High Fashion International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 608)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

CHAIRMAN'S STATEMENT

In the first half of 2019, the increasingly complex and challenging global economic environment, the escalating Sino-US trade tension, the Brexit uncertainties, have dampened the overall business sentiment to a great extent. Leveraging the Group's solid foundation, our proven track record of resilience in navigating cycles, again we continue to deliver a decent set of interim results on our core manufacturing business attributable to our disciplinary persistence in focusing on cost control leading to improvements in Gross Margin, even though revenues decrease as a result of the aforesaid market situation. All these efforts help establish a solid base preparing the Group for the next milestone in the growth journey.

Our key results for the interim period ended 30th June 2019 are as follow:–

- Net profit attributable to shareholders at HK$33.6 million
- Gearing ratio of non-current liabilities to shareholders' fund at 37.5%. Current ratio at 1.4
- Basic earnings per share landed at HK$0.11
- Net asset value per share amounted to HK$8.18
- Proposed interim dividend per share is HK$0.03

We are very committed to our core business for sustainable growth through deepened execution of the customer-centric approach, continuous product innovation, ownership collaboration for synergistic results, and accelerated transformation. While cost control remains essential, it is also crucial for investing in growth. Our strategic directive to be the market leader in Affordable Luxury Fast Fashion as our growth driver has gained noticeable momentum. Not only our cordial business partners across the nations highly support our strategic initiative, we strongly believe it will also help us to capture the fast expanding yet untapped China domestic fashion market at the quality reputation we are well positioned.

In recent years, our geographical expansion in the Southeast Asian region with volume leverage is improving nicely with our differentiated strategic focus on affordable luxury fast fashion apparel. We believe this supply chain expansion outside of our traditional China base, along with volume leverage, with swift and effective management action, will help us to mitigate the impact of challenging headwinds, including tariffs.

Losses from brand business has been narrowing significantly in this year compared with the same period last year as the Group has taken decisive actions to tighten its spending. While business growth in the U.S. still encounters fierce competition, we maintain our best endeavor looking for opportunities to turn around the business.

Property development projects are all in well progress within our expectation. The revitalization of the Hong Kong headquarters building, High Fashion Centre, is targeted to be completed toward the end of this year, adding income to the Group's lease portfolio in the near future. In Hangzhou, the property projects are in good shape, including a property development plan which continues to be optimized. These projects are expected to provide the Group with sustainable development opportunities.

In general, we are in belief of the market prevailing with risks and opportunities. It is critical that we are in position to move on in the right direction empowering our adaptive abilities enabling us to grow in the ever-changing market environment.

I appreciate very much on the enormous support and advice constantly received from our shareholders, customers, suppliers, banks 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 unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2019 together with the comparative figures.

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the six months ended 30 June 2019

	Notes	Six months ended 30 June **2019** **(Unaudited)** ***HK$'000***	 2018 (Unaudited) *HK$'000*
REVENUE	*3*		
Goods and services		**1,345,464**	1,535,728
Rental		**17,433**	14,870
TOTAL REVENUE		**1,362,897**	1,550,598
Cost of sales		**(1,097,485)**	(1,277,911)
Gross profit		**265,412**	272,687
Other income		**10,196**	12,193
Other gains and losses	*4*	**43,666**	56,431
Administrative expenses		**(150,906)**	(167,432)
Selling and distribution expenses		**(94,083)**	(99,965)
Other expenses		**(6,372)**	(10,225)
Net impairment loss recognised on financial assets		**(4,868)**	(7,340)
Finance costs	*5*	**(16,649)**	(16,237)
Share of losses of joint ventures		**(1,783)**	(94)
PROFIT BEFORE TAXATION		**44,613**	40,018
Income tax expenses	*6*	**(13,839)**	(18,390)
PROFIT FOR THE PERIOD	*7*	**30,774**	21,628
OTHER COMPREHENSIVE (EXPENSE) INCOME			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements from functional currency to presentation currency		**(11,932)**	(37,780)
Fair value gain on equity instruments at fair value through other comprehensive income		**-**	1,064
Gain on revaluation of owner-occupied properties		**-**	238
Income tax relating to items that will not be reclassified to profit or loss		**-**	(59)
		(11,932)	(36,537)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(1,643)**	(1,715)
Fair value loss on hedging instruments under cash flow hedges		**-**	(22,195)
Income tax relating to items that may be reclassified to profit or loss		**-**	3,662
		(1,643)	(20,248)
Other comprehensive expense for the period, net of tax		**(13,575)**	(56,785)
TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD		**17,199**	(35,157)

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Cont'd)
For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		**33,572**	23,589
Non-controlling interests		**(2,798)**	(1,961)
		30,774	21,628
TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		**19,982**	(33,269)
Non-controlling interests		**(2,783)**	(1,888)
		17,199	(35,157)
EARNINGS PER SHARE	*8*		
Basic		**10.98 HK cents**	7.72 HK cents
Diluted		**10.98 HK cents**	N/A

Unaudited Condensed Consolidated Statement of Financial Position
At 30 June 2019

	Notes	At 30 June 2019 (Unaudited) HK$'000	At 31 December 2018 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**543,630**	533,391
Right-of-use assets		**89,449**	-
Prepaid lease payments		**-**	62,738
Investment properties		**2,062,693**	1,926,240
Intangible assets		**8,223**	8,223
Interests in joint ventures		**8,631**	10,456
Equity instruments at fair value through other comprehensive income		**19,493**	19,493
Deferred tax assets		**28,710**	28,839
Other non-current assets		**31,938**	31,729
		2,792,767	2,621,109
CURRENT ASSETS			
Inventories		**373,813**	456,413
Properties held for sale		**225,886**	221,482
Trade receivables	*10*	**498,496**	433,309
Prepaid lease payments		**-**	2,034
Deposits, prepayments and other receivables		**173,248**	153,513
Amounts due from joint ventures		**17,972**	24,920
Tax recoverable		**191,624**	187,871
Structured deposits		**220,087**	269,435
Short-term bank deposits		**55,422**	55,203
Bank balances and cash		**612,962**	658,463
		2,369,510	2,462,643
CURRENT LIABILITIES			
Trade payables	*11*	**281,320**	306,413
Other payables and accruals		**162,921**	184,792
Provision		**2,372**	2,372
Lease liabilities		**11,684**	-
Amount due to a joint venture		**1,833**	3,984
Amount due to an associate		**583**	583
Contract liabilities		**364,663**	280,705
Tax payable		**165,300**	161,685
Derivative financial instruments		**15**	8,498
Obligations under finance leases		**-**	19
Bank borrowings		**733,326**	688,358
		1,724,017	1,637,409

Unaudited Condensed Consolidated Statement of Financial Position (Cont'd)
At 30 June 2019

	At 30 June 2019 (Unaudited) *HK$'000*	At 31 December 2018 (Audited) *HK$'000*
NET CURRENT ASSETS	**645,493**	825,234
TOTAL ASSETS LESS CURRENT LIABILITIES	**3,438,260**	3,446,343
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**260,974**	256,803
Bank borrowings	**657,500**	692,500
Lease liabilities	**15,041**	-
Provision for long service payments	**3,613**	2,803
	937,128	952,106
NET ASSETS	**2,501,132**	2,494,237
CAPITAL AND RESERVES		
Share capital	**30,562**	30,562
Share premium and reserves	**2,503,480**	2,493,802
Equity attributable to owners of the Company	**2,534,042**	2,524,364
Non-controlling interests	**(32,910)**	(30,127)
TOTAL EQUITY	**2,501,132**	2,494,237

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.

Other than the changes in accounting policies resulting from application of the new Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018.

<u>Application of new and amendments to HKFRSs</u>

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. Principal Accounting Policies (Cont'd)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

<u>Right-of-use assets</u>

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

<u>Lease liabilities</u>

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

2. Principal Accounting Policies (Cont'd)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (Cont'd)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK$27,672,000 and right-of-use assets of HK$90,829,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.69%.

2. Principal Accounting Policies (Cont'd)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (Cont'd)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Cont'd)

	At 1 January 2019 *HK$'000*
Operating lease commitments disclosed as at 31 December 2018	34,675
Less: Lease liabilities discounted at relevant incremental borrowing rates	(3,544)
Less: Recognition exemption – short-term leases and low value assets	(3,459)
Lease liabilities as at 1 January 2019	27,672
Analysed as	
Current	12,745
Non-current	14,927
	27,672

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	26,057
Reclassified from prepaid lease payments	64,772
Less: Accrued lease liabilities at 1 January 2019	(1,209)
	89,620
By class:	
Leasehold lands	64,772
Buildings	24,848
	89,620

2. Principal Accounting Policies (Cont'd)

2.2 Impacts and changes in accounting policies of application on HK(IFRIC)-Int 23 "Uncertainty over Income Tax Treatments"

HK(IFRIC)-Int 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires the Group to determine whether uncertain tax positions are assessed separately or as a group and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by individual group entities in their respective income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

The Group applied this interpretation retrospectively with the cumulative effect of initially applying the interpretation recognised at the date of initial application, 1 January 2019, without restating comparatives.

As disclosed in the Group's annual reports published in previous years, the Hong Kong Inland Revenue Department ("IRD") has initiated a tax audit on certain group companies in Hong Kong from the year of assessment 1999/2000 onwards.

Since the tax audit is at the review stage by the IRD after different views were exchanged with the IRD, the outcome of the tax audit can probably not be agreed by IRD. Management of the Group has in the current period followed the same basis for making provision as adopted in prior years. In the opinion of the directors of the Company, the uncertain tax position in respective of the tax audit represents the most likely amount.

Details of the tax positions of the Group are set out in note 6.

3. Revenue and Segment Information

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Recognised at a point in time under HKFRS 15:		
Manufacturing and trading of garments	**1,285,196**	1,421,440
Sales of brand garments	**54,267**	73,913
Sales of properties	**6,001**	40,375
Revenue from contracts with customers	**1,345,464**	1,535,728
Rental income recognised under HKAS 17	**17,433**	14,870
	1,362,897	1,550,598
Geographical markets		
United States of America	**451,088**	555,041
Europe	**201,833**	245,234
Greater China	**603,589**	584,078
Others	**106,387**	166,245
	1,362,897	1,550,598

Set out below is the reconciliation of revenue from contracts with customers with the amounts disclosed in segment information:

For the six months ended 30 June 2019 (unaudited)

	Manufacturing and trading of garments	**Brand business**	**Property investment and development**
	HK$'000	***HK$'000***	***HK$'000***
Segment revenue	**1,307,177**	**54,267**	**23,434**
Less: rental income recognised under HKAS 17	**-**	**-**	**(17,433)**
Less: inter-segment sales	**(21,981)**	**-**	**-**
Revenue from contracts with customers	**1,285,196**	**54,267**	**6,001**

3. Revenue and Segment Information (Cont'd)

Disaggregation of revenue from contracts with customers (Cont'd)

For the six months ended 30 June 2018 (unaudited)

	Manufacturing and trading of garments	Brand business	Property investment and development
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue	1,432,560	73,913	55,245
Less: rental income recognised under HKAS 17	-	-	(14,870)
Less: inter-segment sales	(11,120)	-	-
Revenue from contracts with customers	1,421,440	73,913	40,375

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 2019 (unaudited)

	Manufacturing and trading of garments	Brand business	Property investment and development	Segment total	Elimina-tions	Consoli-dated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE						
External sales	**1,285,196**	**54,267**	**23,434**	**1,362,897**	**-**	**1,362,897**
Inter-segment sales (note i)	**21,981**	**-**	**-**	**21,981**	**(21,981)**	**-**
Segment revenue	**1,307,177**	**54,267**	**23,434**	**1,384,878**	**(21,981)**	**1,362,897**
RESULTS						
Segment profit (loss)	**33,682**	**(14,569)**	**4,340**	**23,453**	**-**	**23,453**
Change in fair value of derivative financial instruments						**1,971**
Change in fair value of investment properties						**37,968**
Net foreign exchange loss						**(3,860)**
Corporate overhead (note ii)						**(3,963)**
Other expenses						**(6,372)**
Unallocated items						**(4,584)**
Profit before taxation						**44,613**

3. Revenue and Segment Information (Cont'd)

Segment information (Cont'd)

For the six months ended 30 June 2018 (unaudited)

	Manufacturing 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	1,421,440	73,913	55,245	1,550,598	-	1,550,598
Inter-segment sales (note i)	11,120	-	-	11,120	(11,120)	-
Segment revenue	1,432,560	73,913	55,245	1,561,718	(11,120)	1,550,598
RESULTS						
Segment profit (loss)	33,851	(32,347)	12,193	13,697	-	13,697
Change in fair value of derivative financial instruments						980
Change in fair value of investment properties						41,667
Net foreign exchange gain						2,195
Corporate overhead (note ii)						(6,241)
Other expenses						(10,225)
Unallocated items						(2,055)
Profit before taxation						40,018

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.

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 foreign exchange (loss) gain, central administration costs and other expenses. 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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Increase in fair value of investment properties	**37,968**	41,667
Change in fair value of derivative financial instruments	**1,971**	980
Net foreign exchange (loss) gain	**(2,122)**	13,852
Loss on disposal of property, plant and equipment	**(372)**	(68)
Change in fair value of financial assets at fair value through profit or loss	**6,221**	-
	43,666	56,431

5. Finance Costs

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interests on:		
Bank borrowings and overdrafts	**22,380**	20,132
Leases	**700**	4
Bank charges on discounted bills	**2,001**	3,129
Total borrowing costs	**25,081**	23,265
Less: Amount capitalised in construction in progress, properties held for sale and investment properties under construction that is arisen from specific borrowings	**(8,432)**	(7,028)
	16,649	16,237

6. Income Tax Expenses

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax charge:		
Hong Kong	**3,000**	3,000
The People's Republic of China (the "PRC")	**5,234**	5,473
Other jurisdictions	**133**	33
	8,367	8,506
(Over)underprovision in prior periods:		
Hong Kong	**(6)**	27
The PRC	**-**	1,455
	(6)	1,482
Deferred taxation - current period	**5,478**	8,402
	13,839	18,390

7. Profit for the Period

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Amortisation of prepaid lease payments	**-**	792
Depreciation of property, plant and equipment	**28,514**	28,412
Depreciation of right-of-use assets	**6,388**	-
Net (reversal) allowance for inventory obsolescence (included in cost of sales)	**(2,185)**	6,142
Investment income earned on:		
Bank interest income	**(5,829)**	(7,417)
Interest income on other receivables	**-**	(390)

8. Earnings Per Share

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings for the purpose of basic and diluted earnings per share attributable to owners of the Company	**33,572**	23,589
	Number of shares	Number of shares
Number of ordinary shares for the purpose of basic and diluted earnings per share	**305,615,420**	305,615,420

The computation of diluted earnings per share for the six months ended 30 June 2019 does not assume the exercise of the Company's share options because the share options were still under the vesting period.

9. Dividends

During the current interim period, a final dividend of 3 HK cents (six months ended 30 June 2018: 3 HK cents) per share was declared to the shareholders for the year ended 31 December 2018 (six months ended 30 June 2018: for the year ended 31 December 2017) and paid in cash.

The Board declared that an interim dividend of 3 HK cents per share for the six months ended 30 June 2019 (six months ended 30 June 2018: 3 HK cents) in an aggregate amount of HK$9,168,000 (six months ended 30 June 2018: HK$9,168,000) will be paid to shareholders whose names appear in the register of members on 20 September 2019. 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.

10. Trade Receivables

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

At 30 June 2019, total bills received amounting to HK$247,000 (31 December 2018: HK$4,958,000) are held by the Group for further settlement of trade receivables, of which certain bills are further discounted by the Group. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills received by the Group are with a maturity period of less than one year.

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

	At 30 June 2019 (Unaudited)	At 31 December 2018 (Audited)
	HK$'000	*HK$'000*
Within 90 days	**451,522**	401,470
91 to 180 days	**31,523**	23,345
181 to 360 days	**12,307**	7,173
Over 360 days	**3,144**	1,321
	498,496	433,309

11. Trade Payables

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

	At 30 June 2019 (Unaudited)	At 31 December 2018 (Audited)
	HK$'000	*HK$'000*
Within 90 days	**70,558**	82,154
91 to 180 days	**15,225**	9,912
181 to 360 days	**5,177**	5,985
Over 360 days	**8,388**	6,379
	99,348	104,430
Accrued purchases	**181,972**	201,983
	281,320	306,413

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

12. Contingent Liabilities

(i) 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. During the course of the tax audit, there is a possibility that estimated assessments for subsequent years will be issued by the IRD to these group companies.

Since the tax audit is at a review stage by the IRD after different views were 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 period followed the same basis for making provision as adopted in prior years. In the opinion of the directors of the Company, the uncertain tax position in respective of the tax audit represents the most likely amount.

(ii) There were disputes amongst the Group, Tai Ding Century Limited ("Tai Ding"), Ms. Leong Ma Li, the beneficial owner of Tai Ding, 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 the court. Given that it is still at evidence investigation stage, in the opinion of directors of the Company, the ultimate outcome is unable to be determined and no provision has been made accordingly.

(iii) In June 2016, a judgment (the "Judgement") was made by the Intermediate People's Court Shaoxing, Zhejiang Province (the "Shaoxing Intermediate People's Court") which stated that the Group had convicted an offence of illicit transportation of common goods or articles without paying customs duty and was required to pay a penalty of approximately RMB28,000,000 and customs of approximately RMB27,000,000, out of which the RMB30,000,000 deposit previously paid would be confiscated by the Customs Authority and used to offset the amount payable. In July 2016, the Group appealed against the Judgment (the "Appeal") to the High People's Court of Zhejiang Province.

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

In April 2018, the Shaoxing Intermediate People's Court retained the same judgment ("Judgment 2") as was made previously. After seeking advice from the legal and other professionals, the Group appeal against the Judgment 2.

Management of the Group had sought advice from PRC legal professionals who advised that the Judgment 2 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. The Group has made a provision in 2018 for a penalty of not complying with the processing trade requirement of approximately RMB2,000,000 (equivalent to approximately HK$2,372,000). The next court hearing is expected to be held within the next six to twelve months from the end of this interim reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

To tackle with the escalation in trade tension between China and the United States which hampers the global economic sentiment and consumption value chain, the Group has been accelerating the pace in strengthening the production capacity in Southeast Asian region. During the first half of 2019, the Group not only promotes the utilization rate in the Cambodia plant, but also constantly streamlines the operational processes and leverages on system applications striving for higher efficiency with better quality in response to the ever-changing customer demand in garment markets. Furthermore, the Group continues to enhance the co-operation with selected production partners in Vietnam and explore further expansion opportunities over there.

According to the China Customs Statistics released by Hong Kong Trade Development Council, the export value of textile garments from China decreased around 6% to US$52 billion in the first half of 2019 as compared with last year. To confront the challenges of declining export from China, we devote more resources to strengthen the China domestic market especially in womenswear. China's consumption potential is huge and internet retailing has kept delivering strong growth in recent years. It provides an opportunity for the Group to grow in the domestic garment and textile market by leveraging our know-how in the overseas markets which we have been doing business for so many years with well proven track records.

While the Group will continue to leverage the competitive edge in silk business with the image of being "creative and innovative", we also address the importance to steer our transformation to the fast fashion supply chain paradigm characterized for quicker turnaround time, leaner inventory, fashionable and competitive price. The Group direction is to implement lean management through system integration to mitigate redundant processes and structures across the board and to cope with the intense price competition in the fast fashion industry. We are optimistic that our focus on aligning the core competence will emerge as a winner in the fast changing apparel market.

FINANCIAL REVIEW

Revenue of the Group decreased by HK$0.2 billion to HK$1.4 billion for the six months ended 30 June 2019, representing a fall of 12%. Nevertheless, Gross profit margin has been improved to 19.5% from 17.6% in the same period in 2018, attributable to our dedicated efforts in costs control and streamlining process flows in production and operation as well as the CNY depreciation.

At expenses side, administrative expenses and selling and distribution expenses were decreased by 10% and 6% respectively comparing to the same period of last year. The decreases in expenses were attributable to the implementation of various effective measures to monitor the costs across the Group, coupled with the impact from RMB depreciation against HK dollar in average during the period. Other expenses reduced significantly to HK$6.4 million due to less legal and consultancy expenses incurred.

Other gains for the interim period amounted to HK$43.7 million, it included net fair value gain from investment properties of HK$38 million and change in fair value of financial assets at fair value through profit and loss of HK$6.2 million. Other income slightly decreased by HK$2 million mainly because of lower interest income as a result of lower structured deposit rates in the market.

Net profit attributable to shareholders for the period ended 30 June 2019 was HK$33.6 million, representing an encouraging improvement of 42% compared to HK$23.6 million of last year. Basic earnings per share increased to HK$0.110 (2018: HK$0.077) and net asset value per share was HK$8.18 (2018: HK$8.16).

SEGMENT INFORMATION

The segment information for six months are as follows:

	Revenue		**Contribution**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
By principal activities:				
Manufacturing and trading	**1,285,196**	1,421,440	**33,682**	33,851
Brand business	**54,267**	73,913	**(14,569)**	(32,347)
Property investment and development	**23,434**	55,245	**4,340**	12,193
	1,362,897	1,550,598	**23,453**	13,697

Manufacturing and trading

Although the increases in tariff by the United States for imports from China at the current stage do not materially relate to the garment business of the Group, market sentiment has been affected resulting in slowing down of sales orders in the first half of the year. Revenue for the interim period decreased by 9.6% comparing with last year accordingly. However, thanked to our continuous efforts on monitoring the production costs and optimizing the work flows, the gross margin shows good improvements contributing to stabilize the segment profit at HK$33.7 million amid reduction in revenue.

On top of the re-engineering process to enhance competitiveness, the Group also explores and assigns specific resources to further strengthen the production supply chain capabilities in Southeast Asian countries particularly in Cambodia and Vietnam. Meanwhile, the expanding domestic sales market in China offers growth opportunities to the Group by leveraging on its overseas market expertise in the local market development. These measures enable the Group to maintain solid growth amid the business uncertainties from the tariff disputes between China and the United States.

Brand business

Fast fashion retailing, comparing to mid to premium brands, accounted for majority of online fashion traffic in recent years and is growing rapidly. As a result, the performance of our brand operations were impacted negatively especially in the USA market. In addition, discounters in the USA tend to squeeze on the price affecting the margin of our brand business in the already competitive market.

Revenue from brand business in the first half year of 2019 decreased by HK$19.6 million or 26.6% to HK$54.3 million (first half year of 2018: HK$73.9 million). Nevertheless, with the determined efforts in streamlining the operations to optimize the business structure and process flows resulting in effective control on expense level, the decline in segment losses have been further narrowed down in this year to HK$14.6 million comparing to HK$32.3 million loss in the same period of last year. The Group will continue to monitor the operating costs in order to further close the gap and turn around the business into profitable state.

Property investment and development

In order to utilize the Group resources more effectively and to generate stable cash flow to support the core trading and manufacturing business, the Group has been investing in recent years various property development and management projects. The Group's quality portfolio of property projects in the mainland China and Hong Kong at different stages of investment and development continue to create value to the Group and will serve as additional growth drivers for the Group, with progressive value realization to enhance long-term shareholders' value. Furthermore, the property development projects in Hangzhou are all in good progress. The investment property in Hong Kong is under revitalizing and estimated to complete toward the end of this year.

For the period ended 30 June 2019, revenue from property investment and development business was HK$23.4 million. We expect the property business will continue to grow with increased contribution to the Group upon completion of the development projects in the near future.

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

As a responsible corporation, our Group recognizes the importance of environmental protection and social welfare to our external and internal stakeholders, so we would continue to transform our business model to further align environmental protection and social responsibility into our strategic plan and key initiatives that we operate.

Our Group has used a methodical approach – Materiality, to identify the many challenges that we must prioritize, address and analyze in order to provide a robust understanding of our Group's sustainability actions. Based on the analysis we have developed THREE sustainability goals for FOUR years up to 2020. These goals align with the vision of our Group that we "strive to be World's No. 1 Silk Enterprise".

Better Products
Our Group has always practiced the strategic concept of "green R&D, green manufacturing, green operation and green products. We are the first enterprise in China to obtain the MADE IN GREEN by OEKO-TEX@ label for silk products. By improving efficiency in product resources and operation, carbon emission has been reduced and better ecological civilization has been achieved.

Lower Impact
We conducted a number of sustainability projects to confront some of the big challenges i.e. impact on energy, water and waste in manufacturing textile and garment products. We have recorded good results in reducing both hazardous and non-hazardous waste. This demonstrated the successful implementation of the 4R principle (reducing, reusing, recycling and replacing) in our working principles and methodology.

More admired workplace

The Group considers all employees as our important assets and has long placed emphasis on their well-being and development. Quality management training program covering the Group was launched in early 2019. Our commitment on such endeavors has well been recognized, we have received both international and national awards in product quality and business activities.

On the other hand, we care about our people and community and take great pride in working closely with them. The Group strives to have more positive impact by collaborating with academy and charity to support our new generation. A Women Wear Institute which under co-construction with Hangzhou Vocational and Technical College (杭州職業技術學院) has celebrated its 10th Anniversary in early 2019. In addition, the Group has established Tonglu High Fashion Education Foundation (桐廬達利教育基金會) which not only supports students and teachers in Tonglu, but also bridges the connection between the charity group in Hong Kong and education sector in Tonglu.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total outstanding bank borrowings were at the same level of HK$1.4 billion at the end of interim reporting period of 2019 and 2018. The bank borrowings were mainly for fixed assets investments to develop and upgrade the manufacturing plants in China. Our gearing ratio of non-current liabilities to shareholders' funds was 37.5% at the end of the reporting period. Current ratio maintained at a robust level of 1.4.

The Group's total cash and bank balances were HK$888.5 million at the end of reporting period compared to HK$983.1 million as at 31 December 2018. Along with the available banking facilities, the Group had a healthy working capital and liquidity to meet the operating needs and future growth.

Foreign currency risk exposure is primarily related to RMB and US dollar since a considerable portion of our operating expenses are denominated in RMB while sales are mainly denominated in US dollar. As HK dollar is pegged to the US dollar, the Group considers that its foreign currency risk in respect of US dollar is minimal. Although RMB was in general depreciated during the period, which is in our favour to hedge its risk, we shall continue to monitor the impact of its movements and make appropriate action. Bank borrowings were denominated mainly in HK dollar and partly in US dollar.

Barring the pledge of trade and bill receivables of certain subsidiaries of HK$15 million (At 30 June 2018 – HK$19 million), and the pledge of certain properties in Hong Kong of HK$981 million (At 30 June 2018 – HK$723 million), there were no charges on the Group's assets.

CAPITAL EXPENDITURE

The Group has purchased the plant and equipment, leasehold improvement and construction in progress of around HK$14.8 million in order to upgrade the manufacturing capabilities and improve the environmental protection facilities during the period. The Group also injects HK$139.6 million into certain properties construction and development projects during the period.

CAPITAL COMMITMENTS

At 30 June 2019, the Group is committed to capital expenditure in respect of acquisition of property, plant and equipment and construction work contracted but not provided for amounted to HK$200.5 million.

CONTINGENT LIABILITIES

Please refer to note 12 to the condensed consolidated financial statements for details of contingent liabilities as of 30 June 2019.

TAX AUDIT

Since February 2006, the IRD has initiated a tax audit on certain group companies for the years of assessment as from 1999/2000. The Group has been pro-actively liaising with the IRD and different views were exchanged with the IRD during the period. The directors of the Group are of the opinion that, the tax provision in respect of all the years represented the most likely amount and was adequate for the Hong Kong chargeable income.

HUMAN RESOURCES

The total number of employees of the Group including joint ventures as at the end of interim reporting period was about 6,300. 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.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 3 HK cents per share for the six months ended 30 June 2019 (six months ended 30 June 2018: interim dividend of 3 HK cents) on the shares in issue amounting to HK$9,168,000 (six months ended 30 June 2018: HK$9,168,000), to the shareholders whose names appear on the Register of Members on Friday, 20 September 2019. The dividend will be payable on or about Friday, 18 October 2019.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Thursday, 19 September 2019 to Friday, 20 September 2019, both days inclusive, during which period no transfer of shares will be registered. In order to determine shareholders who are entitled to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by not later than 4:30 p.m. on Wednesday, 18 September 2019.

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 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the accounting period for the six months ended 30 June 2019, except for the following deviations as described below:

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 best interests 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.4.1

Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election.

The current non-executive directors and independent non-executive directors of the Company were not appointed for a specific term. However, as all directors of the Company are eligible for re-election and subject to retirement by rotation at the annual general meetings of the Company in accordance with Bye-law 87 of the Company's Bye-laws and code provision A.4.2 of the CG Code, the Board considers that sufficient resources have been taken to ensure that the Company's corporate governance practices are no less than exacting than those in the CG Code.

Code provision A.5.1

Under the code provision A.5.1 of the CG Code, Nomination Committee should comprise a majority of independent non-executive directors.

Following the retirement of Mr. Woo King Wai as an independent non-executive director of the Company ("INED") on 6 June 2019, (i) the number of INEDs fell below the minimum number of three and the number of INEDs could not represent at least one-third of the Board, as required respectively under Rules 3.10(1) and 3.10A of the Listing Rules; and (ii) the number of INEDs on the Audit Committee, Remuneration Committee and Nomination Committee did not meet the respective majority requirement under Rule 3.21 and Rule 3.25 of the Listing Rules, and code provision A.5.1 of the CG Code.

On 26 July 2019, Mr. Chung Kwok Pan was appointed as (i) an INED; and (ii) a member of the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee of the Company. Subsequent to the appointment, the Company complied with the Listing Rules and code provision as mentioned in the above paragraph.

Code provision D.1.4

Under the code provision D.1.4 of the CG Code, directors should clearly understand delegation arrangements in place and listed companies should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

The Board considers that though there are no formal letters of appointment entered into between the Company and the directors, the current arrangement has been adopted for years and proved to be effective, more appropriate and flexible for the business operation of the Company. The directors also have a clear understanding of the terms and conditions of their appointment with close communication with the Company and their awareness on the relevant rights and duties, subject to the applicable laws and regulations.

AUDIT COMMITTEE REVIEW

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 2019.

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

During the six months ended 30 June 2019, 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 (www.hkexnews.hk).

The 2019 Interim Report of the Company will be despatched 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 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. Wong Shiu Hoi, Peter, Mr. Leung Hok Lim and Mr. Chung Kwok Pan.

By Order of the Board
High Fashion International Limited
Lam Foo Wah
Chairman & Managing Director

Hong Kong, 30 August 2019