	**227,088**	194,952
	360,773	329,595

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

All bills payable are aged within 90 days from the respective invoice dates.

15. Contingent Liabilities

In addition to the tax audit on certain group companies, as disclosed in note 7, the Group has the following contingent liabilities:

There were disputes amongst the Group, Hansen International Limited ("Hansen"), Ms. Mary Leong Ma Li, 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 of the Company, the ultimate outcome is unable to be determined and no provision has been made accordingly.

In addition, in June 2016, a judgment was made by the Intermediate People's Court Shaoxing, Zhejiang Province (the "2016 Judgment") regarding the enquiry for import of certain machinery parts and apparel accessories for manufacturing by the PRC factories into China. According to the 2016 Judgment, the Group was convicted of an offence of illicit transportation of common goods or articles without paying customs duty and was required to pay a penalty of Renminbi (“RMB”) 28,000,000 (the "Fine") and customs of RMB27,000,000 (the "Customs") on these imported machinery parts and apparel accessories, out of which the RMB30,000,000 deposit previously paid to the Customs Authority would be confiscated by the Customs Authority and used to offset the amount payable. The Judgment has not yet taken effect, while the Group has submitted an appeal application (the "Appeal") on the Judgment in July 2016.

In June 2017, a ruling was made by the High People's Court of Zhejiang Province on the Appeal proceeding to the effect that due to the unclear facts ascertained in the Judgement, the Judgment made by the Intermediate People's Court Shaoxing, Zhejiang Province was revoked, and the customs proceedings were remitted to the Intermediate People's Court Shaoxing, Zhejiang Province for retrial.

The customs proceedings are currently subject to retrial by the Intermediate People's Court Shaoxing, Zhejiang Province, and therefore, payment for the Fine and Customs has not been required. The management of the Group had sought advice from PRC legal professionals who advised that the 2016 Judgment would not take effect and the facts set out in the claims were unclear and without merit against which the Group had strong grounds to defend. Accordingly, the directors of the Company consider that no provision for impairment loss on the deposit is necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Review of Operations

Revenue of the Group increased 12.8% to HK$2.7 billion for the year. Despite significant appreciation of CNY over last year eroding our margin, Gross Profit still grew by 10.5% to HK$524.9 million.

Despite escalating operating cost pressure in China, administrative expenses in full year 2017 has been driven down below the level last year contributed by continuous re-engineering of operating process flow and cost base as well as better integration of organisational structure to support both existing businesses and new business development. Overall operating expenses for the year 2017 included also professional & consultancy fees on a number of different projects as well as one-off expenses totaled HK$18.1 million (2016: HK$24.4 million) which is classified under “Other Expenses”.

Profit for the year of 2017 included an exceptional loss on fair value change of derivative financial instruments of HK$73.8 million (2016: HK$87.7 million gain). Furthermore, there has been an increase in fair value of investment properties, net of tax, amounted to HK$131.3 million (2016: HK$72.3 million) recorded in the current period.

Net profit attributable to shareholders for the year ended 31 December 2017 landed at HK$42.0 million compared to the profit of HK$43.3 million in 2016. Basic earnings per share were HK$0.14 (2016: HK$0.14). Net asset value per share was HK$8.2 (2016: HK$7.1).

Segment Information

	Revenue		**Contribution**	
	2017	2016	**2017**	2016
	HK$’000	HK$’000	**HK$’000**	HK$’000
By principal activities:				
Manufacturing and trading	**2,492,109**	2,204,317	**124,400**	140,099
Brand business	**175,663**	218,228	**(28,012)**	(36,262)
Property investment and development	**65,202**	-	**24,313**	12,135
	2,732,974	2,422,545	**120,701**	115,972
By geographical segments:				
USA	**951,845**	949,298	**34,768**	37,389
Europe	**485,785**	423,672	**12,358**	12,251
Greater China	**951,314**	784,844	**63,635**	57,524
Others	**344,030**	264,731	**9,940**	8,808
	2,732,974	2,422,545	**120,701**	115,972

The manufacturing and trading business continued to be the profit contributor of the Group and the brand business has kept delivering positive profitability enhancement to the Group in 2017 vs last year through our restructuring efforts while full potential of the brand business is yet to be realized.

Property business continued to grow with increasing bottom-line contribution to the Group. With a quality portfolio of property projects at different stage of investment and development, the property business has started generating sales proceeds in addition to the recurring rental income stream as well as the year-over-year progressive value appreciation.

Liquidity and Financial Resources

The Group's total outstanding bank borrowings were increased to HK$1,388 million at the end of reporting period compared to HK$1,216 million as at 31 December 2016 yet the amount of cash and cash equivalents has also managed to increase for the period. Our gearing ratio of non-current liabilities to shareholders' funds was only 10% 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$993 million at the end of reporting period compared to HK$954 million as at 31 December 2016. 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 participation and contribution. Therefore, the Group encourages employees, 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 6,500. 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 year.

Capital Expenditure

The Group has purchased plant and equipment, leasehold improvement and construction in progress of around HK$25.5 million in order to upgrade its manufacturing capabilities and environmental protection during the year. The Group also input HK$26.4 million for property construction and development projects during the year.

Contingent Liabilities

Please refer to note 15 for details of contingent liabilities at 31 December 2017.

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") of the Company will be held at 22/F., CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong on Wednesday, 6 June 2018 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 (www.hkexnews.hk).

FINAL DIVIDEND

The Board recommends a final dividend of 3 HK cents (2016: 3 HK cents) per share payable to shareholders of the Company whose names appear on the Register of Members on Friday, 15 June 2018, making a total dividend for the year ended 31 December 2017 of 6 HK cents (2016: 6 HK cents) per share. Dividend warrants for the final dividend is expected to be despatched on or around Friday, 29 June 2018.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 4 June 2018 to Wednesday, 6 June 2018, 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 registrars and transfer office, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by not later than 4:30 p.m. on Friday, 1 June 2018.

In addition, the Register of Members will also be closed from Thursday, 14 June 2018 to Friday, 15 June 2018, 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 registrars and transfer office, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by not later than 4:30 p.m. on Wednesday, 13 June 2018.

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 Listing Rules on the Stock Exchange throughout the accounting period for the year ended 31 December 2017, except for the following deviation:

Code provision A.2.1

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Lam Foo Wah is the Chairman and Managing Director of the Company. The Board considers that the function of the Chairman and the Managing Director in the Company's strategic planning and development process are overlapping and it may not be for the benefit of the Company to have separate individuals occupying these two offices in the condition of the Group and its stage of development.

AUDIT COMMITTEE 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 2017.

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 2017 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 directors: Professor Yeung Kwok Wing and Mr. Hung Ka Hai, Clement; 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, 27 March 2018