tailor-made for excellence

TRINITY LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 891

annual report 2010

GLOBAL OFFICES

United Kingdom

London

Hong Kong, SAR

Chinese Mainland

Shanghai

Beijing

Guangzhou

Chengdu

Singapore

South Korea

Seoul

Taiwan

Taipei

利豐

Member of the Li & Fung Group

contents

Corporate Information

Executive Directors

WONG Yat Ming
(Group Managing Director)

Bruno LI Kwok Ho
(Chief Financial Officer)

Danny LAU Sai Wing
(Chief Operating Officer)

Sabrina FUNG Wing Yee

Non-executive Directors

Dr Victor FUNG Kwok King *GBM, GBS, CBE*
(Chairman)

Dr William FUNG Kwok Lun *SBS, OBE, JP*
(Deputy Chairman)

Jeremy Paul Egerton HOBBINS
(Deputy Chairman)

Jose Hosea CHENG Hor Yin

Independent Non-executive Directors

Patrick SUN

Cassian CHEUNG Ka Sing

Michael LEE Tze Hau

Jean-Marc LOUBIER
(Re-designated as Non-executive Director on 23 March 2011)

Group Chief Compliance Officer

James SIU Kai Lau

Company Secretary

Christiana YIU Yuen Wah

Registered office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

11/F, 10 Shing Yip Street
Kwun Tong
Kowloon
Hong Kong

Website

www.trinity-limited.com

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

The Bank of Tokyo-Mitsubishi UFJ, Limited

Standard Chartered Bank (Hong Kong) Limited

Bank of China (Hong Kong) Limited

Citibank, N.A.

Legal Advisers

Mayer Brown JSM

Auditor

PricewaterhouseCoopers
Certified Public Accountants

Compliance Adviser

Somerley Limited

Highlights

Highlights of Results for the Year ended 31 December 2010

	2010	2009	% change
Continuing Operations:			
Revenue *(HK$ million)*	**2,011**	1,645	**22.3%**
Gross profit *(HK$ million)*	**1,552**	1,211	**28.2%**
Gross profit *(%)*	**77.2%**	73.6%	
Operating profit *(HK$ million)*	**430**	262	**63.7%**
Operating profit *(%)*	**21.4%**	15.9%	
Profit attributable to shareholders from Continuing Operations *(HK$ million)*	**341**	188	**81.4%**
Profit attributable to shareholders from Continuing Operations *(%)*	**16.9%**	11.4%	
Current ratio [1]	**1.6**	3.0	
Trade payable turnover days [2]	**60**	45	
Trade receivable turnover days [3]	**35**	39	
Inventory turnover days [4]	**320**	388	
Return on equity *(%)* [5]	**16.0%**	11.1%	
Net debt to equity ratio *(%)* [6]	**2.9%**	9.7%	
Discontinued Operations:			
Loss attributable to shareholders from Discontinued Operations *(HK$ million)*	**–**	(8)	
Profit attributable to shareholders *(HK$ million)*	**341**	180	**89.7%**
Basic earnings per share *(HK cents)* [7]	**21.6**	14.2	
Dividend per share *(HK cents)*			
– Final	**10.0**	7.0	
– Full Year	**15.0**	7.0	

Key ratios:
Ratios 1 to 6 relate to the Continuing Operations while ratio 7 relates to the Group (comprising Continuing and Discontinued Operations):

1 *Current ratio = Current assets / current liabilities*
2 *Trade payable turnover days = Average of opening and closing balances on trade payables / cost of sales for the year x no. of days for the year*
3 *Trade receivable turnover days = Average of opening and closing balances on trade receivables / revenue for the year x no. of days for the year*
4 *Inventory turnover days = Average of opening and closing balances on inventory / cost of sales for the year x no. of days for the year*
5 *Return on equity = Profit attributable to shareholders / average of opening and closing equity x 100%*
6 *Net debt to equity ratio = Net debt / total equity x 100% whereas net debt = interest bearing bank borrowings less cash and cash equivalents*
7 *Basic earnings per share = Profit attributable to shareholders / weighted average number of ordinary shares*

Definition of Continuing and Discontinued Operations:
Continuing Operations are defined as the management of international menswear brands – Kent & Curwen, Cerruti 1881, Gieves & Hawkes, D'URBAN, Intermezzo, Altea as well as the Group's joint ventures with Salvatore Ferragamo. Discontinued Operations represent the private label business which the Group acquired and subsequently sold in 2009.

Trinity Group

31 December 2010 store numbers

	Chinese Mainland	Hong Kong & Macau	Taiwan	UK	South Korea & SE Asia	Total
Kent & Curwen	95	13	9	1	N/A	118
Cerruti 1881	83	9	11	N/A	N/A	103
Gieves & Hawkes	75	8	9	N/A	N/A	92
D'URBAN	59	7	10	N/A	N/A	76
Intermezzo	17	2	N/A	N/A	N/A	19
Altea	N/A	2	N/A	N/A	N/A	2
Total for the Group	**329**	**41**	**39**	**1**	**0**	**410**
Salvatore Ferragamo joint ventures	N/A	N/A	N/A	N/A	41	41
Total for the Group and the joint ventures	**329**	**41**	**39**	**1**	**41**	**451**

Revenue

Revenue increased by 22.3%, driven by store network expansion and strong same-store sales growth in an expanding market environment.

Gross profit

Gross profit percentage trended up from 73.6% to 77.2% following the improvements in market condition and supply chain.

Profit attributable to shareholders

Profit attributable to shareholders increased by 89.7% to HK$341 million.

Dividend per share

Full year dividend per share increased by 114.3% to 15.0 HK cents.


KENT &
1926
EMPIRE

Chairman's Statement

Victor FUNG Kwok King

Chairman

Financial Overview

I am pleased to report that Trinity Limited, together with its subsidiaries (the "Group"), achieved strong revenue growth of 22.3% for 2010 as compared with 2009. Profit attributable to shareholders increased by 89.7% to HK$340.8 million. Gross profit percentage also increased from 73.6% to 77.2%, demonstrating the Group's ability to achieve continued growth and efficiency in the Greater China market. Earnings per share increased by 52.1% from 14.2 HK cents to 21.6 HK cents. By the end of 2010, the Group together with its joint ventures operated 451 stores, of which 409 are in Greater China.

+22.3%
Revenue growth in 2010

+28.2%
Growth in gross profit

+89.7%
Strong growth in profit attributable to shareholders

+52.1%
Strong growth in earnings per share

Business Review

In the Chinese Mainland, the retail market was buoyed by the country's brisk economic recovery, official policies to stimulate domestic consumption, upward adjustment in minimum wages, and strong consumer confidence. China's economy grew 10.3% in 2010 and became the second largest economy in the world after the United States.

Despite fragile economic recovery in the United States and the potential threat of the sovereign debt crisis in the Eurozone, Hong Kong ended 2010 with a stable upward trend of economic growth, fortified by record visitor arrivals, strong domestic consumption, sustained job creation and upbeat consumer sentiment.

These factors helped make 2010 an exciting year for Trinity as it continued to expand its presence in existing markets and enter new markets. Same-store sales grew by a healthy 21.0%. The Group added eight new cities to its network in the Chinese Mainland and opened 104 new stores in Greater China.

The Group's performance was supported by a robust desire for luxury products from China's aspirational customers. According to consumer research, purchasers of luxury goods spent an average 10% to 12% of their household income for such items. Knowledge and appreciation of luxury goods, peer recognition of status, and self-empowerment were the main motivators behind these high-end purchases. The Group's stores in Hong Kong also benefitted from the 22.68 million Mainland Chinese tourists who visited Hong Kong, an increase of 26.3% compared with 2009.

Contributing to the Group's performance were key initiatives including increased resources for product development, as well as higher spending in advertising and promotions to build brand equity. More efficiency in the supply chain also improved the Group's margins.

One year after its listing, the Group has shown that its business model is proven and its strategies are well executed.

Business Strategy in the Greater China Market

The Chinese Mainland has transformed itself from being the world's factory into the world's most promising luxury consumer market. Given its fast economic growth, the Chinese Mainland has produced a new generation of entrepreneurs seeking new status symbols. This is the market segment that the Group is targeting.

The luxury menswear market will continue to be the Group's focus. The Group will fortify its penetration of this segment by remaining a menswear and apparel leader and ensuring that its brands, which are chosen for their heritage and authenticity, continue to exemplify excellence in quality, design, and customer service. One of the ways in which the Group will continue to achieve these goals is by working closely with its brands and their creative teams to expand product lines such as accessories and leather goods.

In tandem with such efforts, the Group has continued to perfect its supply chain. The importance of this is underscored by a senior appointment to the Group's management team with the announcement that Mr Danny Lau Sai Wing, previously executive director of Li & Fung (Trading) Limited, would become Executive Director of the Company and the Group's Chief Operating Officer effective 1 January 2011. Mr Lau's experience and expertise in supply chain management will enable the Group to fully secure and manage important business streams and is emblematic of the Group's commitment to place high-calibre executives at every level of its business.

In addition to strengthening operational capabilities, the Group will continue to add stores in the Chinese Mainland, particularly in second- and lower-tier cities, where higher growth is expected.

With a strong retail network, the capability to expand rapidly, and a world-class supply chain in place, the Group will give more attention to brand building. This will involve higher profile advertising and promotional campaigns – both above and below the line – to ensure that the Group creates very strong brand recognition, loyalty and equity.

Future Prospects

Looking ahead, inflation poses a possible threat to the Group's continued robust business performance. Furthermore, pressure from prime retail rental for store premises and substantial increases in labour costs will become an increasing part of the operating reality. Since these are universal rather than market-specific issues, maintaining profit margin will require even more vigilance and creativity from the management team. Nevertheless, the Group remains confident that its strategies and business model can withstand these economic anomalies.

At the end of 2010, the Group announced its acquisition of Toga Investments SARL and certain of its subsidiaries ("Cerruti Group"), which became the second self-owned brand in its stable, alongside Kent & Curwen. This is an exciting development that demonstrates the Group's ambitions for Cerruti as well as its intention to further develop the Trinity family of brands. The merger and acquisition of luxury brands will continue to be a key strategy for the Group to penetrate the global luxury market.

In order to implement these plans, the Group will continue to exercise a total commitment to nurturing its human resources. It will spare no effort to develop high-quality teams, building from within Li & Fung group and from outside, as well as implementing extensive management leadership training and development programmes, which are integral to fulfilling the Group's sustainability initiatives.

Further, as members of the Sustainability Task Force of Li & Fung group, the Group actively integrates sustainability measures into its operations. The Group's commitment to the environment continues with plans and steps to reduce its greenhouse gas impact across different aspects of its operations. The Group also takes its community-outreach activities seriously, engaging employees at all levels to take part in meaningful events.

I would like to take this opportunity to express my gratitude to the members of the Board for their advice, support and enthusiasm over the past year. On behalf of the Board of Directors, I would also like to thank the management team and all members of the Group for their consistent and dedicated efforts, which helped lead the Group to another successful year.

Victor FUNG Kwok King
Chairman

Management Discussion and Analysis
Financial Review

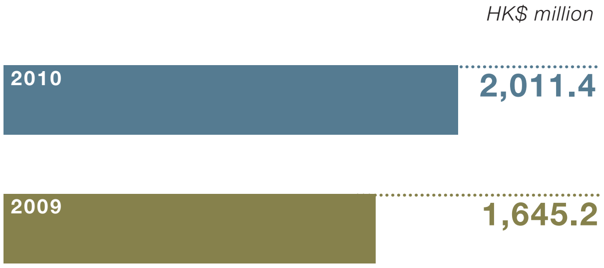
WONG Yat Ming
Group Managing Director

One year after listing, the Group continued to see strong revenue growth. Continued improvement in the overall economy, further strengthening of its brands, and expansion of its retail network contributed to increased revenue for 2010, but strong same-store sales was the key driver for the year.

Although there were predictions that the Group's sales growth rate may slow down in the second half as the comparison base for the second half of 2009 was higher following market turnaround, such was not the case. Instead, overall second half growth was close to the first half at 23.9%.

For 2010, the profit attributable to shareholders increased from HK$179.7 million to HK$340.8 million.

Revenue



Revenue

Revenue increased by 22.3% to HK$2,011.4 million, and same-store sales growth was 21.0% (for stores that opened prior to 1 January 2009). The increase in same-store sales was the key driver to revenue growth for the year and same-store sales growth continued the same momentum for the second half of the year with help from continual improvements in the economy and the strength of the Group's brands.

Gross Profit

Gross profit margin improved from 73.6% in 2009 to 77.2% in 2010. Improving mark-ups, stable product costs, and shorter sale periods all contributed to a higher gross margin.

Selling and Marketing Expenses

While selling and marketing expenses included advertising and promotion expenses, the major components were related to store operational expenses. Advertising and promotion expenses as a percentage of revenue increased from 2.5% to 3.4% year on year. Excluding advertising and promotion expenses, selling and marketing expenses as a percentage of revenue decreased from 39.7% to 37.6% year on year as a result of higher store productivity.

Administrative Expenses

Administrative expenses as a percentage of revenue increased from 18.0% to 18.8% year on year. As the Company was listed in November 2009, the share options expense had a full-year impact in 2010. Excluding share options expense, administrative expenses as a percentage of revenue decreased from 17.6% in 2009 to 17.3% in 2010.

Operating Profit

The full-year operating profit increased by 63.7% to HK$429.6 million and the operating margin improved from 15.9% to 21.4%. The improvements reflected the increase in gross profit margin, the full-year impact of management service income from related parties, foreign exchange gains, higher store productivity, as well as operating leverage from certain fixed costs.

Finance Costs

The reduction in bank borrowings and drop in interest rates accounted for the 78.3% decrease in interest expenses to HK$5.9 million in 2010.

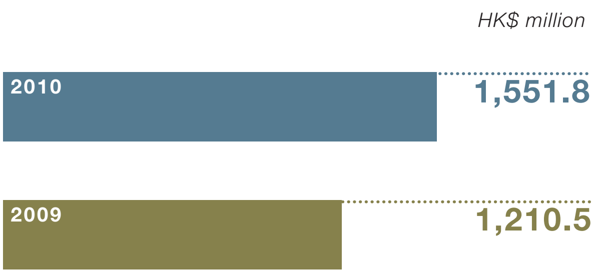
Share of Profit of Jointly Controlled Entities

The Group's share of profit of jointly controlled entities increased by 27.7% to HK$36.0 million. This was primarily driven by revenue growth in South Korea as well as the appreciation of the Korean Won.

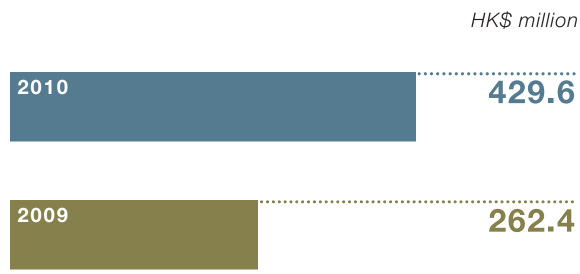
Effective Tax Rate

The effective tax rate of the Group reduced to 26.0% in 2010 compared with 28.7% in 2009. The improvement was partly attributable to a shift in profit mix to lower tax rate jurisdictions.

Gross Profit



Operating Profit



Profit Attributable to Shareholders

Profit attributable to shareholders increased by 89.7% to HK$340.8 million and as a percentage to revenue increased to 16.9% in 2010 compared with 10.9% achieved in 2009. Basic earnings per share of the Group improved to 21.6 HK cents in 2010 from 14.2 HK cents in 2009.

Working Capital Management

Further improvements in inventory management resulted in a significant reduction of inventory turnover days by 68 days to 320 days.

Trade receivable and payable turnover days were improved to 35 days and 60 days respectively.

Financial Position and Liquidity

The Group generated cash inflow from operating activities of HK$512.9 million, driven by improvement in profit, stable capital expenditure, and lower inventory turnover days. The net debt fell to HK$65.2 million after repayment of bank loans. The net debt to equity ratio was thus reduced from 9.7% to 2.9% year on year.

Credit Risk Management

Credit risks comprised mainly of trade receivables from department stores. The Group has established procedures to evaluate and monitor the credit risk of department stores in order to control its exposure in this area. Average settlement terms in respect to receivables from department stores were 33 days. At the end of December 2010, the Group's debtors ageing analysis showed that the percentage of debtors over three months old was 0.9% of total trade receivables. The Group's cash and cash equivalents were deposited with major international banks.

Foreign Exchange Management

The Group purchases a substantial part of its production material and finished goods in foreign currencies. To minimise foreign exchange risks, the Group has a hedging policy in place.

Interest Rate Management

The Group evaluates interest rate risks periodically to determine the need to hedge against adverse interest rate movements. Since the volatility of interest rate movements was expected to be mild during the year, no interest rate hedge was taken.

Banking Facilities

The Group has secured adequate bank lines of approximately HK$1,153.4 million for operational contingencies. A total of HK$580.0 million term and revolving loans were obtained, of which HK$220.0 million were long-term loans, and HK$33.2 million was utilised for trade financing at year-end. The undrawn facilities at the end of the year amounted to HK$540.2 million.

Working Capital Management

Major working capital ratios	*2010*	*2009*
Inventory turnover days	320	388
Trade receivable turnover days	35	39
Trade payable turnover days	60	45
Current ratio	1.6	3.0

Use of IPO Proceeds

The Company raised HK$510.6 million net proceeds from its 2009 initial public offering ("IPO"). As at 31 December 2010, a balance of HK$101.3 million was unutilised. HK$236.1 million was utilised in 2010, out of which HK$155.1 million was paid as a deposit for the acquisition of Cerruti Group. A further HK$49.1 million was utilised as part of the balance payment for such acquisition in March 2011.

Geographical Analysis for Retail Business

Revenue

The growth for Hong Kong & Macau, the Chinese Mainland, and Taiwan was 25.4%, 22.1%, and 15.0% respectively. Same-stores sales growth in Hong Kong & Macau continued to be primarily driven by increased sales to tourists from the Chinese Mainland. Improving market sentiment in the Greater China region also bolstered consumer spending on luxury goods.

Gross Profit Margin

The Group recorded an improvement in its gross profit margin to 77.4%. The gross profit margin for Hong Kong & Macau, the Chinese Mainland and Taiwan was 78.6%, 78.0% and 69.2% respectively. These figures showed a satisfactory increase compared with 2009.

Fundraising Event

In January 2011, a substantial shareholder of the Company placed 100 million shares of the Company at a price of HK$7.50 per share and subscribed for the same number of shares at the same price from the Company. Net proceeds from the placement will be used for general working capital and funding future business development and acquisitions.

Geographical Analysis for Retail Business

Revenue

HK$ million	*2010*	*2009*
Hong Kong & Macau	681	544
The Chinese Mainland	1,144	937
Taiwan & others	178	153
Total	2,003	1,634

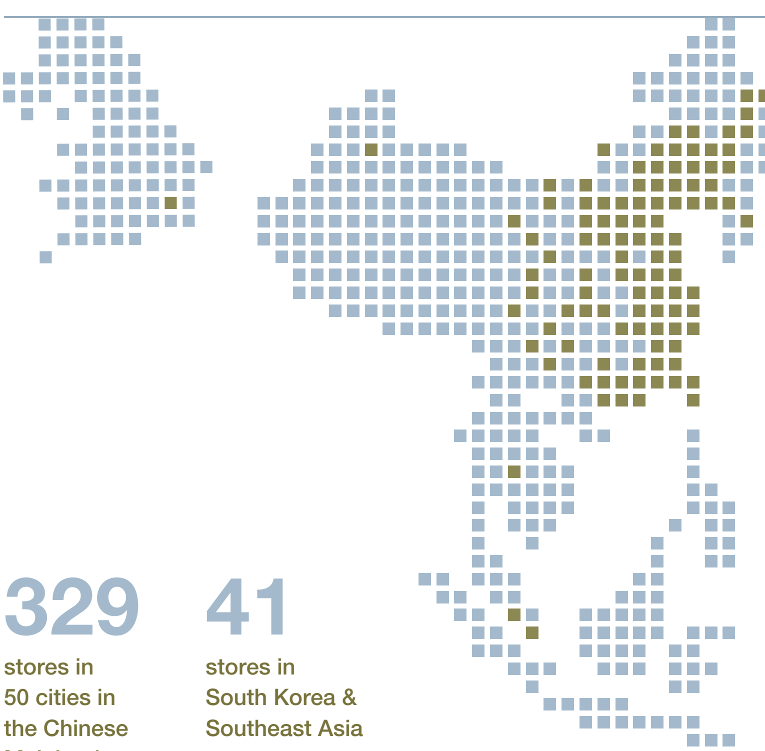
Gross Profit

HK$ million	*2010*	*2009*
Hong Kong & Macau	536	406
The Chinese Mainland	892	703
Taiwan & others	123	101
Total	1,551	1,210

Use of IPO Proceeds

	%	**Planned** *HK$ million*	**Utilised** *HK$ million*	**Unutilised** *HK$ million*
Brand portfolio expansion	40	204.2	155.1	49.1
Loan repayment	30	153.2	153.2	0.0
Retail network expansion	20	102.1	49.9	52.2
Working capital financing	10	51.1	51.1	0.0
Total	100	510.6	409.3	101.3

brands
networks
services



329
stores in 50 cities in the Chinese Mainland

41
stores in South Korea & Southeast Asia

41
stores in Hong Kong & Macau

39
stores in Taiwan

1
store in the United Kingdom

Same-store sales growth and new store openings were the key drivers to the Group's success in 2010, and business remained on track for the year. As regional economies recovered from the financial crisis of late 2008 and the first half of 2009, the Group continued its strategy of retail network expansion and brand building, capitalising on the growing market for luxury goods in the Greater China region.

The Group's ability to meet its projections and stay on course for further growth proved that the rise in luxury goods consumption is real and sustainable; the Group is able to benefit from the macro-trend that sees rising wealth across the Chinese Mainland and a shift of affluence to smaller cities. Furthermore, rising interest rates and a clampdown on property prices have so far not affected the Group's business. Consumption has proved to be sustainable, and rather than seeing a slowdown in growth during the second half of the year, the Group saw a continued and sustainable growth rate.

The Group derives approximately 56.9% of its revenue in Renminbi; thus it has been able to benefit from the favourable exchange movement as the Renminbi appreciates against the Hong Kong dollar.

Store Network Expansion

The Group opened 105 new stores in 2010 and closed 49, a 15.8% net increase. In the Chinese Mainland, the Group opened a total of 97 new stores. While the Group continued to open stores in first-tier cities, the focus in 2010 continued to be on expanding further into second- and third-tier cities as it believes that these offer much more growth potential in terms of opening stores and return on profit.

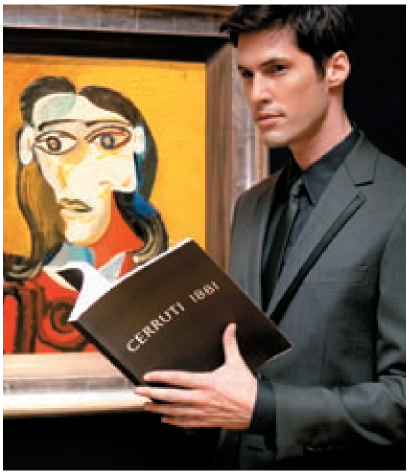
The Group also opened five new stores in Hong Kong & Macau. As at 31 December 2010, the Group operated a total of 410 stores, of which 329 were located in the Chinese Mainland, 41 in Hong Kong & Macau, 39 in Taiwan, and one in the United Kingdom. The Group also operated a total of 41 stores in South Korea and Southeast Asia under joint venture agreements with Salvatore Ferragamo.

To bolster its expanding retail network, the Group made substantial moves in 2010, significantly increasing marketing and promotional activities and strengthening key management positions. Together with sustained efforts in brand building, which have seen the image of its brands rising steadily, the Group also focused on its customers – drawing new customers, increasing the purchases of existing customers through its customer relationship management activities, and striving to provide excellent customer services.

In 2010, the Group also worked to increase the size of its collections, adding new product lines and extending existing ranges, particularly in casual wear, which is

New York

Trinity was presented with seven ARC Awards in September 2010, including the Best of the Best Award for photography.



Beijing

Cerruti 1881 and Sotheby's co-sponsored a preview of *Modern Masters: Impressionism and Early 20th Century Art*.

a fast-growing category around the globe. With more products in its stores, the Group is able to offer a much wider choice to its customers.

New Store Designs

Across all six of the Group's brands: Kent & Curwen, Cerruti 1881, Gieves & Hawkes, D'URBAN, Intermezzo and Altea, the Group is gradually increasing the size of stores, which mostly range from 100-150 square metres. In the past year, expansion of retail space outpaced the rate of new store openings.

In 2010, Kent & Curwen launched a completely new store concept, which has already proved to be very successful and is being rolled out to all existing Kent & Curwen stores. The new concept will be the hallmark of all new Kent & Curwen stores.

In addition, the Group commits to exploring new retail concepts and updated looks for all of its brands.

Marketing and Promotion

In 2009, the Group spent approximately 2.5% of its overall revenue on marketing and promotion. For 2010, that figure increased to 3.4%. The Group spread its advertising and marketing budget and efforts across all six brands under the Trinity umbrella.

The Group's leading brands were also each promoted through two major events or campaigns during the year. Kent & Curwen introduced its new brand ambassador, international artist Aaron Kwok, and also continued its sponsorship of the Centenary Sprint Cup, which was held during the 2010 horseracing season in Hong Kong. Cerruti 1881 celebrated the opening of its 100th store in Greater China with a personal appearance by the fashion house founder, Nino Cerruti, in Shanghai. The brand also collaborated with Sotheby's for the fall auction of "Modern Masters" artworks.

Hong Kong

Aaron Kwok, brand ambassador for Kent & Curwen, photographed on location at the historic Savoy Theatre, London.

Other highlights of the 2010 marketing calendar: Gieves & Hawkes launched its new light-box advertising campaign and also participated in the Sotheby's auction of James Bond's 1964 Aston Martin DB5; D'URBAN welcomed its brand ambassador, actor Yutaka Takenouchi, to its Harbour City store, drawing hundreds of fans and members of the press.

Acquisition

This year, the Group announced its first post-IPO acquisition – the purchase of Cerruti Group for a total cash consideration of no more than 53 million euro (or HK$539 million). Cerruti Group owns various Cerruti trademarks and operates mainly in Europe and Japan through various licensing and distribution arrangements globally. Since 1967, the brand has also had a historic flagship store in France at 3, Place de la Madeleine, Paris. The acquisition was completed in March 2011.

This makes Cerruti 1881, after Kent & Curwen, the second self-owned brand under the Trinity umbrella. The Group marked the opening of the 100th Cerruti 1881 store during the year and operated 103 Cerruti 1881 stores in Greater China as at 31 December 2010.

Customer Relations

Through its point-of-sale system, surveys, and studies, the Group continues to track customer behaviour, preferences, and thinking to better understand how its brands and stores can serve their needs. In 2010, the Group increased its direct marketing campaigns and held numerous promotional events to which its key customers were invited.

The Group also continued its extensive and continuous training programme for its retail staff. Taking a two-pronged approach, the Group trains its store employees to enable them to anticipate customers' needs and provide excellent customer services. Hand in hand with this, the Group also offers continuous seasonal product training, so that its staff can differentiate between fabrics, take measurements, and effectively sell and explain new products to customers. In a fast-growing industry, such efforts are necessary and ultimately rewarded with customer satisfaction and increased sales.

Hong Kong

Billboards and exposure at off-track betting sites in Hong Kong added to the excitement for the Kent & Curwen Centenary Sprint Cup held at the Hong Kong Jockey Club.

Sourcing

While the Group's sourcing system remains an effective, centralised process, the Group anticipates that it will further improve with the addition of Mr Danny Lau Sai Wing to the management team. As announced in December 2010, Mr Lau joined the Company as its Executive Director and the Group's Chief Operating Officer on 1 January 2011. In his new role, Mr Lau is responsible for the supply chain management of the Group and the operations of the Kent & Curwen brand. Previously, Mr Lau was an executive director of Li & Fung (Trading) Limited, and he brings his expertise in sourcing and business stream management to the Group.

Human Resources

As at 31 December 2010, the Group had a total workforce of 3,170, of whom 864 were based in Hong Kong & Macau, 2,292 in the Chinese Mainland and Taiwan, and 14 in other countries. The Group's total staff costs for 2010 were HK$455.3 million, compared with HK$370.1 million for 2009.

The Group maintains a firm belief that its continued success depends on the contribution of each and every individual in the organisation. It therefore offers its staff competitive remuneration schemes and a safe and comfortable workplace. Performance- and results-based bonuses and share options are granted as a means to reward and retain a high-calibre team.

The Group instituted comprehensive staff training and development opportunities at every level of its operations. In the first half of 2010, two staff development programmes were launched to foster on-going personal, leadership and management development. The Group also further developed its framework for retail training across Greater China, with a learning and development process for all staff, and a Train the Trainers programme in the Chinese Mainland.

Hong Kong

Gieves & Hawkes, the first to dress actor Sean Connery as James Bond, co-sponsored with Sotheby's the auction of 007's original Aston Martin DB5, as previewed in Hong Kong.

The Group also participated in two learning and development programmes organised by the Li & Fung group – The Building Skills for Growth Design Support Programme and the Programme for Management Development.

In addition, a number of senior executives participated in the Li & Fung Leadership Programme, which was jointly organised by the Massachusetts Institute of Technology, The University of Hong Kong, and the Li & Fung group. The tailor-made programme focused on creating a customer-centric culture across the Group, achieving synergies across all businesses, and recognising potential growth.

Corporate Social Responsibility and Sustainability Initiatives

The Group takes its role as corporate citizen very seriously and has institutionalised sustainability efforts through community outreach, events supporting the environment, and personal-improvement activities for employees. Environmental protection and awareness measures consist of evaluating and reducing the Group's carbon footprint, analysing energy efficiencies, and promoting the recycling, re-usage and conservation of water, paper and other materials.

Events in 2010 included tree planting with Friends of the Earth, Hong Kong No Air-Con Night with Green Sense, and a cleanup of Mai Po with WWF. Charitable efforts and community outreach included contributions for the victims of the Haiti and Qinghai earthquakes, participation in Pink Day to raise awareness of breast cancer, and blood donations to the Red Cross. Charitable contributions are matched, dollar for dollar, by the Li & Fung (1906) Foundation.

Shanghai

Legendary designer Nino Cerruti celebrated the opening of the 100th Cerruti 1881 store in the Chinese Mainland.

Looking Ahead

Brand building is the core of the Group's business and this remains a high priority in the near and long term. This will be achieved by further improving collections and their quality, enhancing brand awareness, and educating customers.

At the retail level, the Group will continue to excel in customer service, to find good store locations, and to expand to more cities in the Chinese Mainland to make product more readily available. The Group believes this market is growing because Chinese men are upgrading to finer menswear, both as a necessity of life and as a reward for success. To that end, it is important the Group continues to work toward adding new customers and securing its existing customers through excellent products and service.

The Group is already in 50 cities in the Chinese Mainland, making it a nation-wide company, and will add more locations as warranted in high-end department stores and shopping malls. The Group will continue to focus on menswear, the Chinese Mainland market, and European or foreign imported labels. This strategy is unchanged.

The Group is always on the lookout for new brands to add to the Trinity family, specifically high-end menswear brands with a good China application. The Group will continue to look for appropriate brands to add either as a full acquisition, through licensing, or other long-term agreements. The Group intends to fund any acquisition in the coming year with proceeds from the Company's placement of shares in January 2011 and the Group's internal resources.

Hong Kong

Cerruti 1881 showcased fall/winter collection at an exclusive media event at Felix at The Peninsula, Hong Kong.

Corporate Governance Report

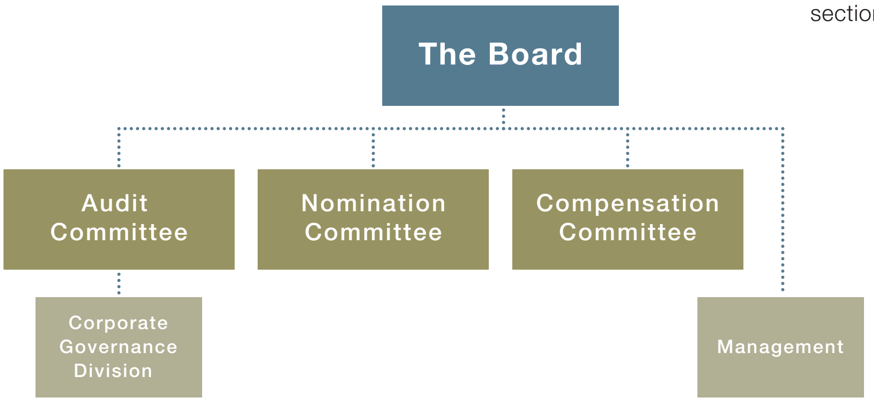
transparency accountability independence

The Board of Directors and management are committed to principles of good corporate governance consistent with prudent enhancement and management of shareholder value. These principles emphasise transparency, accountability and independence. Set out below are those principles of corporate governance as adopted by the Company that are consistent with the principles set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

THE BOARD

The Board is structured to ensure it is of high calibre and has a balance of skills, experience, and knowledge desirable for effective leadership of the Group and has a strong independent element, which can effectively exercise independent judgement.

During the year ended 31 December 2010, the Board composed of the Non-executive Chairman, three Executive Directors, four Non-executive Directors and four Independent Non-executive Directors. Biographical details and relevant relationships of the Board members are set out in the Directors and Senior Management section on pages 39 to 45.



Roles and Responsibilities of the Board

The Board is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on Directors' appointment or re-appointment, approval of major capital transactions, and other significant operational and financial matters.

The role of the Chairman, held by Dr Victor FUNG Kwok King, is separate from that of the Group Managing Director, held by Mr WONG Yat Ming, in order to reinforce their respective independence, accountability, and responsibility, and to enhance the corporate governance of the Board. Their respective responsibilities are clearly established and defined by the Board in writing. The Chairman is responsible for strategic management of the Board, which includes ensuring that the Board is functioning properly and with good corporate governance practices and procedures whilst the Group Managing Director, supported by other Executive Directors, is responsible for managing the Group's business, including the implementation of major strategies and initiatives adopted by the Board and within those authorities delegated by the Board.

The Non-executive Directors, including the Independent Non-executive Directors, offer diverse industry expertise but are not involved in the day-to-day management of the Group. They serve the important function of advising the management on strategy and ensuring that the Board maintains high standards of financial and other mandatory reporting requirements, as well as providing adequate checks and balances for safeguarding the interests of shareholders and the Company as a whole. All the Independent Non-executive Directors have experience as directors of listed companies and are able to provide impartial and professional advice to protect the interests of the minority shareholders of the Company.

The Directors ensure that they can give sufficient time and attention to the affairs of the Company. The Directors have disclosed to the Company, at the time of their appointment and on an annual basis, the number and nature of offices held in listed public companies or organisations and other significant commitments, with the identity of the public companies or organisations.

The Board and the Management

The Board makes decisions on major operational and financial matters as well as investments. The general management and day-to-day decisions and matters are delegated to the management team, including but not limited to the following:

- preparation of interim financial information and annual financial statements for board approval before public reporting;
- execution of business strategies and initiatives adopted by the Board and monitoring of operating budgets;
- implementation of adequate systems of internal controls and risk management procedures;
- implementation of sustainability practices; and
- compliance with relevant statutory requirements and rules and regulations.

The Board and management fully appreciate their respective roles and are supportive of the development of a healthy corporate governance culture.

Independence and Conflict of Interest

The Independent Non-executive Directors are required to confirm their independence upon their appointment and on an annual basis. The Board has received from each Independent Non-executive Director written confirmation of their independence in accordance with the relevant requirements of the Listing Rules for the year ended 31 December 2010. Each Independent Non-executive Director is required to inform the Company as soon as practicable if there is any change that may affect his independence. The Company considers all of the Independent Non-executive Directors to be independent during the year ended 31 December 2010.

Directors are requested to declare their direct or indirect interests, if any, in any proposals or transactions to be considered by the Board at Board meetings. The Independent Non-executive Directors may in their absolute discretion determine whether a Director (together with any of his associates) has material interest in a business that is in material competition with or is potentially in material competition with the businesses of the Group. Any of the Independent Non-executive Directors may request such Director not to attend, or if already present, to absent himself/herself from the meeting where such matters are the subjects of discussion.

On 23 March 2011, Mr Jean-Marc LOUBIER was re-designated as a Non-executive Director and on the same date, subsequent to the re-designation, the Group entered into an agreement with a company wholly-owned by Mr Jean-Marc LOUBIER in respect of the provision of advisory and consultancy services to the Group.

Information and Ongoing Development

All Directors are kept informed on a periodic basis of major changes that may affect the Group's businesses, including relevant rules and regulations. During a Board meeting held in Shanghai in December 2010, Directors were given a tour of the Group's Chinese Mainland head office in Shanghai, visited several of the Group's stores in Shanghai, and also attended a seminar on the retailing environment in Chinese Mainland. The Directors have separate and independent access to the Group Chairman, Group Managing Director, Group Chief Compliance Officer and Company Secretary at all times to obtain relevant information for carrying out their duties as Directors of the Company. In order to further enhance communication between the Chairman and the Non-executive Directors, a separate meeting was held in March 2010 between the Group Chairman and the Non-executive Directors (including Independent Non-executive Directors) to discuss business and related issues of the Group.

Procedures are also put in place for Directors and Board Committees to seek independent professional advice in performing their Directors' duties and at the Company's expense. No request for such independent professional advice was made by any Director in 2010.

Appointment and Re-election of the Directors

All Directors are appointed for a term of three years subject to retirement by rotation and re-election at annual general meeting. Under the Company's bye-laws, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) are required to retire from office by rotation, provided that every Director is subject to retirement by rotation at least once every three years, and shall be eligible for re-election. In addition to the retirement by rotation, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his appointment and shall retire and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then retire and be eligible for re-election. During the annual general meeting in 2010, five Directors, namely Dr Victor FUNG Kwok King, Mr WONG Yat Ming, Mr Jose Hosea CHENG Hor Yin, Mr Bruno LI Kwok Ho and Mr Jean-Marc LOUBIER, retired and offered themselves for re-appointment. Assuming no appointment or resignation of Directors between the date of this report and the annual general meeting, Dr William FUNG Kwok Lun, Mr Jeremy Paul Egerton HOBBINS, Ms Sabrina FUNG Wing Yee, Mr Michael LEE Tze Hau and Mr Danny LAU Sai Wing will retire and, except for Mr Jeremy Paul Egerton HOBBINS, will offer themselves for re-election at the coming annual general meeting.

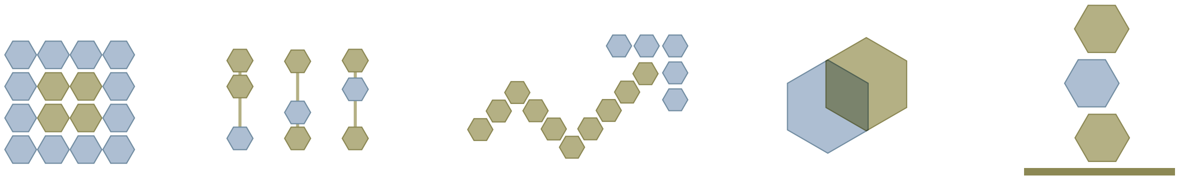
Independent Reporting of Corporate Governance Matters

The Board recognises the importance of the independent reporting of the corporate governance function. The Group Chief Compliance Officer, as appointed by the Board in 2007, attended most of the Board and Board Committee meetings in 2010 to advise on corporate governance matters covering risk management, internal controls, and relevant compliance issues relating to mergers and acquisitions, accounting, and financial reporting.

Liability Insurance for the Directors

The Company has appropriate liability insurance put in place to indemnify its Directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

Independent Reporting of Corporate Governance Matters



Internal controls

Accounting

Financial reporting

Relevant compliance issues relating to mergers and acquisitions

Risk management

Board and Committee Meetings

The Board meets regularly throughout the year. Regular board meetings are scheduled a year ahead to facilitate high attendance of Directors and notice of meeting is sent at least 14 days before the meeting. The meeting agenda is set by the Group Chairman in consultation with members of the Board. Agenda and accompanying board papers are sent to all Directors at least three days before the intended meeting so as to give the Directors sufficient time to prepare before the meeting. Draft and final versions of minutes of board meetings are circulated to all Board members for comments and records respectively, within a reasonable time after each board meeting. The minutes of the board meetings are kept by the Company Secretary.

A summary of attendance of Board and Committee meetings in 2010 is detailed in the following table:

No. of meetings ■ attended □ held

	Board	Audit Committee	Nomination Committee	Compensation Committee
Non-executive Directors				
Dr Victor FUNG Kwok King	■■■■		■[2]	■■
Dr William FUNG Kwok Lun	■■■□		■[2]	
Jose Hosea CHENG Hor Yin	■■■■			
Jeremy Paul Egerton HOBBINS	■■■■			
Independent Non-executive Directors				
Patrick SUN	■■■■	■■■■	■■	
Jean-Marc LOUBIER[1]	■■■■	■■■■		■■
Michael LEE Tze Hau	■■■■	■■■■	■■	■■
Cassian CHEUNG Ka Sing	■■■■	■■■■	■■	
Executive Directors				
WONG Yat Ming[2]	■■■■		■	■■
Bruno LI Kwok Ho[2]	■■■■	■■■■		
Sabrina FUNG Wing Yee	■■■■			
Group Chief Compliance Officer				
James SIU Kai Lau[3]	■■■□	■■■□	■□	■□
Dates of Meeting	31/3/2010 1/6/2010 25/8/2010 2/12/2010	30/3/2010 1/6/2010 23/8/2010 1/12/2010	31/3/2010 2/12/2010	26/1/2010 2/12/2010
Average attendance rate	**97.7%**	**100%**	**100%**	**100%**

1. *Re-designated as Non-executive Director and ceased to be a member of Compensation Committee on 23 March 2011.*
2. *Attended Committee meetings by invitation as a non-member.*
3. *Attended Board and Committee meetings by invitation as a non-member.*

Board Committees

The Board has established the following committees (all chaired by Independent Non-executive Director or Non-executive Director) on 1 January 2009 with defined terms of reference (available to shareholders upon request), which are of no less exacting terms than those set out in the Code on Corporate Governance Practices of the Listing Rules:

- Nomination Committee
- Audit Committee
- Compensation Committee

To further reinforce independence, all the Committees comprised a majority of Independent Non-executive Directors during the year. All Committees are provided with sufficient resources to discharge their duties and have access to professional advice if considered necessary at the Company's expense. Draft and final versions of minutes of Committees' meetings are circulated to all respective members for comments and records within a reasonable time after each meeting. Minutes of all meetings are made available to all Board members. Details and reports of the Committees are set out below.

Nomination Committee

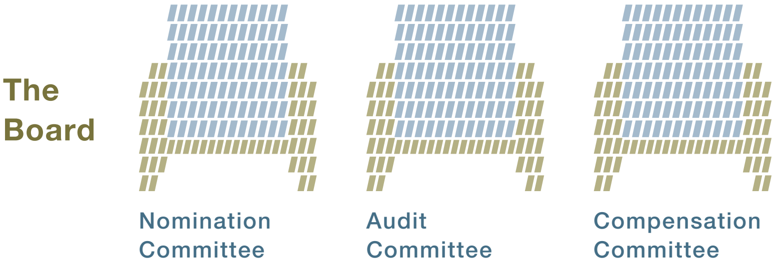
The Nomination Committee was established on 1 January 2009 and all the Committee members: Mr Patrick SUN and Mr Cassian CHEUNG Ka Sing, including the Nomination Committee Chairman, Mr Michael LEE Tze Hau, are Independent Non-executive Directors. Its written terms of reference cover recommendations to the Board on the appointment of Directors, evaluation of board composition, and the management of board succession with reference to certain guidelines as endorsed by the Committee. These guidelines include appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills, as well as time commitments of members. The Nomination Committee selects and recommends candidates for directorship, including the consideration of referrals and engagement of external recruitment professionals when necessary.

The Committee met two times in 2010 (with a 100% attendance rate) to review the retirement of directors and recommend their re-appointment, and to recommend the appointment of Mr Danny LAU Sai Wing as an Executive Director effective from 1 January 2011.

Consequent to the re-designation of Mr Jean-Marc LOUBIER on 23 March 2011, the Committee was requested to identify a suitable candidate as soon as practicable to fill the post of an Independent Non-executive Director.

Audit Committee

The Audit Committee was established on 1 January 2009 to review the Group's financial reporting, internal controls and corporate governance issues, to consider issues relating to the external auditor, and to provide advice and make relevant recommendations to the Board. All Committee members during the year, namely Mr Jean-Marc LOUBIER, Mr Michael LEE Tze Hau, and Mr Cassian CHEUNG Ka Sing, including the Audit Committee Chairman, Mr Patrick SUN, were Independent Non-executive Directors. All Committee members possess appropriate professional qualifications – accounting or related financial management expertise – as required under the Listing Rules or industry expertise to advise on all the above matters.



The Audit Committee met four times in 2010 (with a 100% attendance rate) to review with senior management, the Company's Corporate Governance Division ("CGD"), and external auditor on the Group's significant internal controls, risk management, and financial matters as set out in the Audit Committee's written terms of reference and make relevant recommendations to the Board. The CGD, under the supervision of the Group Chief Compliance Officer, is responsible for performing the internal audits of the Group.

In 2010, the Committee's review covered the audit plans and findings of the CGD and external auditor, external auditor's independence, the Group's accounting principles and practices, listing rules and statutory compliance, connected transactions, internal controls, risk management, financial reporting matters (including the annual and interim financial statements before recommending them to the Board for approval), and the adequacy of resources, qualification, and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

The Audit Committee has authority to investigate any activity within its terms of reference and has full access to and the cooperation of management. It has direct access to the CGD and external auditor, and full discretion to invite any management to attend its meetings.

The Audit Committee also ensures proper arrangements are in place for employees to report any concerns, including misconduct, impropriety, or fraud in financial reporting matters and accounting practices in confidence and without fear of recrimination. Under the Group's Whistle Blowing Policy, the employees are able to report any concerns to either senior management or the Audit Committee through the Group Chief Compliance Officer. Any shareholders or stakeholders can also report similar concerns by writing in confidence to our Group Chief Compliance Officer at the Company's business address in Hong Kong. In 2010, no incident of fraud or misconduct was reported from employees or shareholders or stakeholders that have material effect on the Group's financial statements and overall operations.

In order to further enhance independent reporting by the external auditor, the external auditor, PricewaterhouseCoopers ("PwC"), was invited to attend all the Audit Committee meetings in 2010. During a meeting in March 2010, a separate session was held between the Committee members and PwC to discuss audit and related issues of the Group. A policy on provision of non-audit services by the external auditor has been established since March 2009 to ensure that the external auditor is engaged to provide non-audit services only if they are more effective or economical than those available from other service providers and if they will not constitute adverse impact on their independence as external auditor. Under this policy, certain specified non-audit services are prohibited. Other non-audit services (with a fee above a threshold) require prior approval of the Audit Committee. The permitted services conducted and related fees for the year ended 31 December 2010 by PwC are as follows:

Services rendered	2010 | HK$'000
Audit services	
Annual audit	**2,898**
Non-audit services	
Due diligence review	**2,150**
Taxation	**1,572**
Other services	**250**
Total	**6,870**

The nature and ratio of annual fees to the external auditor for non-audit services and for audit services are subject to scrutiny by the Audit Committee. Prior to the commencement of the audit of the Company's 2010 financial statements, the Committee received written confirmation from PwC on its independence and objectivity as required by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

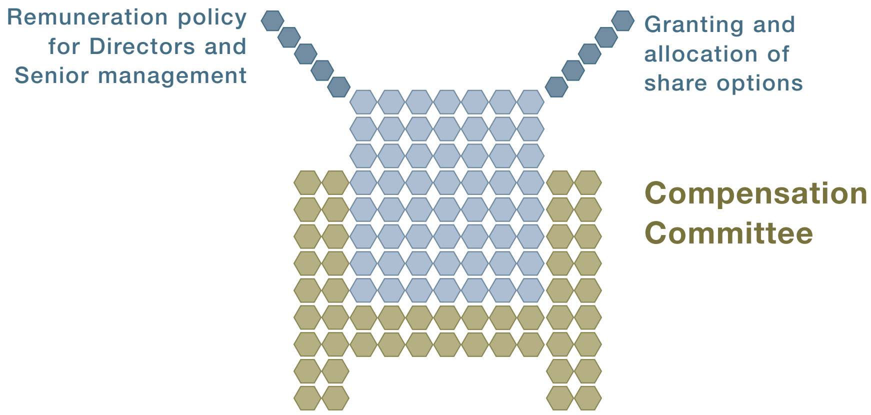
The Audit Committee evaluates the performance of the external auditor annually by completing the Auditor Evaluation Questionnaire. Members of the Committee are satisfied with the findings of their evaluation of the audit fees, process, and effectiveness of the audit process, as well as technical competence, professional ethics, independence and objectivity of PwC. The Committee has recommended to the Board the re-appointment of PwC as the Company's external auditor for the financial year ending 31 December 2011 at the forthcoming annual general meeting.

Compensation Committee

The Compensation Committee was established on 1 January 2009 and was chaired by the Group Non-executive Chairman, Dr Victor FUNG Kwok King. During the year, the other committee members comprised of two Independent Non-executive Directors: Mr Jean-Marc LOUBIER and Mr Michael LEE Tze Hau. The Committee's responsibilities as set out in its written terms of reference include the review of the Group's remuneration policy and approving the remuneration policy for all Directors and senior management, and the granting and allocation of share options under the Company's share option schemes.

The Committee met two times in 2010 (with a 100% attendance rate) to review and approve all Executive Directors' (including the Group Managing Director) remuneration packages and the granting and allocation of share options under the Group's share option scheme.

On 23 March 2011, Mr Jean-Marc LOUBIER ceased to be a member of the Committee upon his re-designation as Non-executive Director, and Dr Victor FUNG Kwok King stepped down as Chairman of the Committee and remains as a member. Mr Cassian CHEUNG Ka Sing was appointed as Chairman of the Committee on the same date.



Remuneration Policy for Executive Directors

The primary goal of the remuneration policy on Executive Directors' packages is to enable the Company to motivate Executive Directors by linking their compensation to performance with reference to corporate and business streams' objectives. Under the policy, a Director is not allowed to approve his/her own remuneration.

The principal elements of the remuneration package of Executive Directors include:

- Basic salary and allowances;
- bonus, calculated at a percentage of the Group's profit before interest and tax; and
- share options.

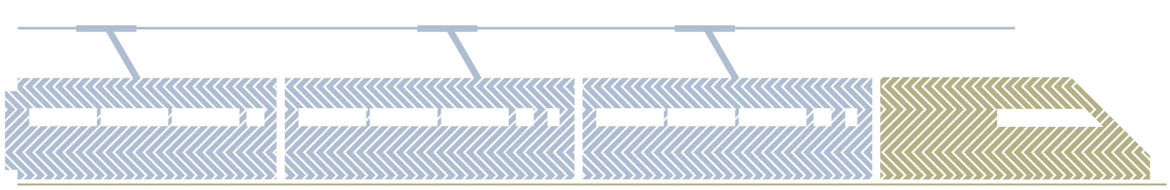
Details of the Executive Directors' emoluments are set out in Note 15 to the consolidated financial statements on pages 93 and 94.

Remuneration Policy for Non-executive Directors

The remuneration, comprising Directors' fees, of Non-executive Directors is subject to assessment with reference to remuneration surveys conducted by independent external consultants and a recommendation for adjustment, if any, by the Compensation Committee will be submitted for shareholders' approval. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at Company's meetings. Details of Non-executive Directors' emoluments are set out in Note 15 to the consolidated financial statements on pages 93 and 94.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board recognises the importance of internal controls to safeguard shareholders' interests and investments and the Group's assets, as well as to manage business risks. The Board is responsible for ensuring that the Group maintains a sound and effective system of internal controls, and for reviewing the adequacy and effectiveness of such system through the Audit Committee. Such system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and aims to provide reasonable but not absolute assurance against material misstatement, loss, or fraud.



Financial controls

Operational and compliance controls

Risk management procedures

System of internal controls

The Board has delegated to management the design, implementation, and ongoing monitoring of such system of internal controls covering financial, operational and compliance controls, and risk management procedures. Qualified personnel throughout the Group maintain and monitor this system of controls on an ongoing basis.

The Board and management fully appreciate their respective roles and are supportive of the development of a sound and effective control environment.

Control Environment

The Group operates within an established control environment, which is consistent with the principles outlined in "Internal Control and Risk Management – A Basic Framework" issued by the HKICPA. The scope of internal controls of the Group relates to three major areas: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. The Group maintains a tailored governance framework with defined lines of responsibility and appropriate delegation of authority. An Operation Support Group ("OSG"), under the supervision of the Chief Financial Officer, was established to centralise the functions and controls exercised over treasury activities, financial and management reporting, human resources, administration and information technology, and is supplemented by written policies tailored to the needs of respective business units in the countries where the Group operates. These policies cover the Group's key risk management and control standards.

Financial Risk Management

The Board approves the Group's Three-Year Business Plan and annual budget, and reviews the Group's operating and financial performance and key performance indicators against the budget on a quarterly basis. Management closely monitors actual financial performance of the Group on a monthly basis. The Group adopts sound management practices in mitigating financial risks. Details of the Group's financial risk management (encompassing foreign exchange risk, credit risk, liquidity risk and interest rate risk) are set out in Note 4.1 to the consolidated financial statements on pages 82 to 84.

Operational Control Management

A Brand Management Committee, chaired by the Group Managing Director, was established in 2009 to upgrade, manage, and control the operation procedures and risks as well as the professional standards of all aspects of the Group's business in the key areas of merchandise development, retail management, and marketing. Policies and procedures covering key risks and control standards are periodically updated and implemented. The operational control management has been further strengthened with the appointment of Mr Danny LAU Sai Wing as the Group's Chief Operating Officer on 1 January 2011.

Regulatory Compliance Control Management

The Corporate Compliance Group (comprising the CGD and Corporate Secretarial Division), under the supervision of the Group Chief Compliance Officer, in conjunction with our external advisors, reviews the adherence to relevant laws and regulations, listing rules compliance, public disclosure requirements, and our standards of compliance practices.

Code of Conduct and Business Ethics

The Group places great emphasis on staff's ethical standards and integrity in all aspects of its operations. Guidelines of the Group's code of conduct, business ethics, and Whistle Blowing Policy are posted on the Company's intranet for ease of reference and as a constant reminder to all staff members. All Directors and staff members are expected to share the same responsibilities and to comply with the code at all times.

Directors' Securities Transactions

The Group has adopted stringent procedures governing Directors' securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules since the Company's listing on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 3 November 2009. Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code. Specific confirmation has been obtained from each Director and relevant employee to confirm compliance with the Model Code for 2010. No incident of non-compliance by Directors and relevant employees was noted by the Company in 2010.

Internal and External Audits

The CGD independently reviews the internal controls and evaluates their adequacy, effectiveness, and compliance. The Audit Committee reviews and endorses the execution of the CGD Three-Year Audit Plan (2008-2010) that is strategically linked to the Group's Three-Year Business Plan. The CGD Audit Plan is prepared under a risk-based assessment methodology and covers the Group's significant operations over a three-year cycle period.

The scope of work covers mainly financial, operational and compliance controls, risk management policies and procedures, and sustainability practices. The CGD has unrestricted access to all the information needed for review. Our Group Chief Compliance Officer reports major findings and recommendations to the Audit Committee on a regular basis. The implementation of all agreed recommendations is being followed up on a three-month basis and reported to the Audit Committee at each Committee meeting. In addition, the CGD visits the Group's local and overseas offices and selected stores, and meets with management and retail staff on a regular basis to help embed the compliance culture in the Group's business practices when performing on-site reviews.

As part of the annual review of the effectiveness of the Group's system of internal controls, CGD independently reviews the Internal Control Self-Assessment Checklist completed by management, and assesses the adequacy and effectiveness of internal controls implemented by management. The CGD also reviews the adequacy of resources, qualification, and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget.

Our external auditor, PwC, performs independent statutory audit on the Group's consolidated financial statements. As part of its audit engagement, PwC also reports to the Audit Committee any significant weaknesses in the Group's internal control system that may come to their attention during the course of their audit.

Based on the assessments made by management, CGD, and also taking into the account the results of the work conducted by the external auditor for the purpose of their audit for 2010, the Audit Committee is satisfied that:

– the internal controls and accounting systems of the Group are in place and functioning effectively and are designed to provide reasonable assurance that material assets are protected, business risks are identified and monitored, material transactions are executed in accordance with management's authorisation, and the financial statements are not materially misstated and are reliable for publication;

– there are ongoing processes in place for identifying, evaluating, and managing the significant risks faced by the Group; and

– the resources, qualifications, experience, training programmes and budget of the staff of the Group's accounting and financial reporting function are adequate.

Directors' and Senior Management Interests

Details of Directors' interests in the shares of the Company are set out in the Directors' Report section on pages 51 to 60. The shares held by each member of senior management are less than 2% of the issued share capital of the Company during the year ended 31 December 2010.

Directors' Responsibility and Auditor's Responsibility for Financial Statements

The Directors' responsibility for preparing the financial statements are set out on page 60 and the auditor's reporting responsibility is set out on page 61.

Compliance with the Code on Corporate Governance Practices

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in compliance with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2010.

CORPORATE COMMUNICATION

The Company recognises the importance of communication with its internal and external stakeholders, in particular its employees and shareholders, in establishing a good corporate governance culture.

Investor relations and communication

The Company has pursued a policy of promoting investor relations and communication. In 2010, the Company participated in investor conferences during which it made corporate presentations, arranged company visits, and held regular meetings with institutional shareholders, fund managers, and analysts. The Company also arranged analysts' briefings and road shows after its annual and interim results announcements. As a channel to further promote effective communication, the Company maintains a website *(www.trinity-limited.com)* to disseminate announcements, shareholder information, and other relevant financial and non-financial information electronically on a timely basis. Webcasts of results presentations are also made available.

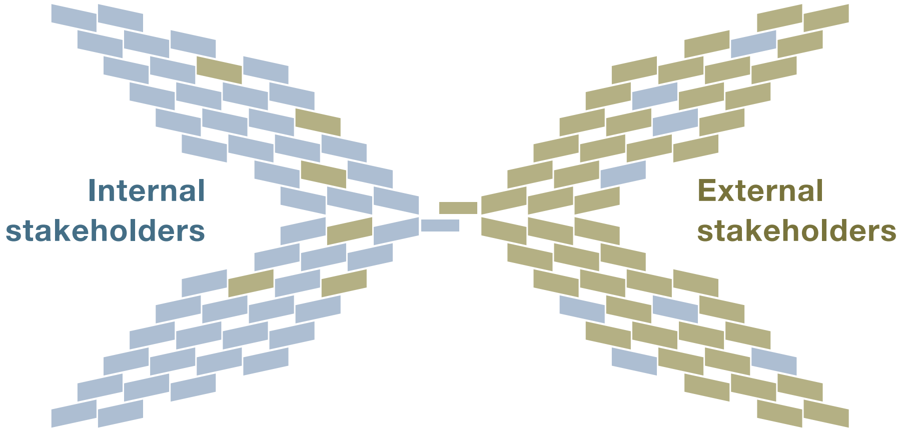
The Company is aware of the overriding principle that information that is expected to be price-sensitive should be announced promptly. Therefore, in 2010, the Company implemented a Policy on Price Sensitive Information endorsed by the Board that sets the procedures and guidelines for handling and disseminating such information. Members of senior management are identified and authorised to act as spokespersons and respond to related external enquiries.

The Company regards the annual general meeting ("AGM") as an important event as it provides an opportunity for the Board to communicate with the shareholders. The Chairman of the Board and the Chairmen of the Committees, or in their absence, their duly appointed delegates, attend the AGM to answer any questions from the shareholders. All Directors also make an effort to attend. Active participation by the shareholders at the AGM is highly welcomed. Notices of AGM and related papers are sent to the shareholders no less than 20 business days before the meeting. Vote of shareholders at a general meeting is taken by poll and the results are published on the Company's and Stock Exchange's websites.

In 2010, the Board confirmed that there was no change in the Company's bye-laws that affected the Company's operations and reporting practices. Key calendar events for shareholders' attention and share information, including market capitalisation as at 31 December 2010, are set out in the Information for Investors section on page 50.

Internal communication

Effective communication between management and staff is vital to the Group's success. Policy Committee Meetings and Business Stream Meetings are held quarterly and monthly (except in the months when Policy Committee Meetings are held), respectively, for senior executives with active participation of the Group Chairman, to review the Group's operating results and performance, and to formulate Group-wide policies and practices, as well as to report and discuss significant issues affecting the Group. OSG Meetings for senior executives of OSG are also held once or twice a month to review the efficiency and effectiveness



The Company recognises the importance of communication with its internal and external stakeholders, in particular its employees and shareholders, in establishing a good corporate governance culture.

of the Group's operation support functions. Senior Management Meetings are also held twice a year for the senior managers of the Group, with active participation of the Group Chairman, the Group Managing Director, and Executive Directors, to create a sense of staff ownership of the Group's strategic objectives and to foster effective communications across the Group.

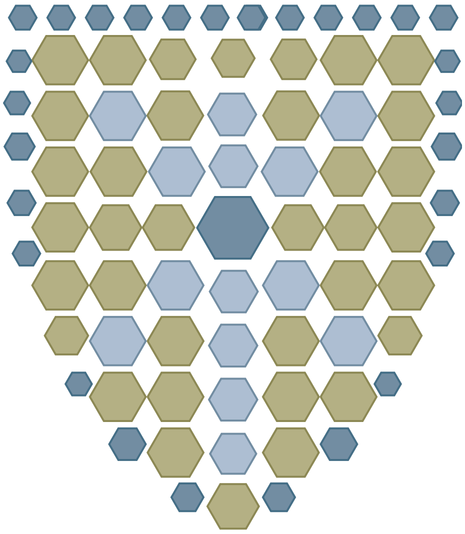
A corporate intranet has been established to facilitate easy access by staff to corporate information in relation to policies, codes of practice, and other staff communication. The Group also publishes a regular newsletter to provide staff with reports on the Group's latest developments, directives and initiatives, the Group's functions, staff movement, and staff recreational activities.

The Group recognises the importance of human capital to its growth and success, and in enhancing the good corporate governance culture of the Company. Details of our human resources and staff development and personal growth are set out in the Management Discussion and Analysis section on pages 19 and 20.

SHAREHOLDERS' RIGHTS

Under the Company's bye-laws, on the written requisition of shareholder(s) holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, the Board shall convene a special general meeting for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of the requisition. Any such proposal can be put forward in writing to the Board or the Company Secretary at the Company's principal place of business in Hong Kong.

Specific enquiries by shareholders requiring the Board's attention can be sent in writing to the Company Secretary at the Company's principal place of business in Hong Kong. Other general enquiries can be directed to the Company through the Company's website.



Safeguarding the Interests of Independent Shareholders

Safeguarding the Interests of Independent Shareholders

As disclosed in the Company's prospectus dated 21 October 2009 ("Prospectus"), the following additional corporate governance measures are in place to further strengthen the protection of independent shareholders' interests, in particular from any potential competition from the fashion retail business of the brands owned by the then-controlling shareholder of the Company ("Parent Group") that were not in the process of discontinuance of their businesses as at the date of the Prospectus ("Excluded Brands"):

1. Rights to acquire the Excluded Brands

Parent Group granted to the Company a right of first refusal ("Right of First Refusal") to acquire the interests of Parent Group in respect of the Excluded Brands when Parent Group intends to dispose of the same. In addition, Parent Group granted a right to the Company to acquire the interest in BLS (Private Labels) Holdings Limited, which holds some of the Excluded Brands, at any time within the term of 36 months from 1 September 2009, at a price to be negotiated in due course ("Call Option").

2. Independence committee

In connection with the Right of First Refusal and the Call Option, the Company will establish a committee comprised only of Independent Non-executive Directors to decide on matters relating to any potential acquisition. All necessary financial information and documents will be provided to the independence committee in order to assess the merits of exercising the Right of First Refusal and the Call Option.

3. Abstention from voting and absent from meeting where a conflict of interest arises

A Director will not vote on any resolution and will not be counted in the quorum at any Board meeting for approving any transaction in which such Director has a material interest. In the event that the Independent Non-executive Directors decide that the interested Director should not be present at such meeting, such Director would be requested to absent himself/herself.

4. Reporting of material conflict of interests to Independent Non-executive Directors

The Board will ensure that any material conflict or material potential conflict of interests will be reported to the Independent Non-executive Directors as soon as practicable when such conflict or potential conflict is discovered.

5. Composition of the Board

The Board will ensure that there is a sufficient number of Independent Non-executive Directors who have extensive experience and knowledge in corporate management and governance on the Board.

6. Compliance with Listing Rules

The exercise of the Call Option or Right of First Refusal will constitute connected transactions for the Company under the Listing Rules. In the event that the Company exercises such option or right, the Company will comply with all applicable reporting, announcement and/or independent shareholders' approval requirements as required under the Listing Rules. Such independence committee may appoint an independent financial adviser or other professional advisers to advise them.

7. Confirmation by the Company

The Board will review whether the above corporate governance measures have been complied with and disclose the compliance and/or non-compliance of the same in the Company's annual reports, provided that Parent Group continues to hold more than 30% shareholding interests in the Company.

The Board has reviewed the above corporate governance measures and confirmed that in 2010, the Parent Group has not communicated any plan to dispose of the Excluded Brands, matter of material conflict of interest was properly dealt with and the Board comprises sufficient number of Independent Non-executive Directors who have extensive experience and knowledge in corporate management and governance.

SUSTAINABILITY INITIATIVES

Being a socially responsible corporation, the Group is progressively integrating sustainability initiatives throughout its business while incorporating broader social and environmental matters into its day-to-day decision-making. Details of the Group's corporate social responsibility and sustainability initiatives are set out in the Management Discussion and Analysis section on page 20.

Directors and Senior Management

From Left To Right

David AU
Agnes SHEN
Bruno LI
Michelle NG
WONG Yat Ming
Victor FUNG
Sabrina FUNG
Godwin LAM
Raymond CLACHER
Danny LAU

EXECUTIVE DIRECTORS

WONG Yat Ming

Group Managing Director

Aged 60, has been the Group Managing Director since June 2009 and an Executive Director since December 2006. He is responsible for the overall business strategies and business operations of the Group. Prior to joining the Group, he was the Chief Executive, Consumer and Healthcare of Greater China of Inchcape Marketing Service, and a director of Inchcape Pacific Limited. He joined Li & Fung group in 1999 as Regional Director of Li & Fung (Distribution) Limited. Mr Wong has more than 30 years of experience in the distribution of consumer products and in particular, he has extensive experience in the distribution of fast-moving consumer products in the Asia-Pacific region. Mr Wong holds a Bachelor of Arts (Honours) degree in Economics and Philosophy from The University of Hong Kong.

Mr Wong has ample experience in the marketing of consumer brands. He successfully marketed many well-known consumer brands in the Asia-Pacific region, including Brand's Essence of Chicken, Ferrero chocolate, Mattel Toys, Scholl, and Listerine.

Bruno LI Kwok Ho

Chief Financial Officer

Aged 61, is the Chief Financial Officer of the Group and an Executive Director since 1 July 2009. He is responsible for the finance and accounting, human resources, and information technology functions of the Group. Prior to joining the Group, he was the Chief Financial Officer of Li & Fung (1937) Limited, a substantial shareholder of the Company, from January 2008 to June 2009. Mr Li joined the Li & Fung group in January 1991 as the Chief Financial Officer. From February 1993 to December 2007, he was appointed as the Retail Services Director of Li & Fung (Retailing) Limited (the retailing arm of the Li & Fung group) and took charge of all centralised supporting services, which comprised the areas of finance and accounting, human resources and administration, information technology, and real estate. From January 2001 to August 2009, Mr Li was an executive director of Convenience Retail Asia Limited, a listed company in Hong Kong principally engaging in the operations of a chain of convenience stores and bakery shops in Hong Kong and the Chinese Mainland under the trade name of "Circle K" and "Saint Honore", respectively. Prior to joining the Li & Fung group, he gained extensive senior financial management experience with several multi-national trading and retailing groups such as Dairy Farm and Rhone Poulenc.

Mr Li holds a Bachelor of Science degree from the Chinese University of Hong Kong and obtained a postgraduate diploma in Accountancy from the University of Strathclyde, Scotland. He has been a member of the Institute of Chartered Accountants of Scotland since 1982, with more than 30 years of professional experience in finance and accounting.

Danny LAU Sai Wing

Chief Operating Officer

Aged 59, was appointed as Executive Director and the Group's Chief Operating Officer on 1 January 2011. He is responsible for the supply-chain management of the Group and the operation of the Kent & Curwen brand. Prior to joining the Group, he was an executive director of Li & Fung (Trading) Limited, which is a wholly-owned subsidiary of Li & Fung Limited, a company listed on the Main Board of the Stock Exchange, where he was in charge of the business stream specialising in sourcing for global apparel brands and apparel specialty stores in the United States. Mr Lau joined the Li & Fung group in 1981 and was an executive director of Li & Fung Limited from 1992 to 2009. Mr Lau graduated from the University of Kansas with a Bachelor of Science Degree in Business and Accounting.

Sabrina FUNG Wing Yee

Executive Director

Aged 39, daughter of Dr Victor Fung Kwok King and niece of Dr William Fung Kwok Lun, is an Executive Director and was appointed to the Board in September 2007. She is responsible for corporate and marketing projects of the Group.

Ms Fung started her career at the private investment arm of Li & Fung group in 2000 as Investment Manager running the family's investments and is the Investment Director of Fung Investment Management Limited. Prior to joining the Li & Fung group, she worked for Brown Brothers Harriman & Co in New York and later held the position of Assistant Manager at its Hong Kong office until 1999. Ms Fung is experienced in the retail industry and also held positions in marketing and public relations for Salvatore Ferragamo Asia, merchandising and sourcing for Li & Fung (Trading) Limited, and wholesale branding for Li & Fung USA.

Ms Fung graduated from Harvard University with a Bachelor of Arts degree in Economics in 1993. She is a member of the Special Task Group of the Moral Education Concern Group and an Adviser to the Monaco-Asia Society. In the US, she serves on the Board of Trustees at St Paul's School in New Hampshire and is a member of the Academic Resources Task Force at Harvard University.

NON-EXECUTIVE DIRECTORS

Dr Victor FUNG Kwok King

GBM, GBS, CBE

Non-executive Chairman
*Chairman of Compensation Committee**

Aged 65, brother of Dr William Fung Kwok Lun and father of Ms Sabrina Fung Wing Yee, has been the Chairman of the Company and a Non-executive Director since December 2006. Dr Fung is the Group Chairman of the Li & Fung group of companies including publicly listed Li & Fung Limited and Convenience Retail Asia Limited, and the formerly listed Integrated Distribution Services Group Limited (which was privatised in October 2010). In addition, he is a director of King Lun Holdings Limited, Li & Fung (1937) Limited, Li & Fung (Retailing) Limited and LiFung Trinity Limited (substantial shareholders of the Company). He is also a director of the Company's subsidiary. Dr Fung holds Bachelor and Master degrees in Electrical Engineering from the Massachusetts Institute of Technology, and a Doctorate in Business Economics from Harvard University.

Dr Fung is an independent non-executive director of BOC Hong Kong (Holdings) Limited in Hong Kong and Baosteel Group Corporation in the People's Republic of China. In public service, Dr Fung is Honorary Chairman of the International Chamber of Commerce and Chairman of the Greater Pearl River Delta Business Council. He is a member of the Chinese People's Political Consultative Conference and vice chairman of China Centre for International Economic Exchanges. He is also a member of the Commission on Strategic Development of the Hong Kong Government. From 1991 to 2000, Dr Fung was Chairman of the Hong Kong Trade Development Council, and from 1996 to 2003, he was the Hong Kong representative on the APEC Business Advisory Council. He was also Chairman of the Hong Kong Airport Authority from June 1999 to May 2008, and Chairman of The Council of The University of Hong Kong from September 2001 to November 2009. From September 2004 to September 2010, he was the Chairman of the Hong Kong-Japan Business Co-operation Committee. In 2003 and 2010, the Hong Kong Government awarded Dr Fung the Gold Bauhinia Star and the Grand Bauhinia Medal, respectively, for distinguished service to the community.

* *Stepped down as Chairman of Compensation Committee on 23 March 2011 but remains as its member*

Dr William FUNG Kwok Lun

SBS, OBE, JP

Non-executive Deputy Chairman

Aged 62, brother of Dr Victor Fung Kwok King and uncle of Ms Sabrina Fung Wing Yee, has been a Deputy Chairman of the Company and a Non-executive Director since December 2006. Dr Fung is the Group Managing Director of Li & Fung Limited and a non-executive director of other listed Li & Fung group company, Convenience Retail Asia Limited and the formerly listed Integrated Distribution Services Group Limited (which was privatised in October 2010). He is also a director of the substantial shareholders of the Company, King Lun Holdings Limited, Li & Fung (1937) Limited, Li & Fung (Retailing) Limited and LiFung Trinity Limited. He is past Chairman of the Hong Kong General Chamber of Commerce, the Hong Kong Exporters' Association and the Pacific Economic Cooperation Committee. In 2008, the Hong Kong Government awarded Dr Fung the Silver Bauhinia Star for distinguished service to the community. He graduated from Princeton University with a Bachelor of Science degree in Engineering and holds a Master of Business Administration degree from the Harvard Graduate School of Business. He was conferred the degrees of Doctor of Business Administration, *honoris causa*, by the Hong Kong University of Science & Technology and by Hong Kong Polytechnic University. Dr Fung is an independent non-executive director of VTech Holdings Limited, Shui On Land Limited, Sun Hung Kai Properties Limited, and The Hongkong and Shanghai Hotels, Limited (since 3 January 2011). He is also an independent director of Singapore Airlines Limited.

Jeremy Paul Egerton HOBBINS

Non-executive Deputy Chairman

Aged 63, is a Deputy Chairman of the Company and a Non-executive Director. He was appointed to the Board in December 2006 and was the Group Managing Director of the Company appointed in March 2007. In June 2009, he was appointed as a Deputy Chairman of the Company and was re-designated as a Non-executive Director. Mr Hobbins is responsible for overseeing the business of the Salvatore Ferragamo joint ventures.

He is also a director of various companies within the Li & Fung group including Li & Fung (1937) Limited, a substantial shareholder of the Company, the publicly listed Convenience Retail Asia Limited and formerly listed Integrated Distribution Services Group Limited (which was privatised in October 2010).

Mr Hobbins joined the Li & Fung group in 1999 and was the Group Managing Director of Li & Fung (Retailing) Limited and the previous Deputy Chairman of Li & Fung (Distribution) Limited. Prior to joining Li & Fung group, Mr Hobbins was the Chief Executive of Inchcape Marketing Services – Asia Pacific and the Chief Executive Officer of Inchcape Marketing Services Limited, which was listed in Singapore, from 1997 to 1998. In addition, he served as a member of the Group Management Board of Inchcape plc and a director of Inchcape NRG, a business machines joint venture with Ricoh. Previously, he was the Chief Executive Officer of Inchcape Berhad, prior to which he was the Chief Executive Officer of Inchcape Buying Services from 1993 to 1996. Before joining the Inchcape group in 1993, he was the President and Chief Executive Officer of the Campbell Soup Company, United Kingdom and Ireland, and previously was President of the Dairy Division of Ault Foods, Canada. He has also held senior positions at Procter & Gamble, Hutchison Whampoa and Cadbury Schweppes.

Jose Hosea CHENG Hor Yin

Non-executive Director

Aged 44, is a Non-executive Director appointed in December 2006. Prior to joining the Li & Fung group in 2004, he held senior management positions in several multi-national investment firms. He started his career at Prudential Insurance Company of America in 1993 and later held the post of an Assistant Director at Prudential Asset Management Asia Hong Kong Limited until 1998. He was a Director at EM Warburg, Pincus & Co, Asia, Limited between 1998 and 2001 and also the Vice President at Investor Asia Limited between 2002 and 2003. He was instrumental in making investments in various companies engaged in consumer related businesses including Memorex International Inc, Summerine Media Inc, Cosmetic Group Holdings Limited, Eagle Brand Holdings Limited, Gilman Industrial Limited, and Kanematsu Textile Corporation. He holds a Bachelor of Arts degree in Philosophy from Queen's University in Canada.

Mr Cheng is currently Managing Director of Fung Capital Asia Investments Limited where he is responsible for managing private equity investments in Asia. He has extensive experience in private equity and investment management in the Asia-Pacific Region. He is also a non-executive director of Lever Style Inc, a garment manufacturer, and a director of LF Japan Development Limited, which engages in the business of textile and apparel sourcing, distribution, and brand management in Japan.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Patrick SUN

Independent Non-executive Director
Chairman of Audit Committee

Aged 52, was appointed an Independent Non-executive Director on 1 October 2008. He is currently an independent non-executive director and non-executive chairman of Solomon Systech (International) Limited, an independent non-executive director of China Railway Group Limited and Sihuan Pharmaceutical Holdings Group Ltd (all of which are listed on the Stock Exchange). He is also a vice-chairman of The Chamber of Hong Kong Listed Companies, and formerly was its Honorary Chief Executive Officer. Mr Sun was a director of Value Convergence Holdings Limited and SW Kingsway Capital Holdings Limited (both of which are listed on the Stock Exchange), the Senior Country Officer and Head of Investment Banking for Hong Kong of JP Morgan Chase, group executive director and Head of Investment Banking for Greater China at Jardine Fleming Holdings Limited, and an independent non-executive director of The Link Management Limited. He was a member of the Takeovers & Mergers Panel and the Takeovers Appeal Committee, Deputy Convenor of the Listing Committee of the Stock Exchange and a council member of the Stock Exchange.

Mr Sun graduated from the Wharton School of the University of Pennsylvania, United States, with a Bachelor of Science degree in Economics in 1981. Mr Sun also completed the Stanford Executive Program of Stanford Business School, United States, in 2000. Mr Sun has been an associate member (since April 1987) and a fellow (since April 1992) of the Association of Chartered Certified Accountants, United Kingdom, and a fellow of the Hong Kong Institute of Certified Public Accountants (since 2009).

Cassian CHEUNG Ka Sing*

Independent Non-executive Director

Aged 55, was appointed an Independent Non-executive Director on 1 October 2008. Mr Cheung was the President of Wal-Mart China Co Ltd from 2002 to 2005, where he led the expansion of Wal-Mart retail stores in China and managed a team of more than 20,000 associates. Prior to joining Wal-Mart, he was the President of Quaker Oats Asia, Inc, which managed amongst other brands, the Gatorade Sports Drinks and Quaker Cereals brands. Mr Cheung also worked in The Nestle Company from 1978 until 1994, and was the Chief Operating Officer – PRC for Nestle (China) Ltd from 1992 to 1994. Currently Mr Cheung is an executive director and Group Co-CEO of Next Media Ltd, a company listed on the Main Board of the Stock Exchange. Mr Cheung received a Master of Business Administration degree from the Kellogg School of Management, Northwestern University. He was the President of the Hong Kong Kellogg Alumni Club, and currently is a member of the Kellogg Alumni Council of Asia. Mr Cheung is an advisory board member of the Business School of the Hong Kong University of Science and Technology ("HKUST"). Since 2005, Mr Cheung has also been an adjunct professor at the Business and Management School of the HKUST, where he teaches management courses in both the Master of Business Administration program and the undergraduate Global Business program.

* *Appointed as Chairman of Compensation Committee on 23 March 2011*

Michael LEE Tze Hau

Independent Non-executive Director
Chairman of Nomination Committee

Aged 50, was appointed an Independent Non-executive Director on 1 October 2008. Mr Lee is the managing director of MAP Capital Limited, an investment management company. Mr Lee started his career in the investment industry in 1987 and has since held senior management positions in multi-national investment companies including Indosuez Asia Investment Services Limited and Lloyd George Management. He also co-founded Asia Strategic Investment Management Limited in 1995. Mr Lee was a member of the Main Board and Growth Enterprise Market Listing Committee of the Stock Exchange and the Securities and Futures Commission (HKEC Listing) Committee. He was an independent non-executive director of Tai Ping Carpets International Limited from August 1998 to June 2010. He was a director of Hysan Development Company Limited, a company listed on the Main Board of the Stock Exchange, from March 1990 to May 2007 and has been its non-executive director since January 2010. He is also an independent non-executive director of Chen Hsong Holdings Limited and Hong Kong Exchanges and Clearing Limited (both of which are listed on the Main Board of the Stock Exchange) and a Steward of The Hong Kong Jockey Club. Educated in the United States, Mr Lee holds a Bachelor of Arts degree from Bowdoin College and a Master of Business Administration degree from Boston University.

Jean-Marc LOUBIER

*Independent Non-executive Director**

Aged 55, was appointed an Independent Non-executive Director on 1 June 2009. He is the Chief Executive Officer of HKL Holding in Paris, France. He was appointed as an independent non-executive director of Harry Winston Diamond Corporation, a company listed on the Toronto Stock Exchange and the New York Stock Exchange, in December 2010. Mr Loubier was the Chief Executive Officer of ESCADA AG, a company listed on the Frankfurt Stock Exchange, from 1 June 2007 to 30 June 2008 and was a member of its supervisory board, and chairman of its strategy committee from November 2006 to May 2007. Previously, Mr Loubier held key managing positions for 16 years in the LVMH Group, where he joined Louis Vuitton Malletier in 1990 as Director of Communications, and was later the Executive Vice President until 2000. He was the President and Chief Executive Officer of Celine and a board member of Comite Colbert, French Association of Luxury Companies from 2000 to 2006. Mr Loubier has an extensive and profound international experience in the luxury, fashion, and retail industries.

Mr Loubier graduated from Institut d'Etudes Politiques de Paris, France, and obtained a Master of Business Administration degree from HEC (Hautes Etudes Commerciales), France, in 1983.

* *Re-designated as Non-executive Director on 23 March 2011*

GROUP CHIEF COMPLIANCE OFFICER

James SIU Kai Lau

Group Chief Compliance Officer

Aged 66, joined the Group in 2007 as the Group Chief Compliance Officer. He first joined Li & Fung Limited group in 1993 as Chief Financial Officer until 1996 when he became its Chief Compliance Officer. He is an executive director of Li & Fung (1937) Limited, a substantial shareholder of the Li & Fung group of companies including publicly listed Li & Fung Limited and Convenience Retail Asia Limited, and formerly listed Integrated Distribution Services Group Limited (which was privatised in October 2010) of which he is also their respective Group Chief Compliance Officer. Prior to joining Li & Fung group, Mr Siu was the partner-in-charge (1981 to 1989) of the Hong Kong audit practice of Coopers & Lybrand (currently PricewaterhouseCoopers) specialising in advising corporate clients on mergers, acquisitions, finance, and on public listings. His community work includes currently serving as member of the Supervisory Board of the Hong Kong Housing Society and Chairman of its Audit Committee (2001 to 2006) and a member of the Professional Accountants in Business Committee of the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (2002 to 2006). Mr Siu was a member of the Securities and Futures Commission Dual Filing Advisory Group (2004 to 2010) and the Deputy Chairman of the Corporate Governance Committee of the HKICPA (2007). He is a Fellow of both the Institute of Chartered Accountants in Australia and the HKICPA. He is also a Fellow member of the Hong Kong Institute of Directors. Mr Siu holds a Bachelor of Economics degree from University of Tasmania, Australia.

SENIOR MANAGEMENT

Godwin LAM Kin Ping

Managing Director – China

Aged 62, the Managing Director – China of the Group since May 2006 and is in charge of the overall operation supports and market development for all the brands operated by the Group in the Chinese Mainland. Mr Lam joined Li & Fung group in January 2000 and was appointed as Managing Director for Land Ocean IDS Logistics Co, Ltd, a logistics joint-venture company in Shanghai under Li & Fung (Distribution) Limited. From 1984 to 1999, Mr Lam held various senior management positions in certain Asian countries with Genstar Container Corp, the world's largest marine container leasing company, which was a part of GE Capital Company. In 1997 Mr Lam was appointed as Vice President – Asia Pacific of Genstar/GE SeaCo. Between 1978 and 1984, Mr Lam worked with OOCL in Osaka, Japan, and was responsible for the overall sales and marketing activities covering west Japan. Mr Lam graduated from Keio University of Tokyo, Japan, with a Bachelor of Arts degree in Business & Commerce.

Michelle NG Keng Chu

Regional Managing Director

Aged 51, joined the Group on 1 April 2007 as Regional Managing Director primarily responsible for managing Salvatore Ferragamo. Ms Ng formed Branded Lifestyle, the fashion retailing arm of the Li & Fung group. Ms Ng has more than 24 years experience in the retail business of luxury and fashion labels. Her previous portfolio of world-renowned brands includes Mango, Calvin Klein Jeans, Country Road, and GANT in various markets in South Korea and Southeast Asia. Ms Ng joined Inchcape Berhad in 1986 handling personal-care products, sports footwear, and luxury goods, including Sheaffer pens, Vacheron Constantin, Nina Ricci, and Givenchy watches as well as premium fashion labels including Ermenegildo Zegna and Karl Lagerfeld. Over the years at Inchcape Berhad, she played a key role in the expansion of the Salvatore Ferragamo franchise from Singapore to Indonesia, Malaysia, and Thailand. In 1995, she struck a joint-venture deal with Salvatore Ferragamo in Italy to expand the brand to South Korea covering both the domestic and duty-free businesses. This joint-venture was subsequently extended to Southeast Asia. Prior to joining Inchcape Berhad, she worked in Export Credit Insurance Corporation of Singapore in finance, Mulpha Sdn Bhd (Malaysia) in sales, and IBM (United Kingdom) in marketing. Ms Ng holds a Bachelor of Arts (Honours) degree from Brighton University, United Kingdom.

Agnes SHEN

Brand Managing Director – Cerruti 1881 and Altea

Aged 56, is the Brand Managing Director of Cerruti 1881 and Altea. She is also a director of three retail subsidiaries of the Company. Ms Shen joined Trinity Retail (H.K.) Limited in 1978. She was a Director of Merchandising responsible for product development, merchandising, and retail operations between 1987 and 1996. She has extensive experience in product development and retail business of premium men's apparel. Ms Shen holds a Bachelor of Science degree in Business Administration (Economics) from the University of San Francisco, United States.

Raymond Mark CLACHER

Brand Managing Director – Gieves & Hawkes

Aged 47, is the Brand Managing Director of Gieves & Hawkes. He joined the Group on 1 October 2009. Mr Clacher joined Gieves UK Limited in September 2002, and was further appointed as the Retail Director in 2005 and took responsibility for the brand globally in 2006 when appointed as the Commercial Director. He has more than 25 years of retail-operations experience in the United Kingdom. He was previously the Retail Operations Director for United Colors of Benetton from November 2000 to July 2002 and held senior management positions with Matalan, BHS, House of Fraser, and Littlewoods Stores. Mr Clacher holds a national business diploma from Business Education Council in the United Kingdom.

David AU Wong Gay

Group Chief Marketing Officer

Aged 51, has been the Group Chief Marketing Officer since January 2010. Mr Au is responsible for providing strategic corporate and functional marketing services to the group. Mr Au held senior positions with global luxury brands at headquarters as Chief Marketing Officer at Ermenegildo Zegna Group in Milan, Italy, and International Communication Director at Celine in Paris, France.

With LVMH group, Mr Au started as the Marketing & Communication Director for Louis Vuitton in Asia Pacific, the largest territory of the Louis Vuitton group. He played a key role in growing the Asian market, contributing substantially to sales revenue worldwide.

Mr Au attended the University of Southern California, where he studied Fine Arts, then transferred to Pratt Institute in Brooklyn, New York, to pursue Graphic Design and Art Direction. He then started his retail career at Bloomingdale's, New York. He later worked at R.H. Macy & Co Inc in New York developing all private label brands for all Macy's network of stores.

He has extensive luxury, retail, and marketing and communications experience.

brand activities in 2010

Jan > Jun

01

january | SS 2010 at Beijing

In Beijing, Cerruti 1881 showcased its spring/summer 2010 collection at a press preview.

01

january | SS 2010 at Hong Kong

Cerruti 1881 previewed its spring/summer collection at media event in Hong Kong.

03

march | SS 2010

The spring/summer collection was showcased during a private trunk show held in Thailand.

04

april | store opening

In Hong Kong, Yutaka Takenouchi helped to cut the ribbon on a newly-renovated D'URBAN store in Tsimshatsui.

04

april | brand ambassador

In front of excited fans and a huge media contingent, D'URBAN announced the appointment of Japanese actor Yutaka Takenouchi as brand ambassador.

05

may | new store concept

Kent & Curwen's popular "Like Father, Like Son" promotion makes a welcome return to Hong Kong before rolling out to stores across the Greater China region.

04

april | AW 2010

Gieves & Hawkes joined the celebrations for the Beijing Jockey Club's second anniversary.

brand activities in 2010

Jul > Dec

07

july | brand ambassador

At the British Consulate in Hong Kong, Kent & Curwen named international artist Aaron Kwok as its new brand ambassador.

07

july | showcase

Gieves & Hawkes, which has created regimental uniforms for every British monarch and Royal Family member for the past 300 years, showcased its military regalia in Beijing.

08

august | AW 2010

The Cerruti 1881 autumn/winter collection was showcased at a media presentation event in Taipei.

10

october | gala dinner

Violin maestro Lu Siqing performs during Cerruti's Rendezvous with Modern Masters gala dinner at Beijing's Park Hyatt, an event that celebrated modern masters of art, performance and contemporary design, including Nino Cerruti.

10

october | fashion show & gala dinner

Leonardo Ferragamo welcomes guests to a fashion show and gala dinner held at the Banyan Tree in Seoul.

10

october | co-sponsorship

As the first House to dress James Bond in the movie, Gieves & Hawkes was the ideal choice to co-sponsor the auction of 007's original Aston Martin DB5, as previewed in Hong Kong with Sotheby's.

11

november | tie event

Actor Michael Wong attends the Merlion Tie Event at the Paragon boutique in Singapore.

11

november | exclusive previews

In Hong Kong and Beijing, Cerruti 1881 hosted exclusive previews for Sotheby's auction of *Modern Masters: Impressionism and Early 20th Century Art.*

Information for Investors

Listing Information

Listing:	**Hong Kong Stock Exchange**
Stock Code:	**891**

Key Dates

23 March 2011

Announcement of 2010 Final Results

30 May to 1 June 2011 (both days inclusive)

Closure of Register of Members

1 June 2011

Annual General Meeting

2 June 2011

Despatch of 2010 Final Dividend warrants

Share Information

Board lot size

2,000 shares

Shares outstanding as at 31 December 2010

1,588,886,883

Market capitalisation as at 31 December 2010

HK$13,012,983,572

Dividend per share for 2010

Interim	**5.0 HK cents**
Final	**10.0 HK cents**
Full Year	**15.0 HK cents**

Share Registrar and Transfer Offices

Principal:

Butterfield Fulcrum Group (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM 08

Bermuda

Hong Kong Branch:

Tricor Investor Services Limited

26/F, Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

Enquiries Contact

Mr Bruno LI Kwok Ho

Executive Director/Chief Financial Officer

Telephone number: (852) 2342 1151

Facsimile number: (852) 2343 4708

e-mail: info@lftrinity.com

Trinity Limited

11/F, 10 Shing Yip Street

Kwun Tong, Kowloon

Hong Kong

Website

www.trinity-limited.com

Directors' Report

The Directors have pleasure in submitting their report together with the audited consolidated financial statements for the year ended 31 December 2010.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 41 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segment is set out in Note 6 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 63.

The directors recommend the payment of a final dividend of 10.0 HK cents per ordinary share.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in Note 27 to the consolidated financial statements.

Distributable Reserves

As at 31 December 2010, the Company's distributable reserves available for distribution to shareholders under the Companies Act 1981 of Bermuda (as amended) amounted to HK$211,904,000 (2009: HK$137,679,000).

Donations

Charitable and other donations made by the Group during the year amounted to HK$510,000.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in Note 17 to the consolidated financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in Note 26 to the consolidated financial statements.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's bye-laws ("Bye-laws") and there was no restriction against such rights under the laws of Bermuda.

Financial Summary

A summary of the results and of the assets and liabilities of the Group as at 31 December 2010 and for the previous four years are set out on page 128.

Purchase, Sale or Redemption of Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

Share Option Schemes

On 16 October 2009, the Company adopted a pre-IPO share option scheme ("Pre-IPO Share Option Scheme") and a share option scheme ("Post-IPO Share Option Scheme") (collectively "Share Option Schemes") for the purposes of providing incentives and/or rewards to eligible persons as defined in the respective schemes.

Pre-IPO Share Option Scheme

The principal terms of the Pre-IPO Share Option Scheme are substantially the same as the terms of the Post-IPO Share Option Scheme except for certain principal terms as follows:

(i) the subscription price per share of the Company ("Share") shall be the offer price ("Offer Price") for subscription for Shares pursuant to the Initial Public Offering;

(ii) no further options will be offered or granted upon the commencement of dealings in the Shares on the Stock Exchange on 3 November 2009 ("Listing Date");

(iii) the maximum number of Shares in respect of which options may be granted under the Pre-IPO Share Option Scheme shall not exceed 45,194,000 Shares, representing approximately 3% of the total number of issued Shares as at the Listing Date; and

(iv) the provisions relating to the restriction on time of grant of option and the grant of option to connected persons under the Post-IPO Share Option Scheme shall not apply to the Pre-IPO Share Option Scheme.

As at 31 December 2010, options to subscribe for a total of 34,156,000 Shares of HK$0.10 each granted by the Company pursuant to the Pre-IPO Share Option Scheme remained valid and outstanding and these options represented approximately 2% of the total number of issued Shares at the date of this report.

Post-IPO Share Option Scheme

Details of the Post-IPO Share Option Scheme ("Scheme") are as follows:

(i) Purpose

The purpose is to attract and retain the best quality personnel for the development of the Group's businesses; to provide additional incentives to the qualifying grantees; and to promote long-term financial success of the Group by aligning the interests of the option holders to the Company's shareholders.

(ii) Qualifying participants

Any employee (whether full-time or part-time), executive or non-executive director, company secretary, secondee, consultant, agent, representative, adviser, customer, contractor, business partner, business ally, business alliance, joint venture partner of or supplier of goods or services to the Group or any affiliates ("Eligible Person"), or any trust for the benefit of an Eligible Person or his immediate family members, or any company controlled by an Eligible Person or his immediate family members.

(iii) Maximum number of shares

The total number of Shares that may be issued upon exercise of all options to be granted under the Share Option Schemes and any other schemes must not in aggregate exceed 10% of the Shares in issue as at the Listing Date. The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Schemes and any other schemes must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Scheme if this will result in such limit being exceeded. As at 31 December 2010, the number of Shares available for issue in respect thereof is 67,618,488, representing approximately 4% of the issued share capital of the Company as at the date of this report.

(iv) Limit for each qualifying participant

The total number of Shares issued and to be issued upon exercise of options (whether exercised or outstanding) granted in any 12-month period to each qualifying participant must not exceed 1% of the Shares in issue.

(v) Option period

In respect of any particular option, such period as the Board may in its absolute discretion determine and specify, which shall be not more than 10 years from the date of grant of relevant option.

(vi) Acceptance and payment on acceptance

An offer of the grant of an option shall remain open for acceptance for a period of 28 days from the date of offer (or such period as the Board may specify in writing). HK$1.00 is payable by the grantee to the Company on acceptance of the offer.

(vii) Subscription price

The subscription price shall not be less than the higher of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

(viii) Remaining life of the Scheme

The Board shall be entitled at any time within 10 years commencing on 3 November 2009 to make an offer for the grant of an option.

As at 31 December 2010, options to subscribe for a total of 34,240,000 Shares granted by the Company pursuant to the Scheme remained valid and outstanding and the options representing approximately 2% of the total number of issued Shares as at the date of this report.

Share Options

Details of the share options granted under the Share Option Schemes and remaining outstanding as at 31 December 2010 are as follows:

		Number of Share Options									
	Scheme Type	As at 01/01/2010	Granted	Exercised	Cancelled/ Lapsed	Transfer In	Transfer Out	As at 31/12/2010	Grant Price HK$	Grant Date	Exercisable Period
WONG Yat Ming Director	Pre-IPO	3,750,000	–	–	–	–	–	3,750,000	1.65	16/10/2009	03/11/2010 – 02/11/2014
	Pre-IPO	3,750,000	–	–	–	–	–	3,750,000	1.65	16/10/2009	03/11/2011 – 02/11/2014
	Post-IPO	1,600,000	–	–	–	–	–	1,600,000	2.45	26/11/2009	26/11/2010 – 25/11/2012
	Post-IPO	1,600,000	–	–	–	–	–	1,600,000	2.45	26/11/2009	26/11/2011 – 25/11/2013
	Post-IPO	1,600,000	–	–	–	–	–	1,600,000	2.45	26/11/2009	26/11/2012 – 25/11/2014
Bruno LI Kwok Ho Director	Pre-IPO	1,500,000	–	1,500,000	–	–	–	–	1.65	16/10/2009	03/11/2010 – 02/11/2014
	Pre-IPO	1,500,000	–	–	–	–	–	1,500,000	1.65	16/10/2009	03/11/2011 – 02/11/2014
	Post-IPO	800,000	–	800,000	–	–	–	–	2.45	26/11/2009	26/11/2010 – 25/11/2012
	Post-IPO	800,000	–	–	–	–	–	800,000	2.45	26/11/2009	26/11/2011 – 25/11/2013
	Post-IPO	800,000	–	–	–	–	–	800,000	2.45	26/11/2009	26/11/2012 – 25/11/2014
Sabrina FUNG Wing Yee Director	Pre-IPO	700,000	–	–	–	–	–	700,000	1.65	16/10/2009	03/11/2010 – 02/11/2014
	Pre-IPO	700,000	–	–	–	–	–	700,000	1.65	16/10/2009	03/11/2011 – 02/11/2014
	Post-IPO	700,000	–	–	–	–	–	700,000	2.45	26/11/2009	26/11/2010 – 25/11/2012
	Post-IPO	700,000	–	–	–	–	–	700,000	2.45	26/11/2009	26/11/2011 – 25/11/2013
	Post-IPO	700,000	–	–	–	–	–	700,000	2.45	26/11/2009	26/11/2012 – 25/11/2014
Jeremy Paul Egerton HOBBINS Director	Pre-IPO	1,000,000	–	1,000,000	–	–	–	–	1.65	16/10/2009	03/11/2010 – 02/11/2014
	Pre-IPO	1,000,000	–	–	–	–	–	1,000,000	1.65	16/10/2009	03/11/2011 – 02/11/2014
Continuous Contract Employees	Pre-IPO	12,372,000	–	7,092,000	253,000	700,000	428,000	5,299,000	1.65	16/10/2009	03/11/2010 – 02/11/2014
	Pre-IPO	12,372,000	–	–	253,000	700,000	428,000	12,391,000	1.65	16/10/2009	03/11/2011 – 02/11/2014
	Post-IPO	8,040,000	–	2,990,000	60,000	700,000	350,000	5,340,000	2.45	26/11/2009	26/11/2010 – 25/11/2012
	Post-IPO	8,040,000	–	–	60,000	700,000	350,000	8,330,000	2.45	26/11/2009	26/11/2011 – 25/11/2013
	Post-IPO	8,040,000	–	–	60,000	700,000	350,000	8,330,000	2.45	26/11/2009	26/11/2012 – 25/11/2014
Other Participants	Pre-IPO	3,275,000	–	940,000	–	428,000	700,000	2,063,000	1.65	16/10/2009	03/11/2010 – 02/11/2014
	Pre-IPO	3,275,000	–	–	–	428,000	700,000	3,003,000	1.65	16/10/2009	03/11/2011 – 02/11/2014
	Post-IPO	1,700,000	–	310,000	–	350,000	700,000	1,040,000	2.45	26/11/2009	26/11/2010 – 25/11/2012
	Post-IPO	1,700,000	–	–	–	350,000	700,000	1,350,000	2.45	26/11/2009	26/11/2011 – 25/11/2013
	Post-IPO	1,700,000	–	–	–	350,000	700,000	1,350,000	2.45	26/11/2009	26/11/2012 – 25/11/2014

Notes:

1. *The weighted average closing market price per share immediately before the dates on which the share options were exercised by Mr Bruno LI Kwok Ho was HK$8.08.*
2. *The weighted average closing market price per share immediately before the date on which the share options were exercised by Mr Jeremy Paul Egerton HOBBINS was HK$8.28.*
3. *The weighted average closing market price per share immediately before the dates on which the share options were exercised by the continuous contract employees was HK$8.04.*
4. *The weighted average closing market price per share immediately before the dates on which the share options were exercised by other participants was HK$8.00.*
5. *The above options granted are recognised as expenses in the consolidated financial statements in accordance with the Company's accounting policy as set out in Note 3.16(iv) to the consolidated financial statements. Other details of share options granted by the Company are set out in Note 26 to the consolidated financial statements.*

Directors

The Directors during the year and up to the date of this report were:

Executive Directors

WONG Yat Ming
Bruno LI Kwok Ho
Danny LAU Sai Wing
(appointed on 1 January 2011)
Sabrina FUNG Wing Yee

Non-executive Directors

Dr Victor FUNG Kwok King *(Chairman)*
Dr William FUNG Kwok Lun
Jeremy Paul Egerton HOBBINS
Jose Hosea CHENG Hor Yin

Independent Non-executive Directors

Cassian CHEUNG Ka Sing
Michael LEE Tze Hau
Patrick SUN
Jean-Marc LOUBIER
(Re-designated as Non-executive Director on 23 March 2011)

In accordance with Bye-law 84 of the Company's Bye-law, Dr William FUNG Kwok Lun, Mr Jeremy Paul Egerton HOBBINS, Ms Sabrina FUNG Wing Yee and Mr Michael LEE Tze Hau will retire by rotation at the forthcoming Annual General Meeting. Dr William FUNG Kwok Lun, Ms Sabrina FUNG Wing Yee and Mr Michael LEE Tze Hau, being eligible, will offer themselves for re-election, while Mr Jeremy Paul Egerton HOBBINS will retire from the Board with effect from the conclusion of the forthcoming Annual General Meeting. In addition, in accordance with Bye-law 83 of the Company's Bye-law, Mr Danny LAU Sai Wing will retire at the forthcoming Annual General Meeting, and being eligible, will offer himself for re-election.

Directors' Service Contracts

None of the Directors who are proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company that is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year except as disclosed under "Connected Transactions" stated below and Note 38 "Related Party Transactions" to the consolidated financial statements.

Directors' Interests and Short Positions in Securities

As at 31 December 2010, the Directors and chief executive of the Company and their associates had the following interests in the shares, underlying shares, and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"):

Long Position in Shares and Underlying Shares of the Company

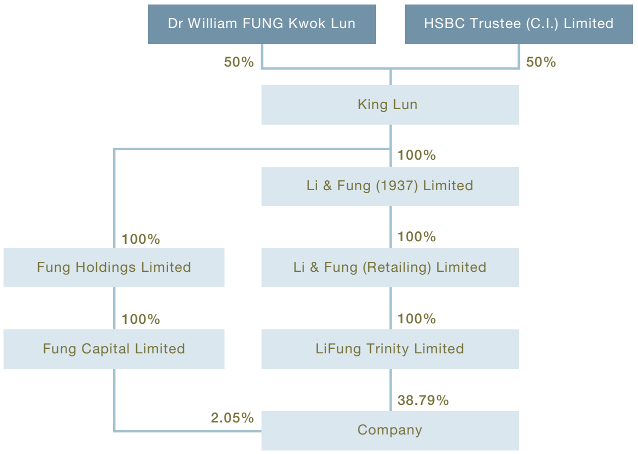
Name of Directors	Number of Shares: Personal Interest	Number of Shares: Family Interest	Number of Shares: Corporate/ Trust Interest	Equity Derivatives (share options)	Total	Approximate Percentage of Issued Share Capital (%)
Victor FUNG Kwok King	–	–	649,027,555 [1]	–	649,027,555	40.84
William FUNG Kwok Lun	–	–	649,027,555 [1]	–	649,027,555	40.84
Sabrina FUNG Wing Yee	–	–	649,027,555 [1]	3,500,000	652,527,555	41.06
Jose Hosea CHENG Hor Yin	–	–	65,227,590 [2]	–	65,227,590	4.10
WONG Yat Ming	47,776,563	–	–	12,300,000	60,076,563	3.78
Jeremy Paul Egerton HOBBINS	1,000,000	–	4,234,500 [3]	1,000,000	6,234,500	0.39
Bruno LI Kwok Ho	2,300,000	–	–	3,100,000	5,400,000	0.33

Notes:

1. *The 649,027,555 Shares comprised 616,413,760 Shares held by LiFung Trinity Limited and 32,613,795 Shares held by Fung Capital Limited. King Lun Holdings Limited ("King Lun") through its indirect wholly owned subsidiaries, LiFung Trinity Limited and Fung Capital Limited, was interested in 649,027,555 Shares.*

   King Lun was owned as to 50% by HSBC Trustee (C.I.) Limited, the trustee of a trust established for the benefit of the family members of Dr Victor FUNG Kwok King and as to 50% by Dr William FUNG Kwok Lun. Therefore, each of Dr Victor FUNG Kwok King, Ms Sabrina FUNG Wing Yee (daughter of Dr Victor FUNG Kwok King and as his family member), and Dr William FUNG Kwok Lun was deemed to be interested in the said 649,027,555 Shares.

   The interests of Dr Victor FUNG Kwok King, Dr William FUNG Kwok Lun, and Ms Sabrina FUNG Wing Yee in the 649,027,555 Shares are summarised in the following chart:



2. *The 65,227,590 Shares were held by SperoTrinity Limited, a company wholly owned by Mr Jose Hosea CHENG Hor Yin. Therefore, Mr Jose Hosea CHENG Hor Yin was deemed to be interested in these Shares.*

3. *The 4,234,500 Shares were held by Martinville Holdings Limited, a company wholly owned by Mr Jeremy Paul Egerton HOBBINS. Therefore, Mr Jeremy Paul Egerton HOBBINS was deemed to be interested in these Shares.*

The interests of the Directors and chief executive in the share options (being regarded as unlisted physically settled equity derivatives) of the Company are detailed in the Share Option Schemes section.

Save as disclosed above, as at 31 December 2010, none of the Directors and chief executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the year, the Directors and chief executive (including their spouse and children under the age of 18) had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company or its associated corporations required to be disclosed pursuant to the SFO.

Substantial Shareholders' Interests and Short Positions in Securities

As at 31 December 2010, other than the Directors and chief executive of the Company, the following persons had interests or short positions in the Shares as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholders	Capacity	Number of Shares	Approximate Percentage of Issued Share Capital (%)
LiFung Trinity Limited	Beneficial owner [1]	616,413,760	38.79
Li & Fung (Retailing) Limited	Interest of controlled corporation [1]	616,413,760	38.79
Li & Fung (1937) Limited	Interest of controlled corporation [1]	616,413,760	38.79
King Lun	Interest of controlled corporation [1]	649,027,555	40.84
HSBC Trustee (C.I.) Limited	Trustee [2]	649,027,555	40.84
Alkeon Capital Management LLC	Investment Manager [3]	92,852,000	5.84
Mr Panayotis SPARAGGIS	Interest of controlled corporation [3]	92,852,000	5.84

Notes:

1. *LiFung Trinity Limited was an indirect wholly owned subsidiary of King Lun, with Li & Fung (Retailing) Limited and Li & Fung (1937) Limited as the intermediate holding companies along the chain of ownership. Therefore, Li & Fung (Retailing) Limited, Li & Fung (1937) Limited, and King Lun were all deemed to be interested in the 616,413,760 Shares held by LiFung Trinity Limited. King Lun was also deemed to be interested in 32,613,795 Shares held by its indirect wholly owned subsidiary, Fung Capital Limited. Therefore, King Lun was deemed to be interested in 649,027,555 Shares in aggregate.*

2. *HSBC Trustee (C.I.) Limited, the trustee of a trust established for the benefit of the family members of Dr Victor FUNG Kwok King, owned 50% of the issued share capital of King Lun.*

3. *Alkeon Capital Management LLC was owned as to 51.5% by Mr Panayotis SPARAGGIS. Therefore, Mr Panayotis SPARAGGIS was deemed to be interested in the 92,852,000 Shares interested by Alkeon Capital Management LLC.*

Save as disclosed above, as at 31 December 2010, the Company had not been notified by any person, other than a Director or chief executive of the Company, who had interests or short positions in the Shares or underlying shares of the Company which were recorded or required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

Biographical Details of Directors and Senior Management

Brief biographical details of Directors and senior management are set out on pages 39 to 45.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major Suppliers and Customers

During the year, the Group purchased or sold less than 30% of its goods and services from or to its five largest suppliers or customers, respectively.

Connected Transactions

Details of the continuing connected transactions entered into by the Group during the year are set out below:

(i) Provision of warehousing and logistics related services

Since 1 April 2008, certain associates of Li & Fung (1937) Limited ("LF1937"), a substantial shareholder of the Company, have been providing warehousing and logistics related services (the "Services") to the Group. On 15 October 2009, the Company entered into a master agreement with LF1937 (the "Master Agreement") governing the principal terms on which the Services will from time to time be provided by LF1937 and its associates to the Group in Hong Kong and the Chinese Mainland. The provision of the Services pursuant to the Master Agreement constituted continuing connected transactions under the Listing Rules. In this respect, the Group incurred service charges of HK$9,950,000 for the year ended 31 December 2010.

(ii) Lease arrangements

The Group has been leasing certain office premises in Shanghai from a subsidiary of LF1937 pursuant to the tenancy agreements entered into on 28 September 2007 and renewed on 21 September 2010. On 25 August 2010, the Company entered into a master agreement with LF1937 governing the leasing of properties by the Group from the LF1937 and its associates for a term from 8 October 2010 to 31 December 2012. Rental for the lease arrangements were negotiated between parties with reference to the then prevailing market rates. In this respect, the Group incurred rental of HK$3,689,000 for the year ended 31 December 2010.

(iii) Licensing arrangements for the use of office premises and related office facilities

On 9 October 2009, the Group entered into separate licensing agreements with subsidiaries and an associate of LF1937 for the use of parts of a building and related office facilities in Hong Kong. In this respect, the licence fees charged by the Group amounted to HK$2,196,000 for the year ended 31 December 2010.

(iv) Provision of management services

On 13 October 2009, the Company entered into an agreement with BLS Holdings Limited, a subsidiary of LF1937, to provide management services to its subsidiary, BLS (Private Labels) Holdings Limited ("BLS Private Labels") and other subsidiaries, for a term of 36 months from 1 September 2009, subject to certain early termination conditions. The scope of services includes front end management services and back-office support services. The provision of management services to BLS Private Labels constituted continuing connected transactions.

As disclosed in the Company's Prospectus, the management fee to be charged by the Group for each of the 12-month period ending on 31 August 2010, 2011 and 2012 will not exceed HK$25 million respectively. The management fee charged by the Group for each of the 12-month period ended 31 August 2010 and the year ended 31 December 2010 was HK$21 million.

(v) Sourcing of products

On 15 October 2009, the Company entered into an agreement with a fellow subsidiary of LF1937 in relation to the provision of product supply service in the Chinese Mainland or other Asian countries for a term of not more than 36 months. As disclosed in the Company's Prospectus, the amount of products to be purchased by the Group for each of the 12-month period ending on 30 September 2010, 2011 and 2012 respectively will not exceed HK$28 million, HK$31 million and HK$34 million respectively. The provision of product supply service constituted a continuing connected transaction and the purchases for the 12-month period ended 30 September 2010 and the year ended 31 December 2010 was HK$11,251,000 and HK$12,456,000, respectively.

The Independent Non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) either on normal commercial terms or, on terms no less favourable to the Group than terms available to or from independent third parties; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to paragraph 14A.38 of the Listing Rules, the Board of Directors engaged the Company's auditor to perform certain procedures in respect of the continuing connected transactions set out above as items (i) to (v) in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has, based on the procedures performed, issued an unqualified letter containing his findings and conclusions in respect of the continuing connected transactions to the Board of Directors.

Save as disclosed above, none of the transactions disclosed as related party transactions in Note 38 to the consolidated financial statements is a connected transaction or a continuing connected transaction for the Company as defined under the Listing Rules or they are connected transactions or continuing connected transactions for the Company exempted from the reporting requirements under the Listing Rules. The Company has complied with the disclosure requirements governing connected transactions under Listing Rules.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

Subsequent Events

In January 2011, LiFung Trinity Limited, a substantial shareholder of the Company, placed 100 million shares of the Company at a price of HK$7.50 per share and subscribed for the same number of shares from the Company at the same price. The net proceeds of the subscription amounting to approximately HK$736 million will be used by the Company as general working capital of the Group and for funding future business development and acquisitions by the Group.

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these financial statements for the year ended 31 December 2010, the Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent and reasonable; and have prepared the financial statements on the going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

Auditor

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Victor FUNG Kwok King
Chairman

Hong Kong, 23 March 2011

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TRINITY LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Trinity Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 63 to 127, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2011

Consolidated Income Statement

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Continuing Operations			
Revenue	6	**2,011,380**	1,645,178
Cost of sales		**(459,585)**	(434,632)
Gross profit		**1,551,795**	1,210,546
Other income	8	**57,957**	38,800
Selling and marketing expenses		**(823,722)**	(694,285)
Administrative expenses		**(377,925)**	(296,603)
Other gains – net	9	**21,535**	3,918
Operating profit	7	**429,640**	262,376
Finance income		**1,201**	362
Finance costs		**(5,927)**	(27,325)
Finance costs – net	10	**(4,726)**	(26,963)
Share of profit of jointly controlled entities	20	**35,971**	28,163
Profit before income tax		**460,885**	263,576
Income tax expenses	11	**(120,036)**	(75,655)
Profit for the year from Continuing Operations		**340,849**	187,921
Discontinued Operations			
Loss for the year from Discontinued Operations	34	**–**	(8,258)
		340,849	179,663
Attributable to:			
Shareholders of the Company		**340,849**	179,663
Basic earnings/(losses) per share attributable to shareholders of the Company during the year (expressed in HK cents per share)	13		
– from Continuing Operations		**21.6 cents**	14.9 cents
– from Discontinued Operations		**–**	(0.7) cent
		21.6 cents	14.2 cents
Diluted earnings/(losses) per share attributable to shareholders of the Company during the year (expressed in HK cents per share)	13		
– from Continuing Operations		**21.0 cents**	14.8 cents
– from Discontinued Operations		**–**	(0.6) cent
		21.0 cents	14.2 cents

The notes on pages 70 to 127 are an integral part of these consolidated financial statements. Details of dividends of HK$237,602,000 (2009: HK$110,198,000) are set out in Note 16 to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	2010 **HK$'000**	2009 HK$'000
Profit for the year	**340,849**	179,663
Other comprehensive income		
Currency translation differences	**25,556**	19,940
Share of cash flow hedging reserve of jointly controlled entities: Fair value losses	**–**	(6,433)
Total comprehensive income for the year	**366,405**	193,170
Total comprehensive income attributable to:		
– Shareholders of the Company	**366,405**	193,170

The notes on pages 70 to 127 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**181,628**	121,157
Intangible assets	18	**1,629,072**	1,627,460
Investments in jointly controlled entities	20	**210,982**	190,097
Deposit and prepayments	21	**36,724**	31,511
Deferred income tax assets	22	**60,103**	51,949
		2,118,509	2,022,174
Current assets			
Inventories	23	**420,800**	385,283
Trade receivables	24	**214,929**	172,814
Deposit and prepayments	21	**199,038**	34,406
Amounts due from related parties	38(b)	**1,073**	3,456
Cash and cash equivalents	25	**514,799**	518,240
		1,350,639	1,114,199
Total assets		**3,469,148**	3,136,373
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	26	**158,889**	157,425
Share premium	26	**1,540,961**	1,515,001
Reserves	27	**551,038**	343,618
Total equity		**2,250,888**	2,016,044

The notes on pages 70 to 127 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet *(Continued)*

As at 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
LIABILITIES			
Non-current liabilities			
Provision for long service payments	28	**6,082**	5,071
Retirement benefit obligations	29	**13,663**	12,229
Other payables and accruals	30	**37,048**	42,450
Deferred income tax liabilities	22	**93,228**	61,445
Borrowings	32	**220,000**	623,000
		370,021	744,195
Current liabilities			
Trade payables	31	**95,928**	55,735
Other payables and accruals	30	**334,798**	216,805
Amounts due to related parties	38(b)	**7,580**	2,141
Current income tax liabilities		**49,933**	9,654
Borrowings	32	**360,000**	91,799
		848,239	376,134
Total liabilities		**1,218,260**	1,120,329
Total equity and liabilities		**3,469,148**	3,136,373
Net current assets		**502,400**	738,065
Total assets less current liabilities		**2,620,909**	2,760,239

On behalf of the Board

Victor FUNG Kwok King
Director

WONG Yat Ming
Director

The notes on pages 70 to 127 are an integral part of these consolidated financial statements.

Balance Sheet of the Company

As at 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current asset			
Investments in subsidiaries	19(a)	**1,957,477**	1,957,477
Current assets			
Prepayments		**347**	198
Amounts due from subsidiaries	19(b)	**528,541**	382,400
Cash and cash equivalents	25	**29,738**	29
		558,626	382,627
Total assets		**2,516,103**	2,340,104
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	26	**158,889**	157,425
Share premium	26	**1,540,961**	1,515,001
Reserves	27	**211,904**	145,049
Total equity		**1,911,754**	1,817,475
LIABILITIES			
Non-current liability			
Borrowings	32(a)	**220,000**	500,000
Current liabilities			
Other payables and accruals	30	**10,646**	22,629
Amount due to a subsidiary	19(b)	**153,703**	–
Borrowings	32(a)	**220,000**	–
		384,349	22,629
Total liabilities		**604,349**	522,629
Total equity and liabilities		**2,516,103**	2,340,104
Net current assets		**174,277**	359,998
Total assets less current liabilities		**2,131,754**	2,317,475

On behalf of the Board

Victor FUNG Kwok King
Director

WONG Yat Ming
Director

The notes on pages 70 to 127 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

		Attributable to shareholders of the Company				
		Share capital	**Share premium**	**Retained earnings**	**Other reserves**	**Total**
	Note	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2009	27	120,517	1,041,310	435,137	(253,108)	1,343,856
Comprehensive income						
Exchange differences		–	–	–	19,940	19,940
Profit for the year		–	–	179,663	–	179,663
Share of cash flow hedging reserve of jointly controlled entities:						
Fair value losses for the year		–	–	–	(6,433)	(6,433)
Total comprehensive income		–	–	179,663	13,507	193,170
Transactions with owners						
Employee share option schemes						
– value of employee services		–	–	–	7,370	7,370
Dividends paid	16	–	–	(57,848)	–	(57,848)
Deemed contributions from intermediate holding company	27(b)	–	–	–	21,686	21,686
Transfer of reserve upon disposal of Discontinued Operations	27(c)	–	–	13,827	(13,827)	–
Acquisition of a subsidiary		–	–	–	(2,789)	(2,789)
Issue of ordinary shares	26	36,908	473,691	–	–	510,599
Total transactions with owners		36,908	473,691	(44,021)	12,440	479,018
Balance at 31 December 2009		157,425	1,515,001	570,779	(227,161)	2,016,044
Balance at 1 January 2010	27	**157,425**	**1,515,001**	**570,779**	**(227,161)**	**2,016,044**
Comprehensive income						
Exchange differences		**–**	**–**	**–**	**25,556**	**25,556**
Profit for the year		**–**	**–**	**340,849**	**–**	**340,849**
Total comprehensive income		**–**	**–**	**340,849**	**25,556**	**366,405**
Transactions with owners						
Employee share option schemes						
– value of employee services		**–**	**–**	**–**	**29,926**	**29,926**
– exercise of share options	26	**1,464**	**25,960**	**–**	**–**	**27,424**
– transfer to retained earnings		**–**	**–**	**8,545**	**(8,545)**	**–**
Dividends paid	16	**–**	**–**	**(188,911)**	**–**	**(188,911)**
Total transactions with owners		**1,464**	**25,960**	**(180,366)**	**21,381**	**(131,561)**
Balance at 31 December 2010		**158,889**	**1,540,961**	**731,262**	**(180,224)**	**2,250,888**

The notes on pages 70 to 127 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2010

	Note	**2010** **HK$'000**	2009 HK$'000
Continuing Operations			
Cash flows from operating activities			
Cash generated from operations	33	**573,629**	564,920
Interest paid		**(783)**	(6,806)
Income tax paid		**(59,927)**	(62,772)
Net cash generated from operating activities		**512,919**	495,342
Cash flows from investing activities			
Purchase of property, plant and equipment		**(69,407)**	(49,964)
Acquisition of subsidiaries, net of cash acquired	36	**–**	(2,789)
Deposit paid for acquisition of the Cerruti Group	21	**(155,125)**	–
Additional investment in a jointly controlled entity	20	**–**	(2,259)
Interest received	10	**1,201**	362
Dividend received from a jointly controlled entity		**23,889**	11,942
Net cash used in investing activities		**(199,442)**	(42,708)
Cash flows from financing activities			
Interest paid		**(4,329)**	(34,115)
Proceeds from issuance of ordinary shares	26	**27,424**	608,985
Proceeds from borrowings		**240,000**	1,285,428
Repayment of borrowings		**(374,799)**	(1,776,977)
Dividends paid	16	**(188,911)**	(57,848)
Payment of share issuance cost		**(16,303)**	(82,083)
Net cash used in financing activities		**(316,918)**	(56,610)
Net (decrease)/increase in cash and cash equivalents from Continuing Operations		**(3,441)**	396,024
Discontinued Operations			
Decrease in cash and cash equivalents from Discontinued Operations	34(a)	**–**	(22,961)
Cash and cash equivalents at beginning of the year		**518,240**	145,177
Cash and cash equivalents at end of the year	25	**514,799**	518,240

The notes on pages 70 to 127 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

Trinity Limited (the "Company") is an investment holding company and was incorporated on 21 December 2006 in Bermuda as an exempted company with limited liability under Companies Act 1981 of Bermuda. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 3 November 2009 (the "Listing"). The Company and its subsidiaries (together the "Group") and jointly controlled entities are principally engaged in the retailing of high-end to luxury menswear in the Chinese Mainland, Hong Kong, Macau and Taiwan (the "Greater China Region") and a retailer of luxury fashion and accessories in South Korea and various countries in Southeast Asia. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is at 11/F, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong.

The consolidated financial statements are presented in thousand of units of Hong Kong dollars, unless otherwise stated.

2 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") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention.

3 Summary of principal accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

(a) The Group has adopted the following new/revised standards and amendments/interpretations to existing standards which are mandatory for accounting periods beginning on or after 1 January 2010 and relevant to the Group:

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK-Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause
Annual Improvements Project	Improvements to HKFRSs 2009

The adoption of such new/revised standards and amendment/interpretation to existing standards does not have material impact on the consolidated financial statements and does not result in substantial changes to the Group's accounting policies.

3 Summary of principal accounting policies *(Continued)*

(b) New/revised standards and amendments/interpretations to existing standards mandatory for accounting periods beginning on or after 1 January 2010 but currently not relevant to the Group:

HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKAS 39 (Amendment)	Eligible Hedged Items
HK(IFRIC)-Int 9 and HKAS 39 (Amendment)	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 17	Distribution of Non-Cash Assets to Owners
HK(IFRIC)-Int 18	Transfers of Assets from Customers

(c) New/revised standards and amendments/interpretations to existing standards have been issued but are not effective for the financial year beginning 1 January 2010 and the Group has not early adopted them:

HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures[3]
HKFRS 9	Financial Instruments[4]
HKAS 32 (Amendment)	Classification of Rights Issues[1]
HK(IFRIC)-Int 14	Prepayments of Minimum Funding Requirements[3]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]
Annual Improvements Project	Improvements to HKFRSs 2010

Notes:
(1) Effective for annual periods beginning on or after 1 February 2010
(2) Effective for annual periods beginning on or after 1 July 2010
(3) Effective for annual periods beginning on or after 1 January 2011
(4) Effective for annual periods beginning on or after 1 January 2013

The Group is currently assessing the impact of the adoption of these new/revised standards, amendments/interpretations to existing standards above that are applicable to the Group in future periods.

(d) In May 2010, the HKICPA published certain other improvements to the HKFRS which will be effective for periods beginning on or after 1 January 2011 and have not been early adopted by the Group. Amendments have been made to the following standards according to the improvements:

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 34 (Amendment)	Interim Financial Reporting
HKFRS 1 (Amendment)	First-time adoption of Hong Kong Financial Reporting Standards
HKFRS 3 (Amendment)	Business Combinations
HKFRS 7 (Amendment)	Financial Instruments: Disclosures
HK(IFRIC)-Int 13 (Amendment)	Customer Loyalty Programmes

The Group is currently assessing the impact of the adoption of these new/revised standards, amendments to standards and interpretations above that are applicable to the Group in future periods.

3 Summary of principal accounting policies *(Continued)*

3.1 Merger accounting for common control combination

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

A uniform set of accounting policies is adopted by those entities, all intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation.

3.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries.

(i) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Except for acquisition of entities or businesses under common control using merger accounting as explained in Note 3.1 of this section, the purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Under the purchase method, the cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

3 Summary of principal accounting policies *(Continued)*

3.2 Consolidation *(Continued)*

(i) Subsidiaries *(Continued)*

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 3.7). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(ii) Jointly controlled entities

Jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in jointly controlled entities includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution of gains and losses in jointly controlled entities are recognised in the consolidated income statement.

3.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's senior executive management (chief operating decision makers). The Group's senior executive management are responsible for allocating resources and assessing performance of the operating segments. Operating segments are not aggregated for financial reporting purposes unless the segment has similar economic characteristic and are similar in respect of the class of products, the nature of business, the type or class of customers.

3 Summary of principal accounting policies *(Continued)*

3.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement except when deferred in equity as qualifying cash flow hedges.

Foreign exchange gains and losses are presented in the consolidated income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) income and expenses for each consolidated income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) all resulting exchange differences are recognised in consolidated statement of comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3 Summary of principal accounting policies *(Continued)*

3.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs less accumulated impairment losses to their residual values over their estimated useful lives, as follows:

– Buildings	10 years
– Furniture and fixtures	3 – 5 years
– Computers, equipment and air-conditioners	3 years
– Plant and machinery	6 – 7 years
– Motor vehicles	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the consolidated income statement.

3.6 Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets and contingent liabilities of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units ("CGUs") or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

3 Summary of principal accounting policies *(Continued)*

3.6 Intangible assets *(Continued)*

(ii) Trademarks and licences

Acquired trademarks and licences that have an indefinite useful life are carried at historical cost less accumulated impairment, if any, and are tested for impairment annually and when there is an indication of impairment.

Acquired licences that have a finite useful life are carried at cost less accumulated amortisation and accumulated impairment, if any, and are tested for impairment annually and when there is an indication of impairment. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives (10 to 11 years).

3.7 Impairment of investments in subsidiaries, jointly controlled entities and non-financial assets

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries or jointly controlled entities is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or jointly controlled entity in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.9 Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities longer than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables are classified as 'trade receivables', 'deposit and prepayments', 'amounts due from related parties' and 'cash and cash equivalents' in the consolidated balance sheet. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

3 Summary of principal accounting policies *(Continued)*

3.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the consolidated income statement.

3.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet, if any.

3.12 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

3.13 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3 Summary of principal accounting policies *(Continued)*

3.15 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.16 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

3 Summary of principal accounting policies *(Continued)*

3.16 Employee benefits *(Continued)*

(ii) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of services and compensation.

The liability recognised in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the fair value of the plan assets or 10% of the present value of the defined benefit obligation are recognised in consolidated income statement over the average remaining service lives of employees.

Past-service costs are recognised immediately as income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. In respect of the employees of the Group in Hong Kong, the Group's net obligation in respect of long service payments on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit as calculated using the projected unit credit method is discounted to determine the present value and reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group.

3 Summary of principal accounting policies *(Continued)*

3.16 Employee benefits *(Continued)*

(iii) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iv) Share-based compensation

The Group operates an equity-settled, share-based compensation plan under which the entity receives services from employees as consideration for equity instrument of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, and a corresponding adjustment to equity (employee share-based compensation reserve) over the remaining vesting period. The amounts recognised in the employee share-based compensation reserve are transferred to the retained earnings when the options are exercised or options expire.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

3.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of goods – retail

The Group operates a chain of retail stores selling menswear and accessories. Sales of goods are recognised when a Group entity sells a product to the customer. Retail sales are usually in cash or by credit card. Accumulated experience is used to estimate and provide for sales returns at the time of sale.

(ii) Sales of goods – wholesale

Sales of goods – wholesale are recognised when a Group entity has delivered products to the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

3 Summary of principal accounting policies *(Continued)*

3.17 Revenue recognition *(Continued)*

(iii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(iv) Administration and consultancy fee income

Administration and consultancy fee income is recognised when services are rendered.

3.18 Leases

(a) As the lessee of operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. As a lessee, payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease. Contingent rentals are charged to the consolidated income statement in the accounting period in which they are incurred.

(b) As the lessor of operating leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

When assets are leased out under an operating lease, the asset is included in the consolidated balance sheet based on the nature of the asset.

Lease income from operating lease is recognised over the term of the lease on a straight-line basis over the period of the lease.

3.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders or the Board of Directors, where appropriate.

3.20 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

3 Summary of principal accounting policies *(Continued)*

3.21 Royalty expense

Royalty expense is recognised on an accrual basis when they are due on the sale of goods in the ordinary course of business.

Prepaid royalty is carried at cost in the consolidated balance sheet and is expensed to the consolidated income statement using the straight-line method to allocate the cost of the royalty expense over the expected useful life of 10 years. Management performs an impairment review whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

3.22 Subsidy income

Subsidy income is financial assistance provided by local municipal government in the Chinese Mainland in the form of a transfer of resources to an enterprise to encourage business development in the local municipality and is recognised at its fair value where there is a reasonable assurance that the grants will be received and the Group has complied with all attached conditions.

3.23 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The effective portion of changes in the fair value of qualified hedging instruments are recognised in equity and changes in the fair value of other derivative instruments are recognised immediately in the consolidated income statement.

4 Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Finance Department of the Group based on policies approved by the Board of Directors. The Finance Department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign currency risk arising from various currencies, primarily with respect to Renminbi ("RMB"), Euro and Japanese Yen ("JPY"). Foreign exchange risk arises from future commercial transactions or recognised assets or liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations.

4 Financial risk management *(Continued)*

4.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(i) Foreign exchange risk *(Continued)*

Management has adopted a policy to require Group companies to manage their foreign exchange risk against their functional currency. To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group using forward contracts.

At 31 December 2010, if Hong Kong dollar had weakened or strengthened by 10% against the RMB with all other variables held constant, post-tax profit for the year would have been HK$11,922,000 (2009: HK$10,652,000) respectively higher or lower, mainly as a result of foreign exchange gains or losses on translation of HK$ denominated trade payables recorded in the books of the Group's entities in the Chinese Mainland.

(ii) Interest rate risk

The Group's interest rate risk arises from short and long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. During the year, the Group's borrowings at variable rates were denominated in Hong Kong dollar.

The Group analyses its interest rate exposure on a dynamic basis. If interest rates had increased/decreased by 10 basis points and all other variables were held constant, the Group's net profit would have decreased/increased by HK$490,000 (2009: HK$1,165,000) for the year ended 31 December 2010.

During the year, the Group has not used any financial instruments to hedge its exposure to interest rate risk as the Directors consider there was no significant interest rate risk.

(b) Credit risk

The Group has no significant concentration of credit risk. The carrying amounts of cash and cash equivalents, amounts due from related parties, trade receivables and deposit and prepayments represent the Group's maximum exposure to credit risk in relation to financial assets. As at 31 December 2010, cash and cash equivalents are deposited in major reputable financial institutions without significant credit risk.

Management does not expect any losses from the non-performance by these banks. The Group has no policy to limit the amount of credit exposure to any financial institution.

Rental deposits are placed with reputable landlords with no history of default. Management does not expect any losses from the non-performance by these counterparties.

The majority of sales made by the Group are in the form of cash and credit cards.

The Group's trade receivables comprise mainly of credit card sales and amounts owing from department stores with no recent history of defaults. For those long term relationship customers, the Group offers credit terms up to 90 days. There is no recent history of material default in relation to those customers.

4 Financial risk management *(Continued)*

4.1 Financial risk factors *(Continued)*

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. Finance Department maintains flexibility in funding by monitoring availability under committed credit lines.

Management maintains rolling forecasts of the Group's liquidity reserves which comprise undrawn borrowing facilities and cash and cash equivalents on the basis of expected cash flows.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining periods at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal to their carrying balances, as the impact of discounting is not significant.

	Repayment period			
As at 31 December 2010	**Less than 1 year HK$'000**	**Between 1 and 2 years HK$'000**	**Between 2 and 5 years HK$'000**	**Over 5 years HK$'000**
Trade payables	**95,928**	**–**	**–**	**–**
Other payables and accruals	**334,798**	**19,333**	**37,417**	**25,167**
Amounts due to related parties	**7,580**	**–**	**–**	**–**
Borrowings	**363,153**	**102,047**	**120,664**	**–**
	801,459	**121,380**	**158,081**	**25,167**

	Repayment period			
As at 31 December 2009	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
Trade payables	55,735	–	–	–
Other payables and accruals	216,805	10,667	32,000	18,667
Amounts due to related parties	2,141	–	–	–
Borrowings	99,741	87,178	553,610	–
	374,422	97,845	585,610	18,667

Except for the Company's bank borrowings of HK$220,000,000 (2009: HK$500,000,000) which are repayable after one year, all other financial liabilities (including borrowings, amount due to a subsidiary) and other payables and accruals of HK$384,349,000 (2009: HK$22,629,000) are repayable within one year.

4 Financial risk management *(Continued)*

4.2 Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, trade and other receivables and amounts due from related parties; and financial liabilities including trade and other payables, current borrowings and amounts due to related parties, approximated their fair values due to their short maturities.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

4.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern whilst seeking to maximise benefits to shareholders and other stakeholders. The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to be paid to shareholders, return capital to shareholders or issue new shares.

Total capital is calculated as 'equity' as shown in the consolidated balance sheet.

5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill and other intangible assets

The Group tests annually whether goodwill and other intangible assets have suffered any impairment in accordance with the accounting policy stated in Note 3.7. The recoverable amounts of CGUs are determined based on fair value less costs to sell calculations. These calculations require the use of estimates (Note 18).

(b) Useful life of intangibles

A portion of the Group's licences are classified as indefinite useful life intangible assets in accordance with HKAS 38 "Intangible Assets". This conclusion is supported by the fact that these licences are capable of being renewed indefinitely at insignificant cost, perpetual in duration, relate to well-known and long established menswear brands, and based on past and future financial performance of the Group and they are expected to generate positive cash flows indefinitely. It is possible that this conclusion could change significantly as a result of changes in the luxury menswear industry or competitor actions in response to severe industry cycles. Under HKAS 38, the Group re-evaluates the useful life of licences each year to determine whether events and circumstances continue to support the view of indefinite useful life for these assets.

5 Critical accounting estimates and judgements *(Continued)*

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling the product. It could change significantly as a result of changes in consumer taste and competitor actions in response to severe industry cycles. Management reassesses these estimates at each balance sheet date.

(d) Employee benefits – share-based payments

The determination of the fair value of the share options granted requires estimates in determining the expected volatility of the share price, the dividends expected on the shares and the risk-free interest rate for the life of the options as stated in Note 26.

Where the outcome of the number of options that are exercisable is different, such difference will impact the consolidated income statement in the subsequent remaining vesting periods of the relevant share options.

6 Segmental information

The Group is principally engaged in the retail and wholesale distribution of menswear under self-owned brands and licensed brands in the Greater China Region and its jointly controlled entities are retailers of luxury fashion and accessories in South Korea and Southeast Asia.

Management has determined the operating segments based on reports reviewed by the senior executive management of the Group that are used to make strategic decisions. Management considers the business from geographic perspectives. Geographically, management considers the performance of the retail businesses in the Chinese Mainland, Hong Kong and Macau ("HK & Macau") and Taiwan. HK & Macau is further segregated into retail and wholesale as all of the wholesale business is located in Hong Kong. Management assesses the performance of operating segments based on a measure of segment profit before income tax. Corporate employee benefit expenses, finance costs and overheads are not allocated to segments.

Segment assets consist primarily of property, plant and equipment, licences, goodwill, trademarks, inventories, trade receivables, deposit and prepayments and operating cash. Corporate assets, including cash and bank balances, property, plant and equipment, deposit and prepayments, and deferred income tax assets are not allocated to segments.

6 Segmental information *(Continued)*

(a) Segment results

The segment results for the year ended 31 December 2010 are as follows:

	HK & Macau Retail HK$'000	Wholesale HK$'000	Chinese Mainland Retail HK$'000	Taiwan Retail HK$'000	Overseas Retail HK$'000	Total HK$'000
Segment revenue and revenue from external customers	**681,384**	**8,415**	**1,143,812**	**176,433**	**1,336**	**2,011,380**
Gross profit	**535,897**	**573**	**892,444**	**122,102**	**779**	**1,551,795**
Segment profit before income tax	**242,997**	**1,815**	**374,121**	**44,029**	**32,008**	**694,970**
Segment profit before income tax includes:						
Depreciation and amortisation	**(15,352)**	**(485)**	**(72,203)**	**(2,482)**	**(3,088)**	**(93,610)**
Interest (expenses)/income	**(286)**	**–**	**738**	**33**	**–**	**485**
(Additional)/reversal of impairment provision for property, plant and equipment	**1,898**	**–**	**2,114**	**843**	**(1,464)**	**3,391**
Share of profit from jointly controlled entities	**–**	**–**	**–**	**–**	**35,971**	**35,971**
Segment assets	**960,414**	**1,490**	**1,488,712**	**205,789**	**219,402**	**2,875,807**

The segment results for the year ended 31 December 2009 were as follows:

	HK & Macau Retail HK$'000	Wholesale HK$'000	Chinese Mainland Retail HK$'000	Taiwan Retail HK$'000	Overseas Retail HK$'000	Total HK$'000
Segment revenue and revenue from external customers	543,553	11,141	937,074	153,410	–	1,645,178
Gross profit	405,950	111	703,141	101,344	–	1,210,546
Segment profit before income tax	151,136	1,989	280,217	21,560	28,163	483,065
Segment profit before income tax includes:						
Depreciation and amortisation	(14,912)	(389)	(45,255)	(4,799)	–	(65,355)
Interest (expenses)/income	(1,450)	–	(1,353)	16	–	(2,787)
(Additional)/reversal of impairment provision for property, plant and equipment	3,436	–	(1,920)	(202)	–	1,314
Share of profit from jointly controlled entities	–	–	–	–	28,163	28,163
Segment assets	729,219	2,143	1,268,228	176,271	192,089	2,367,950

6 Segmental information *(Continued)*

(b) A reconciliation of segment profit before income tax to the Group's profit before income tax is as follows:

	2010 **HK$'000**	2009 HK$'000
Segment profit before income tax for reportable segments	**694,970**	483,065
Add:		
Management fee income	**27,438**	14,148
Other gains – net	**11,321**	3,160
Less:		
Interest expenses	**(5,211)**	(24,176)
Employee benefit expenses	**(209,962)**	(156,808)
Rental expenses	**(21,979)**	(20,365)
Depreciation and amortisation	**(7,694)**	(6,582)
Corporate and other unallocated expenses	**(27,998)**	(28,866)
Total Group's profit before income tax	**460,885**	263,576

(c) Reportable segment assets are reconciled to total assets as follows:

	2010 **HK$'000**	2009 HK$'000
Segment assets for reportable segments	**2,875,807**	2,367,950
Add:		
Property, plant and equipment	**9,542**	14,505
Intangible assets	**307,239**	297,506
Corporate bank deposits	**210,866**	398,487
Deferred income tax assets	**60,103**	51,949
Deposit and prepayments	**4,518**	2,520
Amounts due from related parties	**1,073**	3,456
Total assets per consolidated balance sheet	**3,469,148**	3,136,373

7 Operating profit

Operating profit is arrived at after charging/(crediting) the following:

	2010 HK$'000	2009 HK$'000
Cost of inventories recognised as expenses included in cost of sales (Note 23)	**455,818**	414,420
Impairment of inventories (Note 23)	**3,767**	20,212
Depreciation of property, plant and equipment (Note 17)	**93,183**	63,659
Reversal of provision for impairment of property, plant and equipment (Note 17)	**(3,391)**	(1,314)
Amortisation of intangible assets (Note 18)	**8,121**	8,278
Loss on disposal of property, plant and equipment	**6,626**	9,102
Operating lease rental expense – minimum lease payment	**191,831**	166,876
Operating lease rental expense – contingent rents	**233,973**	195,269
Additional/(reversal of) provision for impairment of trade receivables (Note 24)	**1,869**	(3,717)
Employee benefit expenses (Note 14)	**455,317**	370,124
Advertising and promotion expenses	**67,956**	41,705
Royalty expenses	**28,064**	24,663
Auditor's remuneration:		
– audit services	**2,898**	2,000
– due diligence review	**2,150**	–
– initial public offering	**–**	3,941
– taxation services	**1,572**	486
– other services	**250**	140
Total remuneration	**6,870**	6,567
Less: fee charged to share premium account	**–**	(3,941)
Net remuneration to auditor charged to consolidated income statement	**6,870**	2,626

8 Other income

	2010 HK$'000	2009 HK$'000
Subsidy income	**17,710**	12,731
Rental and license fee income (Note 38(a))	**2,870**	3,327
Management fee income (Note 38(a))	**27,438**	14,148
Claims received	**3,169**	1,159
Sales commission	**1,713**	1,764
Other income	**5,057**	5,671
	57,957	38,800

9 Other gains – net

	2010 HK$'000	2009 HK$'000
Net foreign exchange gains	**21,535**	3,918

10 Finance costs – net

	2010 HK$'000	2009 HK$'000
Finance costs – Interest expenses on bank borrowings wholly repayable within five years	**(5,927)**	(27,325)
Finance income – Interest income on short-term bank deposits	**1,201**	362
Finance costs – net	**(4,726)**	(26,963)

11 Income tax expenses

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit for the years ended 31 December 2009 and 31 December 2010. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries or regions in which the Group operates.

	2010 HK$'000	2009 HK$'000
Current income tax		
– Hong Kong profits tax	**24,307**	13,681
– Overseas taxation	**72,100**	40,157
Deferred income tax (Note 22)	**23,629**	21,817
	120,036	75,655

11 Income tax expenses *(Continued)*

The tax charge on the Group's profit before income tax differs from the theoretical amount that would arise using weighted average tax rate applicable to profits of the consolidated entities as follows:

	2010 **HK$'000**	2009 HK$'000
Profit before income tax	**460,885**	263,576
Tax calculated at domestic tax rates applicable to profits in the respective areas	**95,429**	59,978
Effect of withholding tax on distributable profits of the Group's Chinese Mainland subsidiaries and jointly controlled entity in Korea	**24,467**	7,936
Income not subject to tax	**(2,379)**	(5,312)
Effect of unrecognised tax losses	**(8,903)**	4,913
Expenses not deductible for tax purposes	**11,422**	8,140
Income tax expenses	**120,036**	75,655

The weighted average applicable tax rate for the year was 20.7% (2009: 22.8%).

The subsidiaries incorporated in the Chinese Mainland are subject to income tax rate at 25% (2009: 25%).

12 Profit attributable to shareholders of the Company

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK$225,840,000 (2009: HK$120,740,000).

13 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2010	2009
Weighted average number of ordinary shares in issue	**1,576,316,000**	1,263,161,000
Profit from Continuing Operations attributable to shareholders of the Company (HK$'000)	**340,849**	187,921
Basic earnings per share from Continuing Operations (HK cents per share)	**21.6 cents**	14.9 cents
Loss from Discontinued Operations attributable to shareholders of the Company (HK$'000)	**–**	(8,258)
Basic losses per share from Discontinued Operations (HK cents per share)	**–**	(0.7) cent

13 Earnings per share *(Continued)*

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options as dilutive potential ordinary shares. For the dilutive effect of share options, the calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2010	2009
Weighted average number of ordinary shares in issue	**1,576,316,000**	1,263,161,000
Adjustment for share options	**48,642,000**	2,945,000
Weighted average number of ordinary shares for diluted earnings per share	**1,624,958,000**	1,266,106,000
Profit from Continuing Operations attributable to shareholders of the Company (HK$'000)	**340,849**	187,921
Diluted earnings per share from Continuing Operations (HK cents per share)	**21.0 cents**	14.8 cents
Loss from Discontinued Operations attributable to shareholders of the Company (HK$'000)	**–**	(8,258)
Diluted losses per share from Discontinued Operations (HK cents per share)	**–**	(0.6) cent

14 Employee benefit expenses

The aggregate amounts of staff costs including directors' emoluments are as follows:

	2010 **HK$'000**	2009 HK$'000
Wages, salaries and bonus	**385,205**	316,007
Pension costs – defined benefit and contribution plans	**8,338**	19,963
Social security and benefits for the Chinese Mainland employees	**31,848**	26,784
Employee share option benefit	**29,926**	7,370
Total	**455,317**	370,124

There were no forfeited contributions during the year (2009: nil).

15 Directors' and senior management emoluments

(a) The remuneration of every director is set out below:

(i) For the year ended 31 December 2010:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Other benefits (note) HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
WONG Yat Ming	**120**	**2,560**	**5,821**	**903**	**12**	**9,416**
Bruno LI Kwok Ho	**120**	**1,766**	**3,725**	**535**	**12**	**6,158**
Sabrina FUNG Wing Yee	**120**	**1,836**	**1,863**	**45**	**12**	**3,876**
Victor FUNG Kwok King	**200**	**–**	**–**	**–**	**–**	**200**
William FUNG Kwok Lun	**120**	**–**	**–**	**–**	**–**	**120**
Jeremy Paul Egerton HOBBINS	**120**	**–**	**–**	**–**	**–**	**120**
Jose Hosea CHENG Hor Yin	**120**	**–**	**–**	**–**	**–**	**120**
Cassian CHEUNG Ka Sing	**230**	**–**	**–**	**–**	**–**	**230**
Michael LEE Tze Hau	**280**	**–**	**–**	**–**	**–**	**280**
Patrick SUN	**250**	**–**	**–**	**–**	**–**	**250**
Jean-Marc LOUBIER	**230**	**–**	**–**	**–**	**–**	**230**
	1,910	**6,162**	**11,409**	**1,483**	**36**	**21,000**

(ii) For the year ended 31 December 2009:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Other benefits (note) HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
WONG Yat Ming	120	2,560	3,329	902	12	6,923
Bruno LI Kwok Ho	60	883	1,162	264	6	2,375
Sabrina FUNG Wing Yee	120	1,731	1,162	34	12	3,059
Victor FUNG Kwok King	200	–	–	–	–	200
William FUNG Kwok Lun	120	–	–	–	–	120
Jeremy Paul Egerton HOBBINS	120	1,361	1,513	521	5	3,520
Jose Hosea CHENG Hor Yin	120	–	–	–	–	120
Cassian CHEUNG Ka Sing	230	–	–	–	–	230
Michael LEE Tze Hau	280	–	–	–	–	280
Patrick SUN	250	–	–	–	–	250
Jean-Marc LOUBIER	135	–	–	–	–	135
LEONG Kwok Yee	75	250	194	27	1	547
Evan Mervyn DAVIES	8	–	–	–	–	8
	1,838	6,785	7,360	1,748	36	17,767

Note: Other benefits include insurance premium and housing allowance

15 Directors' and senior management emoluments *(Continued)*

(a) The remuneration of every director is set out below: *(Continued)*

No directors or senior management of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2009: none).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2010 include two (2009: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three highest paid individuals (2009: two) during the year are as follows:

	2010 **HK$'000**	2009 HK$'000
Basic salaries, housing allowances and other allowances	**7,981**	4,207
Discretionary bonuses	**6,387**	3,772
Employer's contribution to pension scheme	**178**	223
	14,546	8,202

No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2009: none).

The emoluments of the highest paid individuals of the Group fall within the following bands:

	Number of individuals	
	2010	2009
Emolument bands		
– HK$3,000,001 to HK$3,500,000	**–**	1
– HK$3,500,001 to HK$4,000,000	**–**	–
– HK$4,000,001 to HK$4,500,000	**2**	–
– HK$4,500,001 to HK$5,000,000	**–**	1
– HK$5,000,001 to HK$6,000,000	**1**	–
	3	2

In 2009, certain directors and senior management of the Company were granted share options pursuant to the Share Option Schemes. Details of the Share Option Schemes and options granted are disclosed in Note 26.

16 Dividends

	2010 HK$'000	2009 HK$'000
Interim dividend declared and paid of 5.0 HK cents (2009: nil) per ordinary share	**78,713**	–
Final dividend proposed of 10.0 HK cents (2009: 7.0 HK cents) per ordinary share based on issued share capital as at the balance sheet date	**158,889**	110,198
	237,602	110,198

At a meeting held on 23 March 2011, the Directors proposed a final dividend of 10.0 HK cents (2009: 7.0 HK cents) per share. The proposed dividend is not reflected as dividend payable in these consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2011. Dividends paid by the Company to its shareholders during the year of HK$188,911,000 (2009: HK$57,848,000) related to the final dividend for prior year of HK$110,198,000 (2009: HK$57,848,000) and the interim dividend for current year of HK$78,713,000 (2009: nil).

17 Property, plant and equipment – Group

	Buildings HK$'000	Furniture and fixtures HK$'000	Computers, equipment and air-conditioners HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2009						
Cost	3,870	237,691	31,904	1,510	2,960	277,935
Accumulated depreciation and impairment	(1,659)	(119,074)	(11,074)	(623)	(1,027)	(133,457)
Net book amount	2,211	118,617	20,830	887	1,933	144,478
Year ended 31 December 2009						
Opening net book amount	2,211	118,617	20,830	887	1,933	144,478
Continuing Operations:						
Exchange differences	–	84	(3)	–	2	83
Additions	–	69,248	4,568	192	695	74,703
Disposals	–	(8,478)	(115)	–	(509)	(9,102)
Impairment charge written-back (Note 7)	–	1,314	–	–	–	1,314
Depreciation (Note 7)	(198)	(56,050)	(6,752)	(223)	(436)	(63,659)
Discontinued Operations:						
Exchange differences	–	10	(30)	–	33	13
Additions	–	4,138	535	–	20	4,693
Disposals	–	(4,255)	(7)	–	(28)	(4,290)
Impairment charge written-back	–	3,295	–	–	–	3,295
Depreciation	(144)	(8,759)	(1,756)	–	(8)	(10,667)
Disposal of Discontinued Operations	(879)	(14,067)	(4,742)	–	(16)	(19,704)
Closing net book amount	990	105,097	12,528	856	1,686	121,157

17 Property, plant and equipment – Group *(Continued)*

	Buildings HK$'000	Furniture and fixtures HK$'000	Computers, equipment and air-conditioners HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
At 31 December 2009						
Cost	1,716	219,228	29,019	14,628	2,999	267,590
Accumulated depreciation and impairment	(726)	(114,131)	(16,491)	(13,772)	(1,313)	(146,433)
Net book amount	990	105,097	12,528	856	1,686	121,157
Year ended 31 December 2010						
Opening net book amount	**990**	**105,097**	**12,528**	**856**	**1,686**	**121,157**
Exchange differences	**–**	**2,454**	**124**	**–**	**16**	**2,594**
Additions	**–**	**149,209**	**3,702**	**1,384**	**–**	**154,295**
Disposals	**–**	**(6,114)**	**(512)**	**–**	**–**	**(6,626)**
Impairment charge written-back (Note 7)	**–**	**3,391**	**–**	**–**	**–**	**3,391**
Depreciation (Note 7)	**(198)**	**(85,947)**	**(6,106)**	**(419)**	**(513)**	**(93,183)**
Closing net book amount	**792**	**168,090**	**9,736**	**1,821**	**1,189**	**181,628**
At 31 December 2010						
Cost	**1,716**	**354,877**	**31,113**	**15,986**	**3,045**	**406,737**
Accumulated depreciation and impairment	**(924)**	**(186,787)**	**(21,377)**	**(14,165)**	**(1,856)**	**(225,109)**
Net book amount	**792**	**168,090**	**9,736**	**1,821**	**1,189**	**181,628**

The table below shows the amount of depreciation expenses included in cost of sales, selling and marketing expenses and administrative expenses:

	2010 HK$'000	2009 HK$'000
Cost of sales	**465**	372
Selling and marketing expenses	**78,906**	51,078
Administrative expenses	**13,812**	12,209
Total	**93,183**	63,659

18 Intangible assets – Group

	Licences (with finite useful lives) HK$'000	Trademark and licences (with indefinite useful lives) (note) HK$'000	Goodwill HK$'000	Total HK$'000
At 1 January 2009				
Cost	87,492	299,006	1,271,751	1,658,249
Accumulated amortisation	(21,011)	–	–	(21,011)
Net book amount	66,481	299,006	1,271,751	1,637,238
Year ended 31 December 2009				
Opening net book amount	66,481	299,006	1,271,751	1,637,238
Amortisation charge (Note 7)	(8,278)	–	–	(8,278)
Disposal of Discontinued Operations	–	(1,500)	–	(1,500)
Closing net book amount	58,203	297,506	1,271,751	1,627,460
At 31 December 2009				
Cost	87,492	297,506	1,271,751	1,656,749
Accumulated amortisation	(29,289)	–	–	(29,289)
Net book amount	58,203	297,506	1,271,751	1,627,460
Year ended 31 December 2010				
Opening net book amount	**58,203**	**297,506**	**1,271,751**	**1,627,460**
Amortisation charge (Note 7)	**(8,121)**	**–**	**–**	**(8,121)**
Exchange difference	**–**	**9,733**	**–**	**9,733**
Closing net book amount	**50,082**	**307,239**	**1,271,751**	**1,629,072**
At 31 December 2010				
Cost	**87,492**	**307,239**	**1,271,751**	**1,666,482**
Accumulated amortisation	**(37,410)**	**–**	**–**	**(37,410)**
Net book amount	**50,082**	**307,239**	**1,271,751**	**1,629,072**

Note: Indefinite life trademark mainly represents the Group's rights and title in respect of the Kent & Curwen trademark in Greater China.

Amortisation charge of HK$8,121,000 (2009: HK$8,278,000) is included in administrative expenses.

18 Intangible assets – Group *(Continued)*

Impairment tests for goodwill and other intangible assets

Goodwill is allocated to the Group's operating segments which comprise of group of CGUs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

All of the Group's goodwill is allocated to the operating segment. An analysis of goodwill allocated to each operating segment as at 31 December 2010 is presented below:

	HK$'000
Goodwill	
Chinese Mainland	724,898
Hong Kong	470,548
Taiwan	76,305
Total	1,271,751

Impairment test for goodwill

In accordance with HKAS 36 "Impairment of Assets", the Group completed impairment tests for goodwill allocated to the Group's various CGUs identified according to the operating segment by comparing their recoverable amount to their carrying amount as at the balance sheet date. The recoverable amount of a CGU is determined based on fair value less costs to sell calculation. These calculations use cash flow projections based on one-year financial budget approved by management and extrapolated in perpetuity, with an estimated general annual growth rate stated below of not more than 5%. The growth rate used is largely consistent and does not exceed industry growth forecasts. The discount rate used is approximately 10% (post-tax) and reflects market assessments of the time value and the specific risks relating to the industry. The budgeted gross margin and net profit margin were determined by management based on past performance and its expectations for market development. Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount. Judgements are required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections.

The key assumptions used in fair value less costs to sell calculations are as follows:

	Hong Kong	**Chinese Mainland**	**Taiwan**
Gross margin (note (a))	79%	78%	72%
Growth rate (note (b))	5%	5%	5%
Discount rate (note (c))	10%	10%	10%

Notes:
(a) Budgeted gross margin
(b) Weighted average growth rate used to extrapolate cash flows beyond the budget period
(c) Post-tax discount rate applied to the cash flow projections

These assumptions have been used for the analysis of each CGU within the operating segment.

18 Intangible assets – Group *(Continued)*

Trademarks and licences

Some of the trademarks and licences acquired are deemed to have indefinite useful lives because they relate to well known and long established menswear brands that do not have any term of expiry or their renewal would be probable and would not involve significant costs, taking into account the history of renewals and the relationship with the contracting parties. The carrying amount of these trademarks and licenses is not amortised and there is no foreseeable limit on the period of time over which it is expected to generate positive cash flows. The directors have performed an impairment review of the carrying amount of trademarks and licenses at 31 December 2010 based on forecast operating performance, cash flows of the related businesses and the key assumptions as outlined above and concluded that no impairment is required.

19 Investments in and amounts due from/(to) subsidiaries – Company

(a) Investments in subsidiaries

	2010 **HK$'000**	2009 HK$'000
Unlisted investments, at cost	**9,000**	9,000
Advances to subsidiaries	**1,948,477**	1,948,477
	1,957,477	1,957,477

Advances to subsidiaries are unsecured, interest free and will not be demanded for repayment.

Details of subsidiaries are included in Note 41.

(b) Amounts due from/(to) subsidiaries

The amounts due from/(to) subsidiaries are unsecured, interest free and repayable on demand. Included in the balance, HK$316,285,000 (2009: HK$150,000,000) represents dividend receivable from subsidiaries. The fair value of amounts due from/(to) subsidiaries are approximately the same as their carrying amounts.

20 Investments in jointly controlled entities – Group

	2010 **HK$'000**	2009 HK$'000
Beginning of the year	**190,097**	145,583
Additional investment in a jointly controlled entity	**–**	2,259
Share of profit of jointly controlled entities	**35,971**	28,163
Dividends received	**(23,889)**	–
Other equity movements: hedging reserves	**–**	(6,433)
Exchange differences	**8,803**	20,525
End of the year	**210,982**	190,097

20 Investments in jointly controlled entities – Group *(Continued)*

Company name	Particulars of issued shares held	Country of incorporation	Assets current HK$'000	Assets non-current HK$'000	Liabilities current HK$'000	Liabilities non-current HK$'000	Revenues HK$'000	Profit/ (loss) HK$'000	Interest held %	Profit/(loss) attributable to the Group HK$'000
2010										
Ferragamo (Malaysia) Sdn Bhd	1,300,000 ordinary shares of RM 1 each	Malaysia	**39,651**	**6,932**	**5,009**	**–**	**47,395**	**4,032**	**50%**	**2,016**
Ferragamo (Thailand) Limited	220,500 ordinary shares of Baht 100 each 229,500 preference shares of Baht 100 each (10 preference shares for 1 vote)	Thailand	**16,618**	**4,236**	**20,854**	**–**	**26,117**	**(1,488)**	**50%**	**–**
Ferragamo (Singapore) Pte Ltd	4,600,000 ordinary shares of S$1 each	Singapore	**50,167**	**29,706**	**42,325**	**–**	**124,213**	**(8,453)**	**50%**	**(4,226)**
Ferragamo Korea Ltd	658,240 ordinary shares of KRW 5,000 each	Korea	**277,138**	**109,130**	**43,426**	**–**	**549,344**	**76,363**	**50%**	**38,181**
			383,574	**150,004**	**111,614**	**–**	**747,069**	**70,454**		**35,971**
2009										
Ferragamo (Malaysia) Sdn Bhd	1,300,000 ordinary shares of RM 1 each	Malaysia	31,741	4,073	2,555	–	39,359	1,822	50%	911
Ferragamo (Thailand) Limited	220,500 ordinary shares of Baht 100 each 229,500 preference shares of Baht 100 each (10 preference shares for 1 vote)	Thailand	13,477	3,896	17,373	–	22,101	(4,118)	50%	(2,059)
Ferragamo (Singapore) Pte Ltd	4,600,000 ordinary shares of S$1 each	Singapore	53,454	8,074	18,906	–	97,611	429	50%	214
Ferragamo Korea Ltd	658,240 ordinary shares of KRW 5,000 each	Korea	240,060	109,784	45,531	–	471,707	58,194	50%	29,097
			338,732	125,827	84,365	–	630,778	56,327		28,163

21 Deposit and prepayments – Group

	2010 HK$'000	2009 HK$'000
Non-current assets		
Rental deposits	**25,854**	15,206
Prepayments	**10,870**	16,305
	36,724	31,511
Current assets		
Rental deposits	**14,748**	18,674
Prepayments	**29,165**	15,732
Deposit paid for acquisition of the Cerruti Group (note)	**155,125**	–
	199,038	34,406
Total	**235,762**	65,917

Note: As detailed in Note 39 (i), the Group paid a deposit of approximately HK$155,125,000 (Euro 15,185,000) for acquisition of the Cerruti Group upon signing of the sale and purchase agreement on 22 December 2010.

The carrying amounts of deposit and prepayments are denominated in the following currencies:

	2010 HK$'000	2009 HK$'000
EUR	**155,125**	–
RMB	**34,159**	19,431
HKD	**33,419**	30,601
USD	**4,892**	6,521
NTD	**7,029**	8,350
GBP	**121**	16
SGD	**651**	181
MOP	**366**	817
	235,762	65,917

As at 31 December 2010, the carrying amounts of the Group's deposit and prepayments approximated their fair values.

22 Deferred income tax – Group

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2010 HK$'000	2009 HK$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**60,103**	51,949
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	**(93,228)**	(61,445)

The gross movements in the deferred income tax assets and (liabilities) are as follows:

	2010 HK$'000	2009 HK$'000
Beginning of the year	**(9,496)**	20,080
Disposal of Discontinued Operations (Note 34)	**–**	(7,759)
Charged to consolidated income statement (Note 11)	**(23,629)**	(21,817)
End of the year	**(33,125)**	(9,496)

The movements of the deferred income tax liabilities during the year are as follows:

	Intangible assets-licences HK$'000	Accelerated tax depreciation allowances HK$'000	Undistributed profits of subsidiaries and jointly controlled entities HK$'000	Others HK$'000	Total HK$'000
At 1 January 2009	27,720	4,103	16,900	150	48,873
Charged/(credited) to the consolidated income statement	–	4,786	7,936	(150)	12,572
At 31 December 2009	27,720	8,889	24,836	–	61,445
Charged to the consolidated income statement	–	4,660	24,467	2,656	31,783
At 31 December 2010	**27,720**	**13,549**	**49,303**	**2,656**	**93,228**

22 Deferred income tax – Group *(Continued)*

The movements of the deferred income tax assets during the year are as follows:

	Impairment of assets HK$'000	Decelerated tax depreciation allowances HK$'000	Provisions and accruals HK$'000	Unrealised profit on inventories HK$'000	Unutilised tax loss HK$'000	Others HK$'000	Total HK$'000
At 1 January 2009	3,667	1,989	11,422	47,098	–	4,777	68,953
Credited/(charged) to the consolidated income statement	5,250	502	(1,485)	(14,549)	–	1,037	(9,245)
Disposal of Discontinued Operations (Note 34)	–	–	(4,873)	–	–	(2,886)	(7,759)
At 31 December 2009	8,917	2,491	5,064	32,549	–	2,928	51,949
(Charged)/credited to the consolidated income statement	(4,116)	681	2,802	(1,374)	10,658	(497)	8,154
At 31 December 2010	**4,801**	**3,172**	**7,866**	**31,175**	**10,658**	**2,431**	**60,103**

23 Inventories – Group

	2010 HK$'000	2009 HK$'000
Raw materials	**27,896**	24,430
Work-in-progress	**24,836**	9,701
Finished goods	**368,068**	351,152
Total	**420,800**	385,283

The cost of inventories and impairment of inventories recognised as expense and included in 'cost of sales' amounted to HK$455,818,000 (2009: HK$414,420,000) and HK$3,767,000 (2009: HK$20,212,000) respectively (Note 7).

24 Trade receivables – Group

	2010 HK$'000	2009 HK$'000
Trade receivables	**217,321**	173,337
Less: provision for impairment of receivables	**(2,392)**	(523)
Trade receivables – net	**214,929**	172,814

The Group's sales through department stores are generally collectible within 30 days from the invoice date while the sales to corporate customers are generally in credit terms ranging from 30 to 90 days. The ageing analysis by invoice date of trade receivables of the Group is as follows:

	2010 HK$'000	2009 HK$'000
1 – 30 days	**181,406**	123,010
31 – 60 days	**32,825**	41,581
61 – 90 days	**1,152**	6,936
Over 90 days	**1,938**	1,810
	217,321	173,337

Trade receivables that are less than three months past due are not considered impaired. Trade receivables of HK$35,863,000 (2009: HK$13,110,000) as at 31 December 2010 were past due but not impaired. These relate to a number of independent department stores for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2010 HK$'000	2009 HK$'000
Past due		
Up to 3 months	**35,532**	11,607
4 to 12 months	**234**	1,476
Over 12 months	**97**	27
	35,863	13,110

24 Trade receivables – Group *(Continued)*

Trade receivables of HK$2,392,000 (2009: HK$523,000) as at 31 December 2010 were impaired and fully provided for. The individually impaired receivables mainly relate to department stores in the Chinese Mainland. The ageing of these receivables is as follows:

	2010 HK$'000	2009 HK$'000
Up to 12 months	1,267	523
Over 12 months	1,125	–
	2,392	523

Movements in the provision for impairment of trade receivables are as follows:

	2010 HK$'000	2009 HK$'000
At 1 January	523	4,240
Provision for receivable impairment	1,869	523
Unused amounts reversed	–	(4,240)
At 31 December	2,392	523

The creation and release of provision for impaired receivables have been included in 'administrative expenses' in the consolidated income statement (Note 7). Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

The fair value of the Group's trade receivables are approximately the same as their carrying amounts.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2010 HK$'000	2009 HK$'000
RMB	156,357	119,104
NTD	35,374	29,090
HKD	18,363	18,441
MOP	5,647	3,627
AUD	–	1,920
EUR	–	740
JPY	3	207
USD	1,577	195
GBP	–	13
	217,321	173,337

25 Cash and cash equivalents

	2010 HK$'000	2009 HK$'000
Group		
Cash at bank and in hand	**514,799**	248,240
Short-term bank deposits (note)	**–**	270,000
	514,799	518,240
Maximum exposure to credit risk	**513,476**	517,031
Company		
Cash at bank and in hand	**29,738**	29
Maximum exposure to credit risk	**29,738**	29

The maximum exposure to credit risk refers to the cash balances held at financial institutions, and excludes cash on hand held at the retail stores and offices of the Group.

Note: The table below shows the effective interest rate and average maturity days of the Group's short-term bank deposits:

	2010	*2009*
Effective interest rate	*–*	*0.09%*
Average maturity days of deposits	*–*	*64*

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	2010 HK$'000	2009 HK$'000
RMB	**171,410**	76,322
HKD	**270,650**	413,557
USD	**8,642**	6,646
NTD	**42,201**	20,076
MOP	**21,397**	439
Others	**499**	1,200
	514,799	518,240

26 Share capital, share premium and share options

	Number of authorised shares (Thousands)	Number of issued and fully paid shares (Thousands)	Amount		
			Ordinary shares HK$'000	Share premium HK$'000	Total HK$'000
At 1 January 2009	2,000,000	1,205,173	120,517	1,041,310	1,161,827
Increase of authorised shares (note (a))	2,000,000	–	–	–	–
Issue of ordinary shares in connection with the Listing (note (b))	–	301,292	30,129	467,003	497,132
Issue of ordinary shares (note (c))	–	67,790	6,779	105,074	111,853
Share issuance cost	–	–	–	(98,386)	(98,386)
At 31 December 2009 and 1 January 2010	4,000,000	1,574,255	157,425	1,515,001	1,672,426
Exercise of share options (note (d))	**–**	**14,632**	**1,464**	**25,960**	**27,424**
At 31 December 2010	**4,000,000**	**1,588,887**	**158,889**	**1,540,961**	**1,699,850**

Notes:

(a) Pursuant to a resolution passed by the Company's shareholders on 16 October 2009, the authorised share capital of the Company was increased from HK$200,000,000 divided into 2,000,000,000 shares of HK$0.10 each at par to HK$400,000,000 divided into 4,000,000,000 shares of HK$0.10 each at par by the creation of 2,000,000,000 new shares of HK$0.10 each at par in the capital of the Company.

(b) On 3 November 2009, the Company issued 301,292,000 ordinary shares of HK$0.10 each at par at HK$1.65 per share in connection with the Listing and raised gross proceeds of approximately HK$497,131,800.

(c) On 12 November 2009, pursuant to the exercise of the over-allotment option, the Company issued 67,790,000 ordinary shares of HK$0.10 each at par at HK$1.65 per share and raised gross proceeds of approximately HK$111,853,500.

(d) During the year, 10,532,000 and 4,100,000 ordinary shares were issued at an exercise price of HK$1.65 and HK$2.45 per share, respectively, to the share option holders pursuant to the Share Option Schemes.

Share Option Schemes

Pre-IPO and Post-IPO Share Option Schemes

Pursuant to the Pre-IPO Share Option Scheme ("Pre-IPO Scheme") and the Post-IPO Share Option Scheme ("Post-IPO Scheme") (together the "Schemes") adopted by the Company on 16 October 2009, the Board of Directors may, at its discretion, grant options to any qualifying participants (including but not limited to any employee, whether full-time or part-time employee, executive or non-executive Directors, of the Company or any affiliates as defined in the Schemes) which entitle the holders of options to subscribe for shares in the Company. The total number of shares that may be issued upon exercise of all options to be granted under the Share Option Schemes and any other schemes must not in aggregate exceed 10% of the shares in issue as at 3 November 2009, the listing date.

26 Share capital, share premium and share options *(Continued)*

Share Option Schemes *(Continued)*

Pre-IPO and Post-IPO Share Option Schemes *(Continued)*

Movements in the number of such share options granted, and their related weighted average exercise prices during the year are as follows:

	2010 Number of options	2010 Weighted average exercise price HK$	2009 Number of options	2009 Weighted average exercise price HK$
At 1 January	**83,714,000**	**2.02**	–	–
Share options granted on 16 October 2009	**–**	**–**	45,194,000	1.65
Share options granted on 26 November 2009	**–**	**–**	38,520,000	2.45
Exercised	**(14,632,000)**	**1.87**	–	–
Forfeited	**(686,000)**	**1.86**	–	–
At 31 December	**68,396,000**	**2.05**	83,714,000	2.02

Share options outstanding at the end of the year have the following exercisable periods and exercise prices:

Exercisable periods	Exercise price	2010	2009
3 November 2010 to 2 November 2014	HK$1.65	**11,812,000**	22,597,000
3 November 2011 to 2 November 2014	HK$1.65	**22,344,000**	22,597,000
26 November 2010 to 25 November 2012	HK$2.45	**8,680,000**	12,840,000
26 November 2011 to 25 November 2013	HK$2.45	**12,780,000**	12,840,000
26 November 2012 to 25 November 2014	HK$2.45	**12,780,000**	12,840,000
At 31 December		**68,396,000**	83,714,000

26 Share capital, share premium and share options *(Continued)*

Share Option Schemes *(Continued)*

The weighted average closing share price at the dates of exercises of share options during the year was HK$8.06.

No option was granted during the year.

The fair values of options granted in 2009 were determined using the Black-Scholes valuation model based on the following assumptions:

	Share options granted on 16 October 2009	Share options granted on 26 November 2009
Average fair value	HK$0.57	HK$0.70
Average share price	HK$1.65	HK$2.45
Exercise price	HK$1.65	HK$2.45
Expected volatility	49.91%	42.99%
Expected option life	5 years	3 – 5 years
Risk free rate	1.73%	0.69% to 1.73%
Expected dividend yield	3.04%	2.44%

The exercise price of the options granted on 16 October 2009 was based on the offer price of HK$1.65 determined pursuant to the Company's Listing on the Stock Exchange.

Expected volatility was determined based on the historical price volatility of shares of comparable companies to the Company. Changes in the subjective input assumptions may materially affect their fair value estimates.

The options granted in 2009 included 13,900,000 and 9,300,000 options granted to certain Directors pursuant to the Pre-IPO Scheme and Post-IPO Scheme, respectively.

As detailed in Note 39(iii), the Company granted 4,260,000 share options on 11 January 2011, of which 2,000,000 options were granted to a Director.

27 Reserves

Group	Retained earnings HK$'000	Merger reserves HK$'000 (note (a))	Other reserves HK$'000	Hedging reserve HK$'000	Statutory reserves HK$'000 (note (d))	Translation reserve HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
Balance at 1 January 2009	435,137	(227,382)	(37,623)	6,433	9,717	(4,253)	–	182,029
Deemed contributions from intermediate holding company (note (b))	–	21,686	–	–	–	–	–	21,686
Profit for the year	179,663	–	–	–	–	–	–	179,663
Dividends (Note 16)	(57,848)	–	–	–	–	–	–	(57,848)
Exchange differences	–	–	–	–	–	19,940	–	19,940
Share of cash flow hedging reserve of jointly controlled entities: Fair value losses for the year	–	–	–	(6,433)	–	–	–	(6,433)
Transfer of reserve upon disposal of Discontinued Operations (note (c))	13,827	(8,579)	–	–	–	(5,248)	–	–
Employee share option schemes –value of employee services	–	–	–	–	–	–	7,370	7,370
Acquisition of a subsidiary (note (e))	–	(2,789)	–	–	–	–	–	(2,789)
Balance at 31 December 2009	570,779	(217,064)	(37,623)	–	9,717	10,439	7,370	343,618
Profit for the year	**340,849**	**–**	**–**	**–**	**–**	**–**	**–**	**340,849**
Dividends (Note 16)	**(188,911)**	**–**	**–**	**–**	**–**	**–**	**–**	**(188,911)**
Exchange differences	**–**	**–**	**–**	**–**	**–**	**25,556**	**–**	**25,556**
Employee share option schemes								
– value of employee services	**–**	**–**	**–**	**–**	**–**	**–**	**29,926**	**29,926**
– transfer to retained earnings	**8,545**	**–**	**–**	**–**	**–**	**–**	**(8,545)**	**–**
Balance at 31 December 2010	**731,262**	**(217,064)**	**(37,623)**	**–**	**9,717**	**35,995**	**28,751**	**551,038**

27 Reserves *(Continued)*

Company

	Retained earnings HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
Balance at 1 January 2009	74,787	–	74,787
Profit for the year	120,740	–	120,740
Employee share option schemes			
– value of employee services	–	7,370	7,370
Dividends (Note 16)	(57,848)	–	(57,848)
Balance at 31 December 2009	137,679	7,370	145,049
Profit for the year	225,840	–	225,840
Employee share option schemes			
– value of employee services	–	29,926	29,926
– transfer to retained earnings	8,545	(8,545)	–
Dividends (Note 16)	(188,911)	–	(188,911)
Balance at 31 December 2010	**183,153**	**28,751**	**211,904**

Notes:

(a) Merger reserve as at 1 January 2009 mainly represented the differences between the sum of the nominal value and share premium of the subsidiaries acquired under common control and the nominal value of shares of the Company issued in exchange for the purchase considerations thereof, net of subsequent transfer to accumulated losses/retained earnings.

(b) The amount represents the waiver of a loan due by Discontinued Operations to Li & Fung (Retailing) Limited, the then intermediate holding company of the Group. Such amount was treated as a deemed contribution from the equity holders and credited directly to the merger reserve.

(c) The amounts relate to the transfer of merger reserve relating to Discontinued Operations upon disposal on 25 August 2009, as described in Note 34.

(d) Pursuant to the relevant rules and regulations in the Chinese Mainland, these Chinese Mainland subsidiaries are required to transfer at least 10% of their profit after tax, as determined under the Chinese Mainland accounting rules and regulations, to the statutory general reserve until the reserve balance reaches 50% of the registered capital of the respective subsidiaries of the Chinese Mainland. This general reserve fund can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the equity holders' existing equity holdings, provided that the balance after such conversion is not less than 25% of the registered capital.

The Commercial Code of the Republic of Korea requires Ferragamo Korea Ltd, a Korean company, to appropriate as a legal reserve an amount equal to at least 10% of its cash dividends, until such reserve equals 50% of its share capital. The reserve is not available for dividends but may be transferred to share capital or used to reduce accumulated deficit, if any.

(e) The amount represents the difference between consideration paid and the net assets acquired in respect of the acquisition of L&F Branded Lifestyle (Singapore) Pte Limited ("BLS Singapore") on 20 October 2009.

28 Provision for long service payments – Group

The movements of provision for long service payments are as follows:

	2010 HK$'000	2009 HK$'000
At 1 January	**5,071**	6,986
Charged/(credited) to the consolidated income statement	**1,011**	(812)
Payments made during the year	**–**	(1,103)
At 31 December	**6,082**	5,071

The Group provides for future long service payments expected to be made to employees under the Hong Kong Employment Ordinance.

29 Retirement benefit obligations – Group

	2010 HK$'000	2009 HK$'000
Balance sheet obligations for:		
– Pension benefits	**13,663**	12,229

	2010 HK$'000	2009 HK$'000
Income statement charge for:		
– Pension benefits (included in administrative expenses)	**486**	4,529

The Group has a defined benefit plan in Taiwan. The assets of the funded plans are held independently of the Group's assets in separate trustee administered funds. The latest independent actuarial valuation of the plan was at 31 December 2010 and was prepared by qualified staff of Mercer (Taiwan) Limited, which is a member of the American Academy of Actuaries, using the projected unit credit method.

29 Retirement benefit obligations – Group *(Continued)*

The amounts recognised in the consolidated balance sheet are determined as follows:

	2010 HK$'000	2009 HK$'000
Present value of funded obligations	18,159	16,343
Fair value of plan assets	(4,496)	(4,114)
Liability in the consolidated balance sheet	13,663	12,229

The movements in the defined benefit obligations of the year are as follows:

	2010 HK$'000	2009 HK$'000
Beginning of year	16,343	11,648
Current service cost	316	307
Interest cost	301	295
Additional contribution	–	4,971
Actuarial losses	(32)	(592)
Distributions during the year	(484)	(286)
Exchange difference	1,715	–
End of year	18,159	16,343

The movements in the fair value of plan assets of the year are as follows:

	2010 HK$'000	2009 HK$'000
Beginning of year	4,114	3,948
Expected return on plan assets	109	102
Actuarial losses	(43)	(17)
Contributions during the year	374	367
Distributions during the year	(484)	(286)
Exchange difference	426	–
End of year	4,496	4,114

29 Retirement benefit obligations – Group *(Continued)*

The amounts recognised in the consolidated income statement are as follows:

	2010 **HK$'000**	2009 HK$'000
Current service cost	**316**	307
Interest cost	**301**	295
Expected return on plan assets	**(109)**	(102)
Past service cost	**–**	(942)
Additional contribution	**–**	4,971
Amortisation of actuarial gains	**(22)**	–
Total, included in employee benefit expenses (Note 14)	**486**	4,529

The principal actuarial assumptions used were as follows:

	2010	2009
Discount rate	**2.25%**	2.00%
Expected return on plan assets	**2.00%**	2.50%
Future salary increases	**2.25%**	2.25%

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy.

30 Other payables and accruals

Group

	2010 **HK$'000**	2009 HK$'000
Non-current		
Royalties payable	**37,048**	42,450
Current		
Royalties payable	**17,220**	15,241
Value-added-tax payable	**35,436**	30,389
Sales deposits received	**14,454**	10,205
Lease incentive	**84,840**	24,739
Other payables and accruals	**182,848**	136,231
	334,798	216,805
Total	**371,846**	259,255

30 Other payables and accruals *(Continued)*

As at 31 December 2009 and 2010, the carrying amounts of the Group's other payables and accruals approximated their fair values.

Company

	2010 **HK$'000**	2009 HK$'000
Other payables and accruals	**10,646**	22,629

31 Trade payables – Group

	2010 **HK$'000**	2009 HK$'000
Trade payables	**95,928**	55,735

As at 31 December 2009 and 2010, the carrying amounts of the Group's trade payables approximated their fair values.

The credit period granted by creditors generally ranges from 30 to 90 days. Ageing analysis by invoice date of trade payables is as follows:

	2010 **HK$'000**	2009 HK$'000
1 – 30 days	**39,945**	37,094
31 – 60 days	**20,405**	12,795
61 – 90 days	**12,579**	1,125
Over 90 days	**22,999**	4,721
	95,928	55,735

32 Borrowings

	2010 HK$'000	2009 HK$'000
Non-current		
Bank borrowings, secured	**220,000**	623,000
Current		
Bank borrowings, secured	**360,000**	91,799
Total borrowings	**580,000**	714,799

(a) The maturity of bank borrowings is as follows:

	2010 HK$'000	2009 HK$'000
Group		
Within 1 year	**360,000**	91,799
Between 1 and 2 years	**100,000**	80,000
Between 2 and 5 years	**120,000**	543,000
	580,000	714,799

	2010 HK$'000	2009 HK$'000
Company		
Within 1 year	**220,000**	–
Between 1 and 2 years	**100,000**	80,000
Between 2 and 5 years	**120,000**	420,000
	440,000	500,000

32 Borrowings *(Continued)*

(b) All of the Group's borrowings are subject to floating interest rates and the effective interest rates at the balance sheet date were as follows:

	2010	2009
Group		
HKD	**1.16%**	1.15%
RMB	**–**	6.32%

	2010	2009
Company		
HKD	**1.15%**	1.14%

(c) The fair values of borrowings approximated their carrying amounts.

(d) The carrying amounts of the borrowings are denominated in the following currencies:

	2010 HK$'000	2009 HK$'000
Group		
RMB	**–**	31,800
HKD	**580,000**	682,999
	580,000	714,799

	2010 HK$'000	2009 HK$'000
Company		
HKD	**440,000**	500,000

(e) The exposure of the Group's and the Company's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	Group		Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
6 months or less	**580,000**	705,713	**440,000**	500,000
Between 6 and 12 months	**–**	9,086	**–**	–
	580,000	714,799	**440,000**	500,000

(f) All bank borrowings were secured by cross guarantees amongst group companies as at 31 December 2010.

(g) As at 31 December 2010, the Group has unutilised banking facilities amounted to HK$540 million (2009: HK$710 million).

33 Cash generated from operations – Continuing Operations

Reconciliation of profit before income tax to cash generated from operations

	2010 HK$'000	2009 HK$'000
Profit before income tax	**460,885**	263,576
Adjustments for:		
Share of profit of jointly controlled entities	**(35,971)**	(28,163)
Amortisation of intangible assets (Note 18)	**8,121**	8,278
Interest income	**(1,201)**	(362)
Interest expense	**5,927**	27,325
Depreciation of property, plant and equipment (Note 17)	**93,183**	63,659
Reversal of provision for impairment of property, plant and equipment (Note 17)	**(3,391)**	(1,314)
Provision for impairment of trade receivables (Note 24)	**1,869**	–
Net contributions to long service payment provision and retirement benefit obligation	**2,445**	2,614
Employee share option benefit	**29,926**	7,370
Loss on disposal of property, plant and equipment	**6,626**	9,102
Foreign exchange gains/(losses)	**8,225**	(1,306)
Changes in working capital		
Inventories	**(35,517)**	152,353
Trade and other receivables	**(58,704)**	58,928
Trade and other payables	**83,384**	6,953
Balances with related parties	**7,822**	(4,093)
Cash generated from operating activities	**573,629**	564,920

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2010 HK$'000	2009 HK$'000
Net book amount (Note 17)	**6,626**	9,102
Loss on disposal of property, plant and equipment	**(6,626)**	(9,102)
Proceeds from disposal of property, plant and equipment	**–**	–

34 Discontinued Operations

On 1 June 2009, the Company acquired BLS (Private Labels) Holdings Limited and its subsidiaries ("BLS Private Label"), which was engaged in the retailing of menswear of owned brands, such as Leo, Gibo and Uffizi (the "Discontinued Operations"), under common control from BLS Holdings Limited ("BLS Holdings"), a then fellow subsidiary of the Company. Subsequently on 25 August 2009, the entire equity interest in BLS Private Label was reverted back from the Company to BLS Holdings. The results of Discontinued Operations for the period from 1 January to 25 August 2009 as set out below, were presented as Discontinued Operations under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" during the year ended 31 December 2009.

	Period from 1 January to 25 August 2009 HK$'000
Revenue	192,240
Cost of sales	(65,698)
Gross profit	126,542
Other income	3,404
Selling and marketing expenses	(129,726)
Administrative expenses	(17,537)
Other losses – net	(155)
Operating loss	(17,472)
Finance income	167
Finance costs	(2,369)
Finance costs – net	(2,202)
Loss before income tax	(19,674)
Income tax credit	1,379
Loss after tax from Discontinued Operations	(18,295)
Gain on disposal of Discontinued Operations (note (b))	10,037
Loss for the year from Discontinued Operations	(8,258)

34 Discontinued Operations *(Continued)*

Notes:

(a) An analysis of the cash flows of the Discontinued Operations for the period from 1 January to 25 August 2009 is as follows:

	2009 HK$'000
Net cash generated from operating activities	91,209
Net cash used in investing activities	(4,496)
Net cash used in financing activities	(25,763)
Increase in cash and cash equivalents	60,950
Net cash outflow from disposal of Discontinued Operations (note (b))	(83,911)
	(22,961)

(b) Details of the net assets/(liabilities) of Discontinued Operations disposed of as at 25 August 2009 are set out as follows:

	2009 HK$'000
Property, plant and equipment	19,704
Intangible assets	1,500
Deferred income tax assets	7,759
Inventories at net realisable value	68,924
Trade receivables	21,539
Deposit and prepayments	9,403
Amount due from related parties	331
Cash and cash equivalents	83,911
Trade payables	(9,037)
Other payables and accruals	(19,319)
Current income tax liabilities	(368)
Amounts due to related parties	(134,245)
Borrowings	(60,139)
	(10,037)
Less: consideration received	–
Gain on disposal of subsidiaries	(10,037)
Analysis of net cash flow from disposal of subsidiaries	
Cash consideration received	–
Cash and cash equivalents disposed of	(83,911)
Net cash outflow from disposal of subsidiaries	(83,911)

The considerations for the acquisition and subsequent disposal of the interest in BLS Private Label as detailed above were identical and were by way of elimination of all non-interest bearing acquisition loans arising from the transactions.

35 Commitments

(a) Capital commitments for property, plant and equipment

	2010 HK$'000	2009 HK$'000
Contracted but not provided for		
– Property, plant and equipment	–	61
– Computer software	–	468
	–	529

(b) Commitments under operating leases

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2010 HK$'000	2009 HK$'000
No later than 1 year	180,046	148,396
Later than 1 year but no later than 5 years	162,627	122,651
	342,673	271,047

(c) Other commitments

	2010 HK$'000	2009 HK$'000
Contracted sponsorship fees		
– No later than 1 year	3,150	2,200
– Later than 1 year but no later than 5 years	–	2,400
	3,150	4,600

36 Business combinations

(a) L&F Branded Lifestyle (Singapore) Pte Limited

On 20 October 2009, the Group acquired the administrative support services agreements (the "Service agreements") held by L&F Branded Lifestyle (Singapore) Pte Limited ("BLS Singapore") through acquisition of the entire issued share capital of BLS Singapore from Branded Lifestyle International Limited, a then fellow subsidiary, at a consideration of SGD493,000 (approximately HK$2,789,000). BLS Singapore had been providing management, marketing consulting and administrative services at an aggregate annual fee of USD700,000 to the jointly controlled entities of the Group. BLS Singapore had no assets or liabilities save for being a party to the Service agreements.

36 Business combinations *(Continued)*

(b) Kent & Curwen Limited

On 6 July 2009, the Group entered into agreements with a then fellow subsidiary for the disposal of Kent & Curwen Limited and Kent & Curwen trademarks in other jurisdictions (other than Greater China) (the "Remaining Jurisdictions") for an aggregate consideration of USD5 million (approximately HK$39 million). On 30 September 2009, the above transactions were reversed and the ownership of the Kent & Curwen Limited and Kent & Curwen trademarks in the Remaining Jurisdictions were reverted back to the Group for the same consideration of USD5 million. Upon completion of the said transactions, ownership in relation to Kent & Curwen Limited and interests in Kent & Curwen trademarks continue to rest with the Group and it did not result in any material impact on the financial results of the Group for the year ended 31 December 2009.

37 Contingencies

Save as disclosed elsewhere in this report, the Group had no significant contingent liabilities as at 31 December 2009 and 2010.

38 Related party transactions – Group

(a) Significant related party transactions

All the related party transactions were entered with companies associated with or controlled by Li & Fung (1937) Limited, a substantial shareholder of the Company (collectively, the "Substantial Shareholder Group"). All related party transactions were determined on basis agreed by both parties and were conducted in the normal course of business. Other than the related party transactions disclosed elsewhere, significant related party transactions of the Group during the year were as follows:

	2010 **HK$'000**	2009 HK$'000
Purchase of goods	**12,682**	245
Sub-contracting fee for production of product parts	**21,593**	17,830
Management fee income for provision of accounting, information system and human resources services	**6,438**	7,148
Service fee expense for provision of corporate compliance services and other administrative services	**4,509**	3,651
Service fee expense for provision of warehouse and logistics services	**9,950**	8,565
Rental and license fee income	**2,870**	3,327
Rental and management fee expense	**3,712**	3,773
Management service fee income (note)	**21,000**	7,000

During the period from 1 January 2009 to 25 August 2009, the Discontinued Operations had certain related party transactions in relation to purchase of goods, service fee paid for administrative services and rental paid. Their respective amount were approximately HK$8.4 million, HK$0.5 million and HK$1.3 million respectively.

Note: Since 1 September 2009, the Group provided management services including front end management services (such as services relating to product development or design, product sourcing, retail management and marketing) and back office support services (such as services relating to accounting and treasury, corporate compliance, management information system, human resources and lease administration) to BLS Private Label.

38 Related party transactions – Group *(Continued)*

(b) Year-end balance with related parties

	2010 HK$'000	2009 HK$'000
Due from		
Substantial Shareholder Group	**122**	2,106
Jointly controlled entity	**951**	1,350
	1,073	3,456
Due to		
Substantial Shareholder Group	**7,237**	2,141
Jointly controlled entity	**343**	–
	7,580	2,141

Balances with related parties are unsecured, interest free and repayable on demand.

(c) Corporate guarantee to a related party

The Company has provided a corporate guarantee in favour of a bank in Thailand to support the banking facilities of Ferragamo (Thailand) Limited. The maximum liability of the Company is the lower of (a) 50% of the borrowed sum; or (b) 50% of Baht 110 million and USD1.4 million (that is Baht 55 million and USD0.7 million). As at 31 December 2010, the sum borrowed by Ferragamo (Thailand) Limited amounted to approximately Baht 69.5 million and USD1.065 million (approximately HK$26.0 million in aggregate) (2009: Baht 65 million and USD0.6 million (approximately HK$19.4 million in aggregate)).

(d) Save as disclosed above and key management emoluments as set out in Note 15 to the consolidated financial statements, the Group has no other material related party transactions during the year.

39 Events after the balance sheet date

(i) Acquisition of Cerruti Group

On 22 December 2010, Concord Distributions Limited ("Concord"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Agreement") with Toga Cayman LP (the "Seller"), pursuant to which Concord will acquire 100% interest in Cerruti Group from the Seller for a total cash consideration of not exceeding Euro 52,575,000 (approximately HK$538,894,000). A deposit of Euro 15,185,000 (approximately HK$155,125,000) was paid upon signing of the Agreement. Cerruti Group owns various Cerruti trademarks and operates in France, Switzerland and Japan through various licensing and distribution arrangements globally and a flagship store in France at 3, Place de la Madeleine, Paris.

The completion of the acquisition was subject to the satisfaction of certain conditions stipulated in the Agreement. The acquisition was completed on 15 March 2011.

(ii) Placement of shares

Pursuant to a placing agreement dated 10 January 2011, LiFung Trinity Limited ("LiFung Trinity"), a controlling shareholder of the Company, placed 100 million existing shares of the Company to not less than six independent professional, institutional and/or individual investors at a price of HK$7.50 per share and to subscribe from the Company for the same number of shares at the same price. The placing price represented a discount of about 5.66% to the closing price of HK$7.95 per share on 10 January 2011. The net proceeds of the subscription amounting to approximately HK$736 million, after taking into account the placing commission and other expenses borne or incurred by LiFung Trinity and the Company in relation to the placing and the subscription, will be used by the Company as general working capital of the Group and for funding future business development and acquisitions by the Group.

(iii) Grant of share options

On 11 January 2011, the Board of Directors of the Company resolved to grant 4,260,000 share options (the "Options") to subscribe for a total of 4,260,000 ordinary shares of HK$0.10 each of the Company to certain eligible persons under the Post-IPO Scheme at an exercise price of HK$8.08 per share. The Options are exercisable in two tranches during the period commencing on 1 January 2012 and expiring on 31 December 2014.

40 Approval of consolidated financial statements

The consolidated financial statements have been approved for issue by the Board of Directors on 23 March 2011.

41 Details of subsidiaries

As at 31 December 2010, the Company has direct and indirect interest in the following subsidiaries:

Company name	Date of incorporation	Place of incorporation/ operations	Principal activities	Share capital or paid-up capital	Interest held directly	Interest held indirectly
LiFung Trinity International Brands Holdings Limited	8 December 2006	British Virgin Islands	Investment holding	USD1	100%	–
LiFung Trinity JV Brands Limited	12 May 2006	British Virgin Islands	Investment holding	USD1	100%	–
LiFung Trinity Services Limited	8 December 2006	British Virgin Islands	Investment holding	USD1	100%	–
A.T. Distributions Limited	3 October 2003	Hong Kong	Trading of garments	HK$1,000,000	–	100%
Champion Distributions Limited	6 August 1997	Hong Kong	Trading of garments	HK$1,000,000	–	100%
逸貿服飾銷售（上海）有限公司 (Champion Fashion Distributions (Shanghai) Limited) (note)	27 June 2005	PRC	Inactive	RMB3,000,000	–	100%
卓誼（澳門）有限公司 (COL (Macau) Limited)	14 March 2007	Macau	Trading of garments	MOP100,000	–	100%
Concord Distributions Limited	25 June 1997	Hong Kong	Trading of garments	HK$1,000,000	–	100%
永盈服飾銷售（上海）有限公司 (Concord Fashion Distributions (Shanghai) Limited) (note)	18 May 2005	PRC	Inactive	RMB3,000,000	–	100%
DDL (Macao) Limited	26 January 1994	Macau	Trading of garments	MOP10,000	–	100%
Ferrinch (L) Limited	5 August 1996	Federal Territory of Labuan, Malaysia	Provision of marketing consultancy services & investment holding	USD3,001,500	–	100%

41 Details of subsidiaries *(Continued)*

Company name	Date of incorporation	Place of incorporation/ operations	Principal activities	Share capital or paid-up capital	Interest held directly	Interest held indirectly
Golden Palace Global Inc.	4 July 2000	British Virgin Islands	Investment holding	USD2	–	100%
Golden Palace Global (H.K.) Limited	30 July 2003	Hong Kong	Investment holding	HK$1,000,000	–	100%
永圖貿易（上海）有限公司 (Golden Palace Global Trading (Shanghai) Co., Ltd.) (note)	29 December 2000	PRC	Inactive	USD200,000	–	100%
Kent & Curwen Limited	25 November 1996	England and Wales	Trading of garments	GBP1,000,000	–	100%
利邦（上海）服裝貿易有限公司 (LiFung Trinity China Distribution (Shanghai) Limited) (note)	27 October 2006	PRC	Trading of garments	RMB3,000,000	–	100%
LiFung Trinity Fashions Limited	21 December 2006	Hong Kong	Inactive	HK$5,000,000	–	100%
LiFung Trinity (Management) Limited	6 April 2006	Hong Kong	Provision of management services	HK$1	–	100%
LiFung Trinity Management (Singapore) Pte Ltd	21 March 2007	Singapore	Provision of business management & consultancy services	SGD100	–	100%
L&F Branded Lifestyle International Limited	11 October 1999	British Virgin Islands	Investment holding	USD1	–	100%
L&F Branded Lifestyle (Singapore) Pte Limited	12 July 1994	Singapore	Provision of consultancy service	SGD500,000	–	100%
LiFung Trinity International Brands Limited	18 May 2006	Hong Kong	Investment holding and trading of garments	HK$1	–	100%

41 Details of subsidiaries *(Continued)*

Company name	Date of incorporation	Place of incorporation/ operations	Principal activities	Share capital or paid-up capital	Interest held directly	Interest held indirectly
Million Venture Inc.	28 August 2000	British Virgin Islands	Investment holding	USD2	–	100%
Million Venture (H.K.) Limited	30 July 2003	Hong Kong	Investment holding	HK$1,000,000	–	100%
逸倫貿易（上海）有限公司 (Million Venture Trading (Shanghai) Co., Ltd) (note)	29 December 2000	PRC	Inactive	USD200,000	–	100%
Trinity (Business Wear) Limited	2 February 1973	Hong Kong	Garment manufacturing	HK$3,900,000	–	100%
Trinity (Casual Wear) Limited	24 May 1974	Hong Kong	Garment manufacturing	HK$3,000,000	–	100%
Trinity China Distributions (B.V.I.) Limited	23 July 2003	British Virgin Islands	Investment holding	HK$5,001,000	–	100%
Trinity China Distributions (H.K.) Limited	28 July 2003	Hong Kong	Investment holding and trading of garments	HK$5,000,000	–	100%
利永（上海）時裝商貿有限公司 (Trinity China Distributions (Shanghai) Limited) (note)	27 October 2006	PRC	Trading of garments	RMB3,000,000	–	100%
利宜貿易（上海）有限公司 (Trinity China Distributions Trading (Shanghai) Limited) (note)	29 December 2000	PRC	Inactive	USD200,000	–	100%
Trinity Retail Limited	24 July 1979	Hong Kong	Trading of garments	HK$500,000	–	100%
Trinity Retail (H.K.) Limited	8 December 1978	Hong Kong	Trading of garments	HK$25,000,000	–	100%
Trubest Limited	25 June 1997	Hong Kong	Trading of garments	HK$200,000	–	100%

Note: These companies are foreign-owned enterprises registered in the PRC.

Financial Summary

The following table summarises the consolidated results, assets and liabilities of the Group for the five years ended 31 December:

	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
Combined results					
Revenue from Continuing Operations	755,250	1,177,674	1,528,352	1,645,178	**2,011,380**
Operating profit	196,524	221,069	194,294	262,376	**429,640**
Profit before income tax	230,989	188,071	189,080	263,576	**460,885**
Income tax expense	(41,892)	(52,927)	(67,514)	(75,655)	**(120,036)**
Profit for the year from Continuing Operations	189,097	135,144	121,566	187,921	**340,849**
Gain/(loss) for the year from					
Discontinued Operations	1,988	10,208	(17,765)	(18,295)	**–**
Disposal of Discontinued Operations	–	–	–	10,037	**–**
Profit for the year	191,085	145,352	103,801	179,663	**340,849**
Attributable to:					
Shareholders of the Company	173,931	130,719	98,035	179,663	**340,849**
Minority interests	17,154	14,633	5,766	–	**–**
Assets					
Non-current assets	1,671,785	1,880,965	2,040,115	2,022,174	**2,118,509**
Current assets	694,488	1,601,601	1,108,707	1,114,199	**1,350,639**
Total assets	2,366,273	3,482,566	3,148,822	3,136,373	**3,469,148**
Equity and liabilities					
Total equity	270,302	1,185,431	1,343,856	2,016,044	**2,250,888**
Liabilities					
Non-current liabilities	1,753,547	1,027,218	1,050,658	744,195	**370,021**
Current liabilities	342,424	1,269,917	754,308	376,134	**848,239**
Total liabilities	2,095,971	2,297,135	1,804,966	1,120,329	**1,218,260**
Total equity and liabilities	2,366,273	3,482,566	3,148,822	3,136,373	**3,469,148**

The Company was incorporated in Bermuda on 21 December 2006 and became the holding company of the Group upon completion of the Reorganisation as set out in the Company's prospectus dated 21 October 2009.

TRINITY LIMITED

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