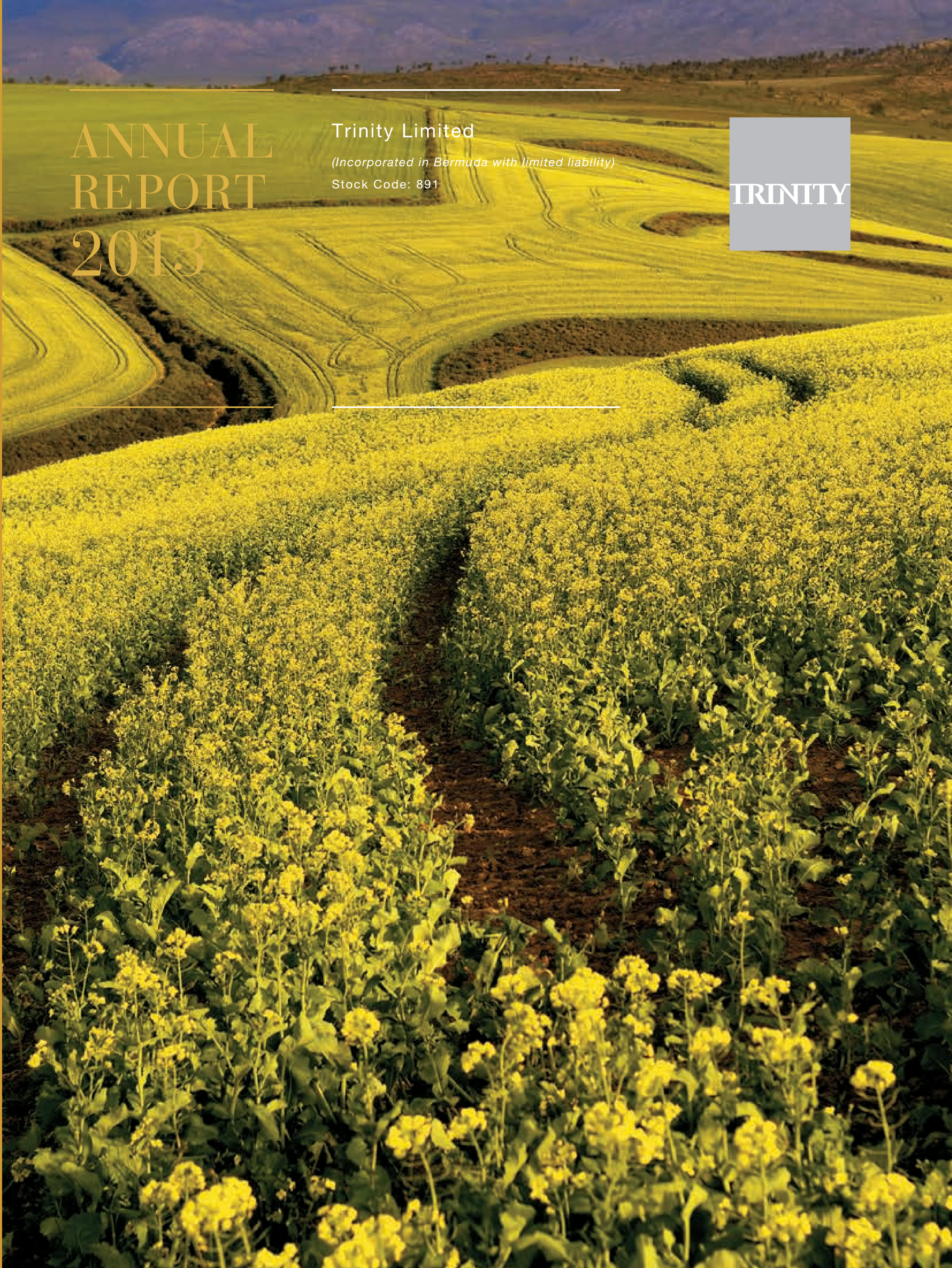
ANNUAL REPORT 2013

Trinity Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 891

TRINITY



Global Offices

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馮氏

A Fung Retailing Company

Trinity Limited
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T (852) 2342 1151 www.trinitygroup.com

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)

Non-executive Directors

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

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

Jose Hosea CHENG Hor Yin
Jean-Marc LOUBIER
Sabrina FUNG Wing Yee

Independent Non-executive Directors

Cassian CHEUNG Ka Sing
Michael LEE Tze Hau
Eva CHENG LI Kam Fun
Patrick SUN

Group Chief Compliance Officer

Srinivasan PARTHASARATHY

Company Secretary

Christiana YIU Yuen Wah

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

30/F, OCTA Tower
8 Lam Chak Street
Kowloon Bay, Kowloon
Hong Kong

Website

www.trinitygroup.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 Adviser

Mayer Brown JSM

Auditor

PricewaterhouseCoopers
Certified Public Accountants

THE

MANAGEMENT

Trinity's excellence is based on its well-known brands to its key management, creative directors and executives. The Group has procured competent, talented, and passionate experts, each with the drive to turn cherished heritage brands into global names. They are specialists in their industry, and the cultivators of Trinity's success.

Revenue

2,696

HK$ MILLION

Gross profit

2,036

HK$ MILLION

Profit attributable to shareholders

308

HK$ MILLION

Dividend per share

13

HK CENTS

highlights

Highlights of results for the year ended 31 December 2013

	2013	2012 (Restated)[8]	% change
Revenue (HK$ million)	2,696	2,801	-3.7%
Gross profit (HK$ million)	2,036	2,186	-6.9%
Gross margin (%)	75.5%	78.1%	
Operating profit (HK$ million)	363	583	-37.8%
Operating margin (%)	13.5%	20.8%	
Profit attributable to shareholders (HK$ million)	308	540	-42.9%
Profit attributable to shareholders (%)	11.4%	19.3%	
Current ratio [1]	1.2	1.3	
Trade payable turnover days [2]	47	61	
Trade receivable turnover days [3]	25	28	
Inventory turnover days [4]	373	378	
Return on equity (%) [5]	8.9%	16.1%	
Net debt to equity ratio (%) [6]	2.6%	N/A	
Basic earnings per share (HK cents) [7]	17.8	31.5	
Dividend per share (HK cents)			
– Final			
– Basic	8.5	14.0	
– Special	–	2.0	
– Full Year			
– Basic	13.0	22.0	
– Special	–	2.0	

Key ratios:
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 number of days for the year*
3 *Trade receivable turnover days = Average of opening and closing balances on trade receivables / revenue for the year x number of days for the year*
4 *Inventory turnover days = Average of opening and closing balances on inventory / cost of sales for the year x number of days for the year*
5 *Return on equity = Profit attributable to shareholders / average shareholders' equity x 100%*
6 *Net debt to equity ratio = Net debt / total equity x 100% whereas net debt = interest bearing bank borrowings and bank overdrafts less cash and cash equivalents; N/A means the Group was at net cash position in 2012*
7 *Basic earnings per share = Profit attributable to shareholders / weighted average number of ordinary shares in issue*
8 *The comparatives have been restated to reflect the effect of adoption of revised accounting policy in 2013. See Note 3(a) to the consolidated financial statements.*

Store numbers as at 31 December 2013

Kent & Curwen
137
- 113 Chinese Mainland
- 14 Hong Kong & Macau
- 10 Taiwan

Cerruti
133
- 111 Chinese Mainland
- 9 Hong Kong & Macau
- 12 Taiwan
- 1 Europe

Gieves & Hawkes
122
- 96 Chinese Mainland
- 8 Hong Kong & Macau
- 9 Taiwan
- 9 Europe

D'URBAN
56
- 39 Chinese Mainland
- 7 Hong Kong & Macau
- 10 Taiwan

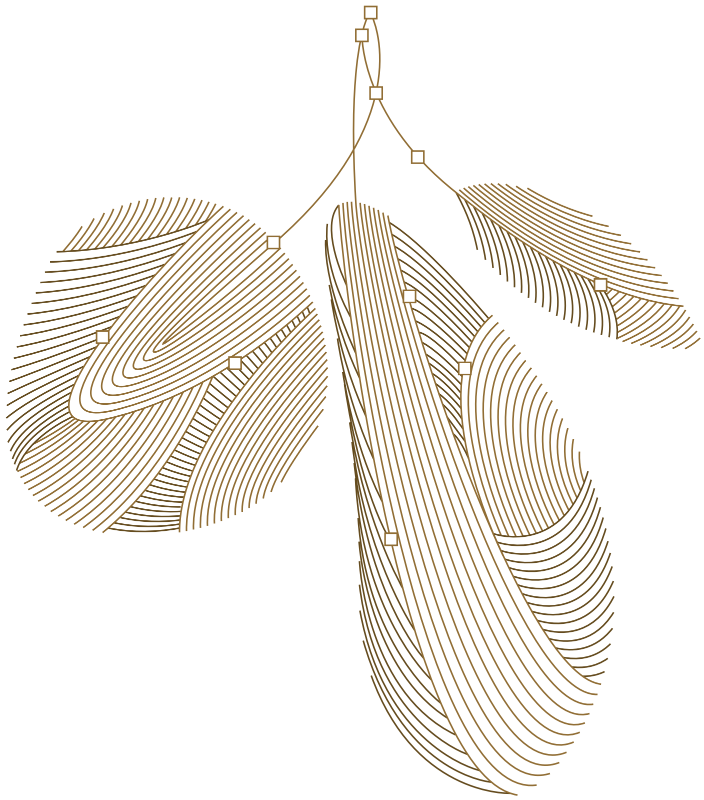
Intermezzo
3
- 1 Chinese Mainland
- 2 Hong Kong & Macau

Total for the Group
451
- **360** Chinese Mainland
- **40** Hong Kong & Macau
- **41** Taiwan
- **10** Europe

THE STORES

Global brands need to flourish. With more than 450 stores and showrooms in fashion capitals around the world and presence in the world's most distinguished and visible luxury department stores, Trinity's global networks are providing fertile ground for an abundance of new potential customers.

chairman's statement



Victor Fung Kwok King
Chairman

The primary objective of Trinity Limited and its subsidiaries (the "Group") for 2013 was to strengthen the establishment of its high-end to luxury menswear brands on a global level. Despite China's macroeconomic and market conditions that have impacted business on an industry-wide scale, the Group made considerable progress on brand development globally.

Trinity's 'Global Brands, Global Networks' strategy continues to raise the international profile and geographic expansion of our owned brands such as Kent & Curwen, Gieves & Hawkes and Cerruti. Our universally recognised creative directors and design teams are establishing acclaimed collections in leading fashion capitals, all well covered by the international fashion media and buyers.

While we invested in brand development and promotion, we also faced a challenging business environment over the past 18 months. Sales and profitability have suffered for well-documented reasons that are impacting the industry as a whole. However, Trinity continues to have sound fundamentals in financial health and management resources that will position the Group well in the medium- to long-term.

Business Overview

During the year under review, revenue for the Group decreased by 3.7% to HK$2,695.9 million. Profit attributable to shareholders was HK$308.2 million, a decrease of 42.9% compared to HK$540.1 million recorded in 2012. Apart from the lack of growth in the Chinese Mainland, the Group's investment in brand building from Europe and reduced profit contribution from associates also contributed to the profit decline.

Revenue from the Chinese Mainland decreased by 9.9%, accounting for 55.9% of the Group's total revenue in the Greater China region. Revenue from Hong Kong & Macau increased by 1.6%, Taiwan decreased by 2.5% and Europe increased by 13.1%.

Gross margin across the Group decreased by 6.9% to HK$2,036.1 million year on year.

Review of the Retail Market in Greater China

The driver of economic growth in the Chinese Mainland has shifted from manufacturing exports to government investment in large infrastructure projects and now to domestic consumption. In a nation of 1.4 billion people with a fast-growing middle class, we see the sustainability and potential of Trinity's business. The Group's credibility in its brand portfolio in the Chinese Mainland is further strengthened by its global expansion strategy.

Reform continues in the Chinese Mainland, where the economy is projected to grow at a respectable 7.5% per annum. The change that is having the most impact on the high-end to luxury menswear sector is the general decline in consumer spending driven by curbs on gift-giving. However, these market conditions are also forcing our brands to build stronger loyal customer following.

This is exactly what Trinity's 'Global Brands, Global Networks' strategy is designed to achieve. As the luxury market in the Chinese Mainland grows, it continues to exhibit maturing, more discerning tastes that lean toward international brands with strong reputations, networks and traditions. Over the past two years the Group has been investing in global expansion for Kent & Curwen, Gieves & Hawkes and Cerruti, carefully highlighting each of these heritage brands' unique history, development and international cachet. In short, by investing globally, we have been strengthening our investment in the Chinese Mainland.

'Global Brands, Global Networks' also opens up new sales opportunities worldwide. Today's luxury consumers are not averse to spending money, even in an uncertain macroeconomic environment. What they demand is quality, heritage, personalised services and value for money. Therefore, Trinity has also been pursuing customers in the fashion capitals of Paris, New York and London by increasing its brands' visibility through prominent flagship stores, visual merchandising, effective marketing and celebrity endorsements. The Group's partnership with its licensee, British Heritage Brands, Inc. ("BHB"), has Kent & Curwen poised for expansion across the US and UK from BHB's base in New York. Gieves & Hawkes is boosting its regal British heritage with a new look for its flagship store in London, as well as contemporising, validating and expanding the collections. Cerruti is receiving excellent reviews from the media as well as the US and European retailers with its exclusive French ready-to-wear, the latest collections of which were on full display at our Paris store at No.3 Place de la Madeleine and at both Paris Fashion Weeks.

Sustainability

Trinity continues to emphasise sustainability as a key component of its business model, expanding its activities in this area during the year under review. Employees in Shanghai were part of the office's first open sustainability talk, which covered principles of environmental conservation, health and safety, and anti-corruption measures. The session and other related activities inspired a continued emphasis on sustainability from the Chinese Mainland operations.

During the year, the Group organised 44 events and activities centred on its primary focuses of employee welfare, community outreach and the environment. We mobilise our employees to participate in our sustainability events and contribute a total of about 800 hours of their valuable time in support of these initiatives.

The Group places a high level of focus on the area of vendor compliance to ensure that the suppliers we work with operate in an ethical, sustainable and environmentally friendly manner. This guiding principle will be more important than ever moving forward.

Future Outlook

Menswear is one of the faster-growing segments in the global luxury fashion industry, and consumers in the Chinese Mainland are becoming one of the world's biggest purchasers of high-end goods. Trinity is well positioned to take advantage of this global trend in the medium- to long-term.

The Chinese Mainland remains an incredibly valuable, high-potential market for the medium- and long-term. However, because Chinese consumers are so attuned to market trends, companies must protect their China business by appealing to their international movements. Hence, the Group will continue with its 'Global Brands, Global Networks' strategy.

I am encouraged by our future prospects, especially because Trinity has been embarking upon this investment strategy. The efforts made will be proven worthy in the years ahead. It should also be noted once more just how healthy and fundamentally sound Trinity is at the conclusion of 2013, just four short years after our first as a publicly listed entity.

I would like to take this opportunity to express my deep appreciation to the Board of Directors for their valuable guidance and professional advice and to give due credit for all we have accomplished to our talented and dedicated management and staff around the world. I look forward to working closely with my outstanding colleagues as we push toward greater things in 2014. We are in the right business, at the right time, and the Group's medium- to long-term prospects remain bright.

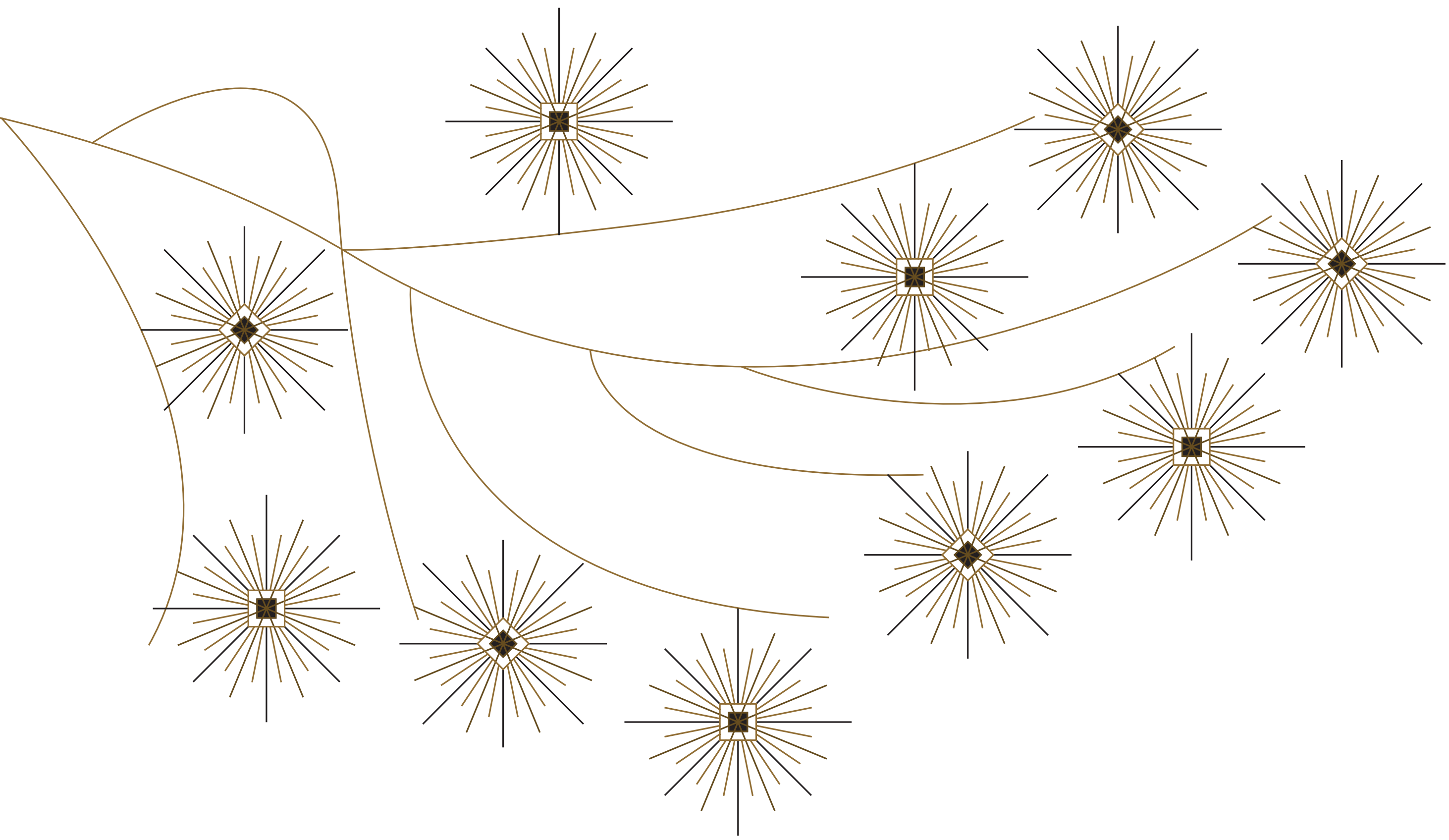
Victor FUNG Kwok King
Chairman

Hong Kong, 14 March 2014

management discussion and analysis financial review

Wong Yat Ming
Group Managing Director

The year 2013 marked a sea change for companies operating in the Chinese Mainland's luxury goods market. Austerity measures imposed by the Chinese Government have greatly reduced demand for gift-giving, until now a substantial revenue generator for the industry.



These reforms, together with the domestic market in its recovery stage, have had inevitable but expected impacts on Trinity's financial performance for the year under review. Revenue decreased by 3.7% for the year, while profit attributable to shareholders decreased by 42.9%. Nevertheless, the Group feels confident about how its business is positioned to leverage the future developments taking place in the high-end to luxury menswear sector and the strategic direction in establishing strong business fundamentals over the medium-term.

Revenue

Group revenue was HK$2,695.9 million for full year 2013, representing a decrease of 3.7% compared with HK$2,800.7 million that was recorded in 2012. Revenue from the Chinese Mainland dropped by 9.9% which was due to lower domestic demand as a result of both a slower pace of economic growth and the continued implementation of stringent austerity measures.

Gross Profit

Gross profit margin in 2013 was 75.5%, down from 78.1% in 2012. The drop was caused by higher promotional discount driven by weakened demand and additional provision on inventory made during the year. Coupled with decline in revenue, gross profit decreased by 6.9% to HK$2,036.1 million.

Selling and Marketing Expenses

Selling and marketing expenses amounted to HK$1,286.0 million in 2013, representing a HK$25.7 million or 2.0% increase over 2012 which was largely from Gieves & Hawkes, a business acquired in May 2012 as well as general cost increase in Greater China. In terms of percentage of revenue, it increased from 45.0% to 47.7%. The increase was due to a drop in cost efficiency as a result of weakening sales.

Administrative Expenses

Administrative expenses increased by HK$44.6 million or 9.6% in 2013 and in terms of percentage of revenue it increased from 16.6% to 18.9%. The increases were primarily due to the addition of senior positions in Europe for Cerruti and Gieves & Hawkes as well as the consolidation of the full year of administrative expenses in Gieves & Hawkes' business in the United Kingdom ("UK") which was acquired in May 2012.

Other Gains – net

Other gains – net increased by HK$32.0 million to HK$47.6 million in 2013. The appreciation of Renminbi during the year accounted for a significant part of the gain.

Gain on Disposal of Investments in Joint Ventures

The gain of HK$4.0 million in 2013 represented the final adjustment of the consideration arising from the disposal of the 30% shareholding in the Ferragamo joint venture companies in December 2012.

Operating Profit

Full year operating margin declined from 20.8% to 13.5%. The decline in gross profit margin and the increase in selling and marketing expenses and administrative expenses as a percentage of revenue accounted for 7.5 percentage points ("ppt") of the drop.

Finance Costs – net

Net finance costs decreased by HK$1.6 million to HK$9.7 million. The improvement was attributed to our accumulation of Renminbi, arbitraging the interest rate differential between Hong Kong Dollar and Renminbi as part of our treasury management process.

Share of Profit of Associates/Joint Ventures

Share of profit of associates/joint ventures declined by HK$49.2 million to HK$16.2 million as a result of the disposal of 30% of the Group's shareholding in the Ferragamo joint venture companies in December 2012 and decline in net profit of these companies in year 2013.

Effective Tax Rate

The effective tax rate increased from 15.2% in 2012 to 16.6% in 2013. The exceptionally low tax rate in 2012 was achieved by the recognition of share option costs as tax deductible expenses in Hong Kong and the release of previously provided withholding tax provision on retained profits of a Ferragamo joint venture company. The increase in unrecognised tax losses and the absence of the reversal of withholding tax provision largely explained the slight increase of tax rate to 16.6% in 2013.

Profit Attributable to Shareholders

Profit attributable to shareholders decreased by 42.9% to HK$308.2 million and as a percentage of revenue declined to 11.4% from 19.3%. As a result, basic earnings per share of the Group dropped to 17.8 HK cents from 31.5 HK cents.

Working Capital Management

The Group was able to maintain inventory turnover days of 373 days and trade receivable turnover days of 25 days in 2013. They were largely in line with the 378 days and 28 days for inventory and trade receivable achieved in 2012. The Group's trade payable turnover days, however, decreased from 61 days in 2012 to 47 days in 2013. The decrease was mainly attributable to the year on year of decrease in average trade payables balance as a result of revenue decline and the consolidation of the full year cost of goods sold in Gieves & Hawkes' business.

Financial Position and Liquidity

The Group generated net cash from operating activities of HK$227.9 million, lower than the HK$328.9 million achieved in 2012. The decrease was mainly due to a drop in operating profit which was partly offset by a decrease in tax payment during the year 2013.

During the year, the major investing activity of the Group was the purchase of convertible promissory notes amounting to HK$77.6 million (of which HK$71.6 million is shown as loan receivable and HK$6.0 million as derivative financial instrument) issued by British Heritage Brands, Inc. ("BHB"), a licensee of Kent & Curwen in Europe, North America, Central America, South America, Russia and the Middle East ("defined licensed territories"). The proceeds are for the development of licensee business in the defined licensed territories.

The net debt position of the Group was HK$90.7 million and the net debt to equity ratio, was 2.6% as at 31 December 2013.

Credit Risk Management

Trade receivables from department stores and receivables from licensees are the major credit risk of the business. The Group has established procedures to evaluate and monitor the credit risk of department stores and licensees in order to control its exposure in this area. The Group's trade receivable turnover days of 25 days achieved in 2013 was in line with the 28 days in 2012. At the end of December 2013, the Group's debtors ageing analysis showed the percentage of receivables over three months old was 3.4% 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 materials 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 in 2013.

Banking Facilities

The Group has secured adequate bank lines of approximately HK$1,955.1 million for operational contingencies. A total of HK$1,410.0 million in revolving loans, repayable within one year, were utilised, and HK$55.9 million was utilised for trade financing and bank overdrafts at year end. The undrawn facilities at year end amounted to HK$489.2 million.

Purchase of Convertible Promissory Note

Our continued commitment and collaboration with BHB to expand Kent & Curwen into the defined licensed territories require the purchase of convertible promissory notes issued by BHB, of which HK$77.6 million was taken up during 2013 and approximately HK$38.8 million will be paid by 31 August 2014. Under this arrangement the Group could own 23.94% of BHB after exercising the conversion option. It provides the Group with a profit sharing upside in a market with enormous potential and with a partner who has extensive market expertise in developing high-end to luxury menswear brands. The Group signed a licensing arrangement with BHB in 2012 to sell and distribute Kent & Curwen merchandise in the defined licensed territories.

Geographical Analysis for Retail and Licensing Businesses

Revenue

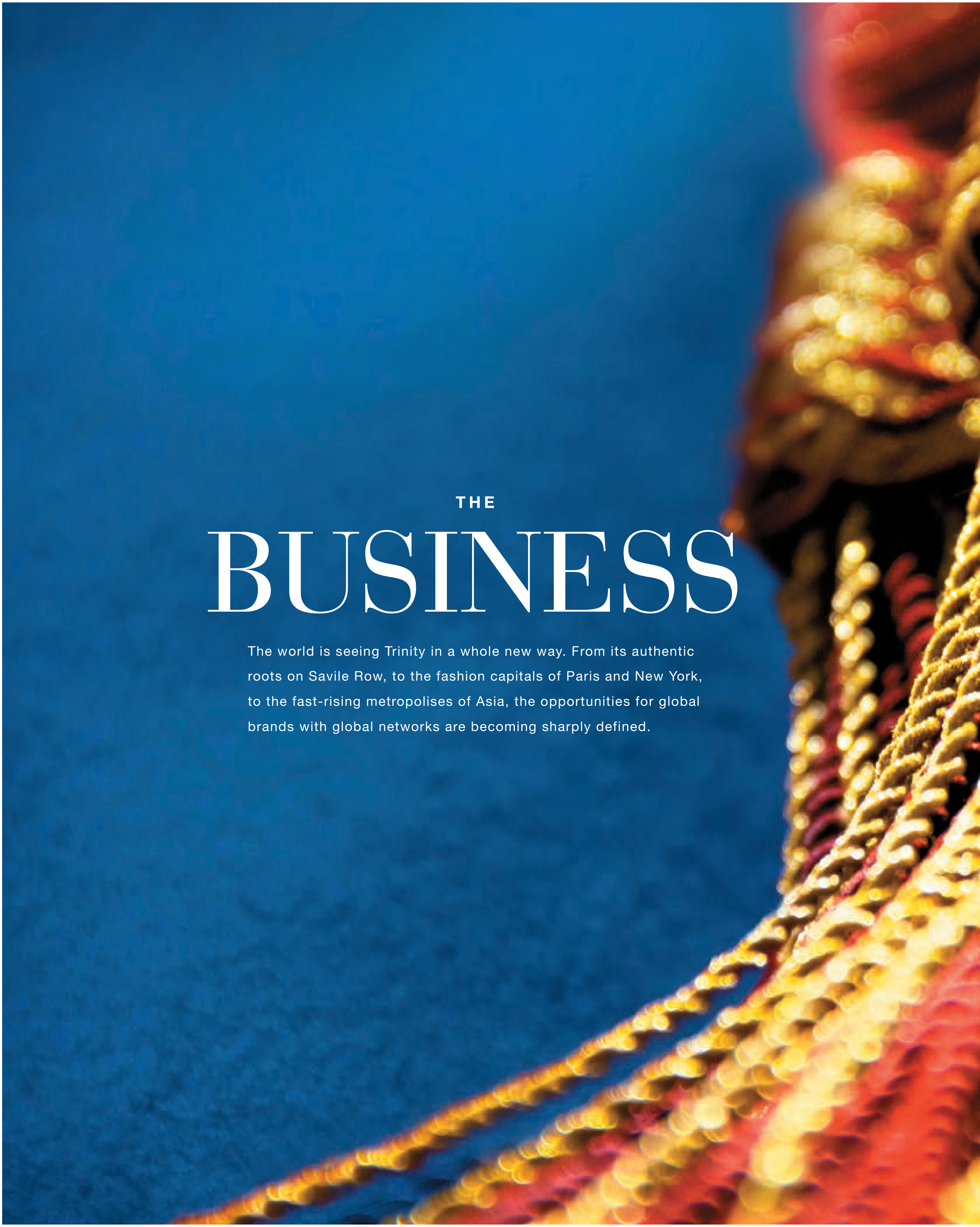
Retail revenue in Greater China recorded a drop of 5.3% with Hong Kong & Macau achieving a 2.0% growth but the Chinese Mainland and Taiwan suffered a decline of 9.9% and 2.5% respectively. The same-store sales growth rates reflected a similar trend of which Hong Kong & Macau grew 6.0% while the Chinese Mainland and Taiwan contracted by 11.1% and 2.8% respectively. Meanwhile, retail revenue in Europe increased by 22.1% as a result of the acquisition of Gieves & Hawkes business in the UK in May 2012. The contribution of revenue from Europe to the Group increased to 10.7% from 9.1%.

Gross Margin

The Group recorded a decline in its retail gross margin of 2.3 ppt in Greater China to 76.1%. This was caused by adverse market conditions and out of which an increase in stock provision accounted for 1.0 ppt of the total gross margin decline. The retail gross margins of Hong Kong & Macau, the Chinese Mainland, Taiwan and Europe were 78.4%, 75.5%, 69.9% and 54.6% respectively which declined by 0.9 ppt, 3.1 ppt, 2.6 ppt and 6.0 ppt compared with 2012.

Segmental earnings before net finance costs and income tax expense ("Segmental contribution")

Segmental contribution decreased by HK$271.3 million. Chinese Mainland and Europe showed the highest decline due to adverse market conditions and the Group's infrastructure investment in Europe respectively.



THE

BUSINESS

The world is seeing Trinity in a whole new way. From its authentic roots on Savile Row, to the fashion capitals of Paris and New York, to the fast-rising metropolises of Asia, the opportunities for global brands with global networks are becoming sharply defined.

management discussion and analysis operations review

Stores

360 The Chinese Mainland	9 UK
40 HK & Macau	1 France
41 Taiwan	

The austerity measures that were imposed as part of the ongoing reforms on the Chinese Mainland have had an inevitable effect on companies operating in the luxury sector, which will likely carry well into the future. This impacts Trinity because gift purchasing, one of the main activities targeted with these measures, has traditionally been a significant revenue-generator for companies in high-end to luxury menswear.

However, while the new restrictions on gifts have resulted in some initial growing pains, they have also redefined and clarified business strategies in the industry. Companies must now build real demand from customers who make purchases for self-use if they are to succeed in the long-term. The Group's 'Global Brands, Global Networks' strategy is designed to build a loyal international following for each of its fully-owned brands – Kent & Curwen, Gieves & Hawkes and Cerruti – and, in turn, boost cachet and sales on the Chinese Mainland, the most high-potential luxury goods consumer market in the world.

Our progress in this regard has been excellent. Each member of Trinity's portfolio enjoyed considerable upticks in its visibility and profile in 2013. Higher exposure has come as the result of significant investments in upgrading the collections and in marketing, advertising, celebrity endorsements, media relations and high-profile events.

The Group is doing everything it should to maximise productivity and profitability. Store network review and rationalisation is ongoing.

Trinity's partnership for Kent & Curwen with its licensee, BHB, continues to make encouraging inroads in the United States ("US") market, with an introduction of new collection and stores. Gieves & Hawkes now has among its collections one which is 100% made in the UK, and with the upgrading of its flagship store at No. 1 Savile Row the brand is generating significant media hype among the international fashion press. Cerruti with its well acclaimed fashion shows in Paris is also generating excellent reviews and interest from international press and retailers.

As always, employee welfare, community relations and sustainability played large roles in how the Group conducted its business during the year under review. The Group is exceptionally proud of the volunteering track record of our employees and their dedication to the communities where we operate.

Store Network Development

Now is not the ideal time for store network expansion in the Chinese Mainland and we have been regularly reviewing our retail network and rationalising where necessary. In the Chinese Mainland the Group opened 48 new stores and closed 74 stores.

In Europe the Group now operates 10 stores. This includes Gieves & Hawkes' famed No. 1 Savile Row in London and Cerruti's flagship store at No. 3 Place de la Madeleine in Paris. BHB also operates the Kent & Curwen store at No. 2 Savile Row in London and distributes through a network of stores in the US.

In total, Trinity opened 56 new stores and closed 91 stores in 2013, representing a net decrease of 7.2%. As at 31 December 2013, the Group operated a total of 451 stores, of which 360 were located in the Chinese Mainland, 40 in Hong Kong & Macau, 41 in Taiwan, 9 in the UK and 1 in France.

Marketing & Promotion

Trinity's marketing and promotional activities centre primarily on three fully-owned brands: Kent & Curwen, Gieves & Hawkes and Cerruti. These three global brands represent over 90% of the Group's revenue.

Trinity has reviewed the brand DNA to strategically accentuate its brands and their attributes. Tactics have included fashion shows and seasonal collections presentations, advertising, publicity and promotions, store launch events, press events for seasonal collections, and interviews with brand representatives such as their global brand heads and creative directors.

Kent & Curwen

In 2013, we continued to make excellent progress marketing the brand in the US and Europe and building affinity for its unique style and heritage through the partnership with BHB.

Kent & Curwen's first collection by BHB, Fall/Winter 2013, was sold in approximately 40 doors across North America and Europe. To support this collection, an advertising campaign was launched featuring Mr Alastair Cook and Mr Nick Compton, both star cricket players for the English national team. The strategy is to have the US and UK markets lead the way to build an international image while the brand gradually moves toward having a substantial international store network.

The Group announced exciting news in November 2013 when it signed global football superstar and former England striker Mr Michael Owen as Kent & Curwen's official brand ambassador. The appointment is intended to reinforce Kent & Curwen as a purveyor of high-end sportswear and to enhance its brand awareness in Greater China. Together with Mr Aaron Kwok, they were the key celebrities at the fifth Kent & Curwen Centenary Sprint Cup at the Shatin Hong Kong Jockey Club in January 2014.

Gieves & Hawkes

In 2014, Gieves & Hawkes celebrates 205 years of unbroken service to the British Monarchy. It is the only brand to have continually served the Monarch since our first Royal Warrant of Appointment was granted by King George III in 1809. In honour of the brand's Royal patronage, a luxury capsule collection of ready-to-wear suits, jackets, shirts, ties, coats and shoes all handmade in the UK which carries the in-house name 'The Royal Collection' was unveiled at No. 1 Savile Row and is soon to be rolled out to our top 20 stores globally. This new collection and our historic archive of men's clothing spanning over 200 years were displayed in the gardens of Buckingham Palace during July 2013 and was attended by various members of the British Royal Family, celebrities and VIP customers.

In China, Gieves & Hawkes launched a new campaign to bring the brand's new collection to the domestic market. The campaign was spearheaded by the London management, demonstrating how the 'Global Brands, Global Networks' strategy is having a real impact on the Group's business in the Chinese Mainland.

london

Kent & Curwen Spring/Summer 2014 Collection
Fashion Presentation at Lord's Pavilion

cheshire

Michael Owen, Kent & Curwen Brand
Ambassador, shot at Manor Stables

Cerruti

Cerruti is designed and marketed under two lines: Cerruti 1881 and the more exclusive and acclaimed Cerruti 1881 Paris.

The latest Cerruti 1881 Paris collections were shown at Paris Men's Fashion Week in January and June 2013, contributing to an auspicious first half of the year for the Group's 'Global Brands, Global Networks' strategy. The brand's Fall/Winter 2013 collection was launched in Paris, and selected stores were hand-picked in Greater China to carry this ultra-exclusive, high-quality line, which represents one of Cerruti's finest ever.

In October 2013, Trinity held a media preview in Shanghai to promote the collection, with the goal of conveying Cerruti's heritage, design and quality to customers in the domestic market. The Group understands that diffusing Cerruti's attributes in the Chinese Mainland will be a gradual process, but it does so with the confidence that, as the brand continues to grab the attention of the fashion world at events such as Paris Fashion Week, more and more Chinese luxury shoppers will become advocates.

london

Alex Hua Tian, Gieves & Hawkes Brand Ambassador, at the Coronation Festival at the Buckingham Palace

beijing

Cerruti 1881 Fall/Winter 2013 Press Open House at Maison Boulud

Sourcing

An important initiative in 2013 was to continue strengthening Trinity's supply chain management infrastructure. Key to this is protecting the integrity of the product and ensuring that third-party suppliers meet our high standards in regard to quality assurance, workplace ethics and sustainability.

Human Resources

An increasingly global business requires finding talented people and grooming them into leaders who can work across markets and cultures. Regardless of the business circumstances, Trinity will always invest in its human resources, training and employee retention to maintain an industry-leading staff force who can help the Group meet its goals.

In the first half of the year, the Group held the Trinity Elite Lessons in Leadership ("TELL") Programme, a continuous learning programme for managers that also facilitates cross-department communications and learning. October 2013 marked a follow-up Leadership Through Influencing Core Values programme, where more than 40 TELL graduates came together in Hong Kong to extend their studies in the Group's core values of respect and team spirit. During the year the Group also conducted service, supervisory, management, leadership and product training for its frontline staff. These classes were held across Greater China and covered all brands, ensuring that customer-facing employees know the key attributes of service, management as well as new collections under the Trinity brand portfolio.

Given the more difficult operating conditions, the Group implemented a headcount freeze in 2013 to control overhead costs. As at 31 December 2013, the Group had a total workforce of 3,699 employees (representing a decrease of 4.9% as compared with that as at 31 December 2012, arising mainly from a slight decrease in the number of stores of the Group), comprising 967 employees in Hong Kong & Macau, 2,373 employees in the Chinese Mainland, 178 employees in Taiwan and 181 employees in other countries.

The Group's total staffing costs for the year ended 31 December 2013 amounted to HK$685.5 million, representing an increase of 3.9% as compared with that for the same period in 2012, mainly attributable to Europe. The Group offers competitive remuneration packages and development opportunities to its employees, and the general increase in salary also contributed to the increase in total staffing costs as mentioned above.

Information Technology

As part of its omni-channel marketing strategy, the Group is aggressively building its online presence to make it easier for customers to engage with its brands. Content includes online brand catalogues, promotional news, loyalty programme information, shipment tracking, and a function that enables customers to book tailoring appointments.

In 2013, the IT team successfully deployed a replenishment module for core items. This process considers factors including weekly store sales, store and warehouse minimum stock levels, and delivery lead times. The system then prompts the issue of transfer orders for stock replenishment to stores or factory production orders.

To keep stores up to date with product information and brand-related news, the Group is testing tablets with mobile applications, or apps, in over 30 stores in Hong Kong, Macau and Taiwan. By using the apps, stores can obtain updated information on the latest product catalogues, marketing events, videos and news. Registration apps have also been built into the tablets to capture information and grow VIP customer databases. More tablets will be installed at stores across all the Group's brands and markets in 2014.

Additional customer-centric mobile applications will be designed and developed in 2014 to enhance customer relationship management and in-store customer experience, which will build customer awareness of the Group's brands and products.

Corporate Social Responsibility & Sustainability Initiatives

In September 2009, the Group launched its formal corporate social responsibility programme, which covers three primary themes: employees, the environment and the community. During the year under review, a head count of 3,300 participated in 44 activities spread across these themes, and dedicated a total of about 800 hours of their own time volunteering for charitable initiatives.

Trinity believes that people who buy high-end to luxury branded products expect products of the highest quality and hence Trinity strives to make and sell products according to the highest principles of social responsibility and sustainability. The Group conducts compliance testing or verification procedures with suppliers in Hong Kong, ensuring that they comply with international standards of human rights, labour laws and environmental conservation. It also dedicates time and resources to educating its employees about health and safety, ethical business and environmental practices, and ways to combat corruption.

This year the Group continued with its sustainability journey with relevant education programmes covering health, safety, environmental conservation, human rights and anti-corruption measures in both Hong Kong and the Chinese Mainland. These programmes have inspired our colleagues to initiate environmental conservation activities as well as services for the community.

Other employee caring and engagement initiatives included seminars on health and fitness, specifically on the subjects of monitoring for and treating breast cancer, managing blood pressure, and reducing risk of diabetes and hepatitis B. The Group strove to encourage a more fun, relaxing work environment in 2013 by hosting a number of activities, including Mother's Day cake-making, Dragon Boat Festival rice dumpling-making, tai-chi classes, wine tasting sessions and a Christmas cake class.

In the area of environmental conservation, Trinity started using biodegradable plastics for its inner packaging and is insisting that suppliers use them too. The Group believes the higher costs associated with using environmentally friendly resources where feasible will help reduce its environmental footprint. We are also sourcing natural fibres such as bamboo for certain clothing items. For example, over 50% of Cerruti's Spring/Summer 2013 collection used natural fibres as well as 50% recyclable materials in its fabric labels, and a small portion of the Gieves & Hawkes' Spring/Summer 2013 collection was made from bamboo. The Group also effectively minimised its paper consumption this year.

In the community, Trinity staff continued to participate in World Vision's 'Skip a Meal' programme for hunger awareness and WWF's Earth Hour for environmental conservation. Employees also volunteered their valuable personal time to various community improvement campaigns such as tree-planting and recycling campaigns, school engagement and job shadowing activities, Philippines typhoon relief, Sichuan earthquake relief, Jakarta flood relief and many more.

On an important note, Trinity requests that its suppliers refrain from using Uzbekistani cotton due to government-sanctioned violations of forced labour and child labour laws. This condition has been in place since 2011.

Looking Ahead

The Group's near-term outlook for the Chinese Mainland is cautious. The country's economic slowdown appears to have bottomed, but there is no catalyst yet for a rebound. In the medium- to long-term, however, we believe – as do many analysts, economists and industry colleagues – that the country will fulfil its promise as the biggest luxury market in the world. Luxury consumers in the Chinese Mainland remain the most sought-after in the world, and they are the Group's primary focus both at home and abroad.

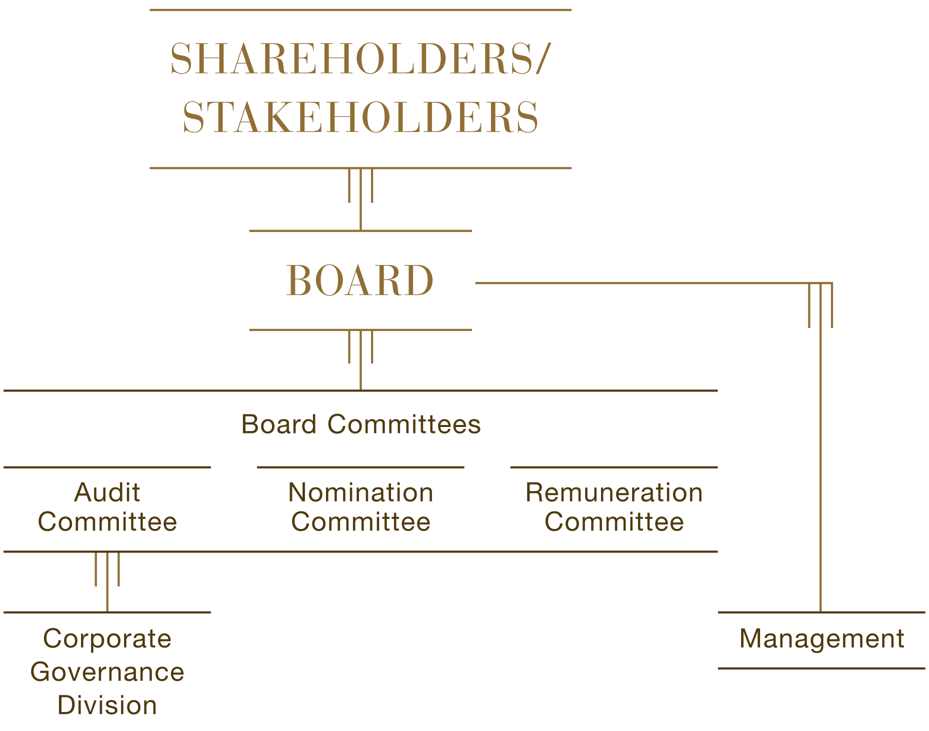
Trinity is intently focused on building global brands with enhanced international appeal – ones that will open business opportunities in new markets and attract even more affinity among consumers in the Chinese Mainland. With full ownership of Kent & Curwen, Gieves & Hawkes and Cerruti, Trinity controls about 90% of its revenue stream and one of the most impressive brand portfolios of its kind.

While Trinity's financial accomplishments were expectedly modest during the year, the Group achieved many of the objectives it set out at the beginning of 2013 – namely, to further strengthen its 'Global Brands, Global Networks' strategic platform and optimise its store network, staffing and other overhead costs in an effort to control expenses and deliver shareholder value.

It is also instructive to consider Trinity's development over the four-year period since the Company's listing in 2009. In that timeframe, the Group has expanded while securing control of an enviable collection of high-end to luxury menswear brands. Senior management is as confident as ever that Trinity will grow and succeed over the medium- and long-terms.

corporate governance report

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 Corporate Governance Code ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").



CORPORATE GOVERNANCE STRUCTURE

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.

The Board is composed of the Non-executive Chairman, three Executive Directors, four Non-executive Directors and four Independent Non-executive Directors following the re-designation of the office of an Executive Director to a Non-executive Director in February 2014. Biographical details and relevant relationships of the Board members are set out in the Directors and Senior Management section on pages 46 to 56.

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 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 in serving boards of listed companies and are able to provide independent 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 Company's organisational structure is designed to maintain an appropriate balance of responsibility between the Board and the Management. While the Board is responsible for setting up the overall strategy, the general management and day-to-day decisions and matters are delegated to the Management, 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 the Management fully understand their respective roles and are supportive of the development of a healthy corporate governance culture.

Independence of Independent Non-executive Directors

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 2013. Each Independent Non-executive Director is required to inform the Company as soon as practicable if there is any change that may affect his/her independence. The Company considers all of the Independent Non-executive Directors to be independent during the year ended 31 December 2013.

Corporate Governance Measures to Safeguard the Independent Shareholders' Interests

Directors are required to declare their direct or indirect interests, if any, in any proposals or transactions to be considered by the Board at Board meetings. They will not vote on any resolution nor be counted in the quorum at any Board meeting for approving any transaction in which they have material interests. 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.

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.

The Board has reviewed and confirmed that various corporate governance measures as stated in the Company's prospectus dated 21 October 2009 were duly complied with during the year ended 31 December 2013.

Information and Continuous Professional Development

All new Directors shall receive an induction briefing on the Group's structure, businesses and governance practices to enhance their knowledge and understanding on the Group's operation. The Directors are kept informed on a periodic basis of major changes that may affect the Group's businesses, including relevant rules and regulations.

The Board and each Director 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, two separate meetings were held during 2013 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 2013.

All the Directors are encouraged to participate in continuous professional development so as to refresh their knowledge and skills for discharging their duties and responsibilities as Directors of the Company. During 2013, all Directors attended relevant training programmes provided by the Company. The Directors also participated in other training sessions, forums or talks organised externally. Relevant training records have been received.

Appointment and Re-election of the Directors

All non-executive Directors are appointed for a term of three years and all Directors are subject to retirement by rotation and re-election at annual general meeting ("AGM"). 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 AGM of the Company and shall then retire and be eligible for re-election. During the AGM held in 2013, four Directors, namely Dr Victor FUNG Kwok King, Mr Danny LAU Sai Wing, 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 forthcoming AGM, Dr William FUNG Kwok Lun, Mr Jose Hosea CHENG Hor Yin, Ms Sabrina FUNG Wing Yee and Mr Michael LEE Tze Hau will retire and offer themselves for re-election at the forthcoming AGM.

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 attended all meetings of the Board and Board Committees in 2013 to advise on corporate governance matters covering risk management, internal controls, and relevant compliance issues relating to business operations, 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.

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 2013 is detailed in the following table:

● attended ○ unattended

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Non-executive Directors				
Dr Victor FUNG Kwok King	● ● ● ○		● ● [1]	● ●
Dr William FUNG Kwok Lun	● ● ● ●		● ●	
Jose Hosea CHENG Hor Yin	● ● ● ●	● ● ● ●		
Jean-Marc LOUBIER	● ● ● ●	● ● ● ●		
Independent Non-executive Directors				
Patrick SUN	● ● ● ●	● ● ● ●	● ●	
Michael LEE Tze Hau	● ● ● ●	● ● ● ●	● ●	● ●
Cassian CHEUNG Ka Sing	● ● ● ●	● ● ● ●	● ●	● ●
Eva CHENG LI Kam Fun	● ● ● ●	● ● ● ●		● ●
Executive Directors				
WONG Yat Ming	● ● ● ●	● ● ● ● [1]		● ● [1]
Bruno LI Kwok Ho	● ● ● ●	● ● ● ● [1]		
Danny LAU Sai Wing	● ● ● ●			
Sabrina FUNG Wing Yee [2]	● ● ● ●			
Group Chief Compliance Officer				
Srinivasan PARTHASARATHY [3]	● ● ● ●	● ● ● ●	● ●	● ●
Dates of Meeting	13/03/2013 28/05/2013 21/08/2013 31/10/2013	11/03/2013 27/05/2013 19/08/2013 31/10/2013	13/03/2013 31/10/2013	13/03/2013 31/10/2013
Average attendance rate	98%	100%	100%	100%

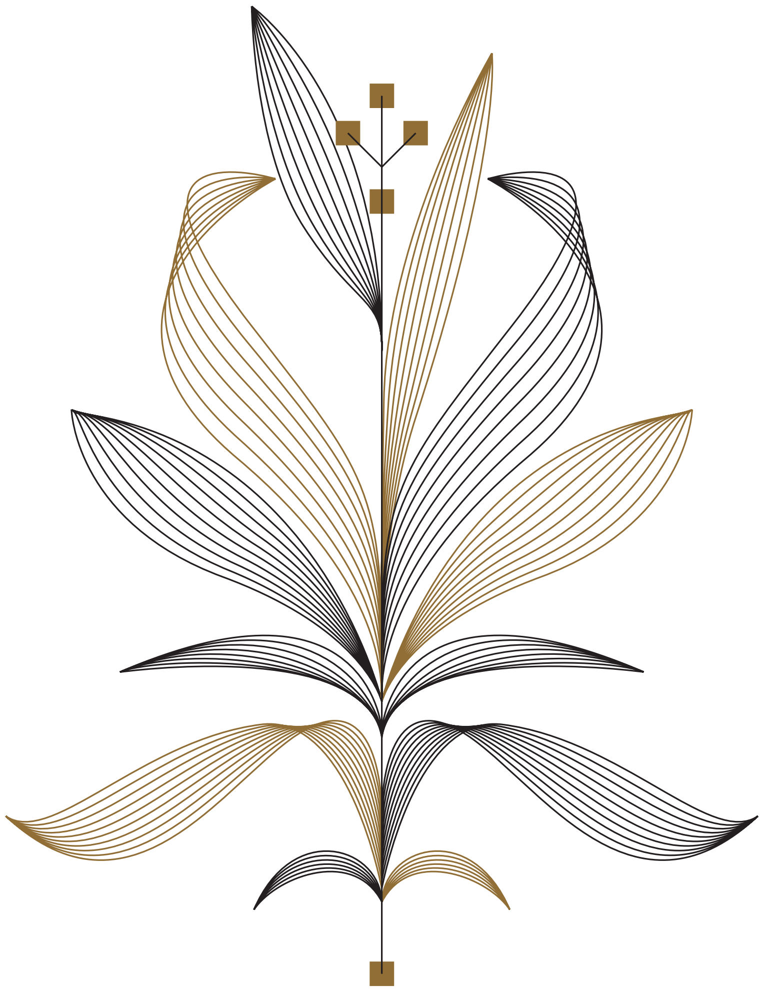
1. *Attended Committee meetings by invitation as a non-member.*
2. *Re-designated as Non-executive Director on 18 February 2014.*
3. *Attended Board and Committee meetings by invitation as a non-member.*

Board Committees

The Board has established the following committees on 1 January 2009 with defined terms of reference (available on the websites of the Company and The Stock Exchange of Hong Kong Limited), which are of no less exacting terms than those set out in the CG Code:

- Nomination Committee
- Audit Committee
- Remuneration Committee

The Committees comprise a majority of Independent Non-executive Directors and to further reinforce independence, all three Committees are chaired by Independent Non-executive Directors. 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 these 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. Majority of the Committee members are Independent Non-executive Directors (with a Non-executive Director, Dr William FUNG Kwok Lun), as set out below:

Mr Michael LEE Tze Hau *(Chairman)*
Mr Cassian CHEUNG Ka Sing
Dr William FUNG Kwok Lun
Mr Patrick SUN

The Committee's written terms of reference cover recommendations to the Board on the appointment of Directors, evaluation of board composition (including diversity), monitoring of continuous professional development of Directors and senior executives, 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 Board has adopted a formal board diversity policy which sets out the approach to diversity on the Board. Under the policy, the Nomination Committee will review and agree the measurable objectives for achieving board diversity on an annual basis and recommend them to the Board for adoption. In reviewing Board composition, the Nomination Committee will consider the benefits of all aspects of diversity including skills, regional and industry experience, background, ethnic background, age, culture and gender, so as to maintain an appropriate range and balance of skills, experience and background on the Board. The Nomination Committee considers the Board to be diverse in respect of the aforesaid evaluation criteria.

The Nomination Committee met twice in 2013 (with a 100% attendance rate) to review the retirement of directors and recommend their re-appointment at the AGM held in May 2013; to recommend the adoption of board diversity policy; and to review and discuss the results on the Board performance evaluation and the succession planning.

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. The majority of the Committee members are Independent Non-executive Directors (with two Non-executive Directors, Mr Jose Hosea CHENG Hor Yin and Mr Jean-Marc LOUBIER), as set out below:

Mr Patrick SUN *(Chairman)*
Mr Cassian CHEUNG Ka Sing
Mr Michael LEE Tze Hau
Mrs Eva CHENG LI Kam Fun
Mr Jose Hosea CHENG Hor Yin
Mr Jean-Marc LOUBIER

All Committee members possess appropriate professional qualifications or accounting or related financial management expertise or industry expertise to advise on all the above matters.

The Audit Committee met four times in 2013 (with a 100% attendance rate) to review with senior management, the Company's Corporate Governance Division ("CGD"), and external auditor 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 audit of the Group.

In 2013, 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 2013, 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, PricewaterhouseCoopers ("PwC"), the Company's external auditor, was invited to attend all the Audit Committee meetings in 2013. During the year under review, two separate sessions were 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 2013 by PwC are as follows:

Services rendered	2013 HK$'000
Audit services	**5,206**
Non-audit services	
Taxation	**628**
Others	**357**
Total	**6,191**

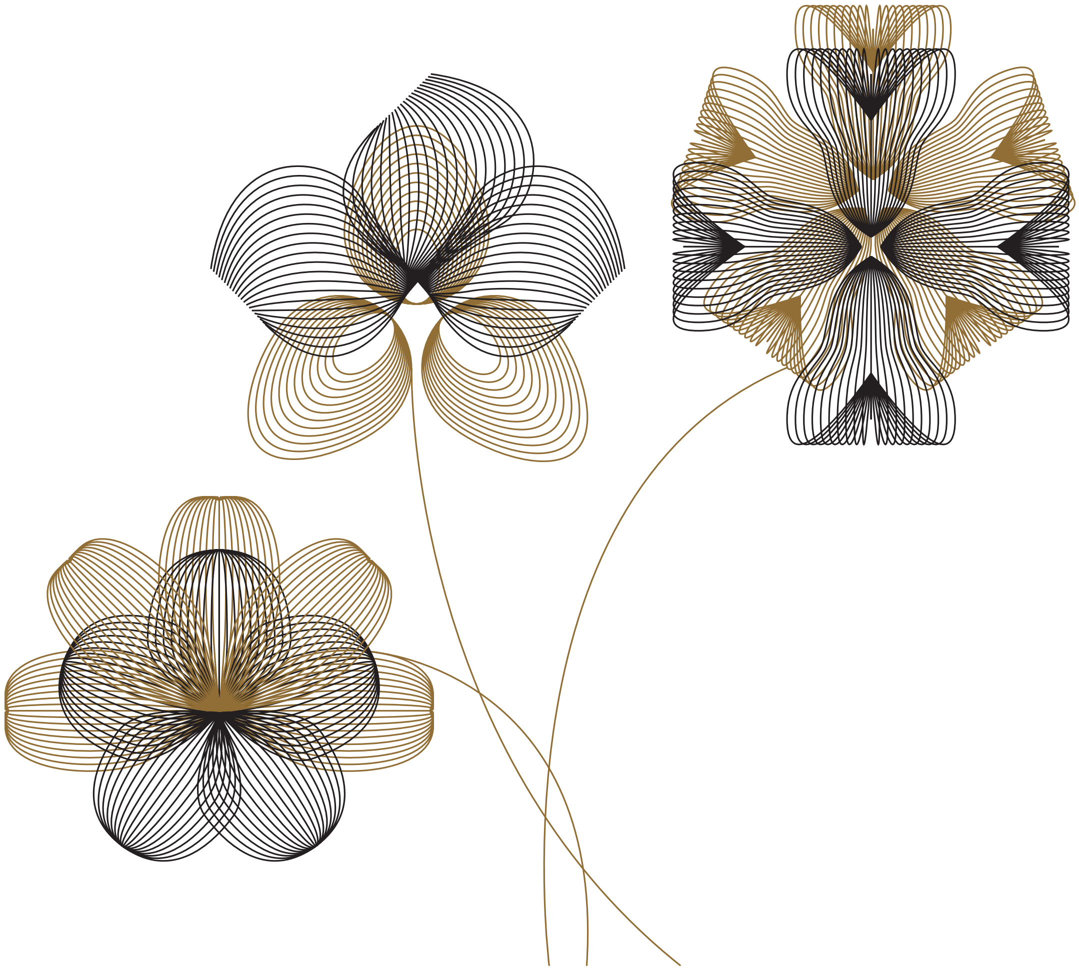
The nature and ratio of annual fees to the external auditor for non-audit services and for audit services are subject to scrutiny by the Audit Committee. Prior to the commencement of the audit of the Company's 2013 financial statements, the Committee received written confirmation from PwC on its independence and objectivity as required by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Members of the Committee are satisfied with the audit fees, 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 2014 at the coming AGM.

Remuneration Committee

The Remuneration Committee was established on 1 January 2009. Majority of the Committee members are Independent Non-executive Directors (with a Non-executive Director, Dr Victor FUNG Kwok King), as set out below:

Mr Cassian CHEUNG Ka Sing *(Chairman)*
Dr Victor FUNG Kwok King
Mr Michael LEE Tze Hau
Mrs Eva CHENG LI Kam Fun



The Committee's responsibilities as set out in its written terms of reference include the review of the Group's remuneration policy and approval of the remuneration policy for all Directors and senior management, the determination (with delegated responsibility) of the remuneration packages of individual executive directors and senior management, and the granting and allocation of share options under the Company's share option schemes.

The Remuneration Committee met twice in 2013 (with a 100% attendance rate) to review and approve the bonus payment to directors and senior management for 2012 as well as the remuneration packages for senior management from 2014 to 2016.

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 111 to 113.

Remuneration Policy for Non-executive Directors

The remuneration, comprising Directors' fees, of non-executive Directors is determined by the Board and approved by the Shareholders from time to time with reference to the range of remuneration of other companies listed on the Stock Exchange with similar market capitalisation. 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 111 to 113.

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.

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 the Management fully understand 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 to the consolidated financial statements on pages 96 to 103.

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 advisers, 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

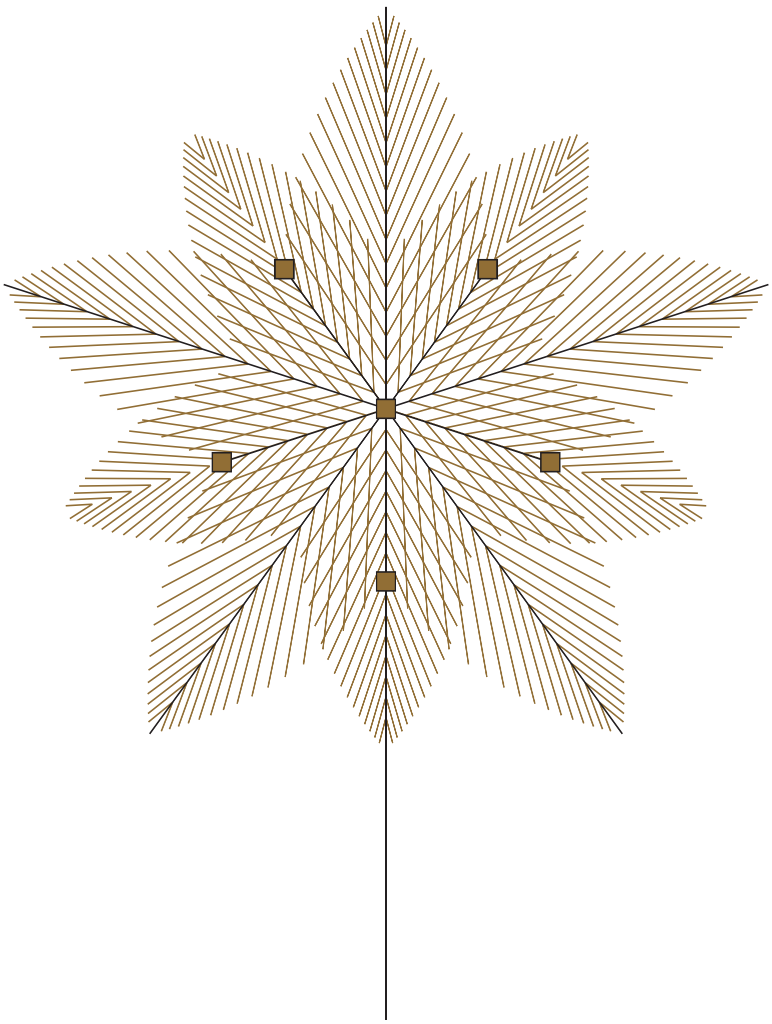
The Group places great emphasis on staff's ethical standards and integrity in all aspects of its operations. Guidelines of the Group's code of conduct, business ethics, and Whistle Blowing Policy are posted on the Company's intranet for ease of reference and as a constant reminder to all staff members.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

Directors' Securities Transactions

The Group has adopted procedures governing Directors' securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules. Relevant employees who are likely to possess inside 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 2013. No incident of non-compliance by Directors and relevant employees was noted by the Company in 2013.

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 (2011-2013) 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 mainly covers 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 2013, 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 58 to 68. 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 2013.

Directors' Responsibilities and Auditor's Responsibility for Financial Statements

The Directors' responsibilities for preparing the financial statements are set out on page 68 and the auditor's reporting responsibility is set out on pages 69 and 70.

Compliance with the CG Code

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 CG Code contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2013.

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 2013, 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.trinitygroup.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 on the website. The Company is aware of its obligation under the Securities and Futures Ordinance and the Listing Rules, including the overriding principle that information which is expected to be inside information should be announced promptly and to prevent selective or inadvertent disclosure of inside information. Only selected members of Management are authorised to act as spokespersons and respond to related external enquiries.

The Company regards the AGM as an important event as it provides an opportunity for the Board to communicate with the shareholders. The Chairman of the Board, the Chairman of the Committees (in their absence, their duly appointed delegates) and external auditor attend the AGM to answer any questions from the shareholders. All Directors attended the AGM held in 2013. 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 websites of the Company and the Stock Exchange.

In 2013, 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 2013, are set out in the Information for Investors section on page 57.

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 at least once a month to review the efficiency and effectiveness 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 26 and 27.

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.

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 pages 28 and 29.

directors and senior management



Executive Directors
WONG Yat Ming | Bruno LI Kwok Ho | Danny LAU Sai Wing

Senior Management

Agnes SHEN | Godwin LAM Kin Ping | Catherine GERARDIN-VAUTRIN

Senior Management
Carissa FORTINO | Raymond Mark CLACHER | Michelle NG Keng Chu

EXECUTIVE DIRECTORS

WONG Yat Ming | *Group Managing Director*

Aged 63, 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 the Fung group in 1999 as Regional Director of Fung Distribution International Limited. Mr Wong is a director of Fung Retailing Limited, a substantial shareholder of the Company, and also a director of Fung (1906) Foundation 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. He also has ample experience in the marketing of consumer brands and 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.

Mr Wong holds a Bachelor of Arts (Hons) degree in Economics and Philosophy from The University of Hong Kong.

Bruno LI Kwok Ho | *Chief Financial Officer*

Aged 64, 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 Fung Holdings (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 Fung Retailing Limited (the retailing arm of the 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 62, 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. 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.

NON-EXECUTIVE DIRECTORS

Dr Victor FUNG Kwok King ***GBM, GBS, CBE*** |
Non-executive Chairman

Aged 68, 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 Group Chairman of the Fung group, a Hong Kong-based multinational group which comprises operating groups engaging in trading, logistics, distribution and retailing. They include publicly-listed Li & Fung Limited, Convenience Retail Asia Limited and the Company. Dr Fung has become Honorary Chairman of Li & Fung Limited after stepping down as its Group Chairman since May 2012. In addition, he is a director of King Lun Holdings Limited, Fung Holdings (1937) Limited, Fung Retailing Limited and Fung Trinity Investments Limited, which are substantial shareholders of the Company. 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 and Chow Tai Fook Jewellery Group Limited (Hong Kong), Koç Holding A.Ş. (Turkey) and China Petrochemical Corporation (People's Republic of China). He was an independent non-executive director of Baosteel Group Corporation (October 2005 – January 2013). Dr Fung is Founding Chairman of the Fung Global Institute, an independent, non-profit think-tank based in Hong Kong. He completed the term as Honorary Chairman of the International Chamber of Commerce ("ICC") in June 2013, while continues to chair the World Trade Agenda Initiative of ICC's G20 Advisory Group. In public service, Dr Fung is a member of the Chinese People's Political Consultative Conference and a vice chairman of China Centre for International Economic Exchanges. He is also a member of the Economic Development Commission of the Hong Kong Government. Dr Fung was Chairman of the Hong Kong Trade Development Council (1991 – 2000), the Hong Kong representative on the APEC Business Advisory Council (1996 – 2003), Chairman of the Hong Kong Airport Authority (1999 – 2008), Chairman of The Council of The University of Hong Kong (2001 – 2009), Chairman of the Hong Kong – Japan Business Co-operation Committee (2004 – 2010), Chairman of the Greater Pearl River Delta Business Council (2004 – end of February 2013), a member of the Commission on Strategic Development of the Hong Kong Government (2005 – June 2012), Chairman of ICC (2008 – 2010), and a member of WTO Panel on Defining Future of Trade (2012 – April 2013). In 2003 and 2010, the Hong Kong Government awarded Dr Fung the Gold Bauhinia Star and Grand Bauhinia Medal, respectively, for distinguished service to the community.

Dr William FUNG Kwok Lun *SBS, OBE, JP* |
Non-executive Deputy Chairman

Aged 65, 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 Chairman of Li & Fung Limited and a non-executive director of Convenience Retail Asia Limited of the Fung group. He is a director of the substantial shareholders of the Company, King Lun Holdings Limited, Fung Holdings (1937) Limited, Fung Retailing Limited and Fung Trinity Investments Limited. He is also a director of the Fung Global Institute, an independent, non-profit think-tank based in Hong Kong. He is past Chairman of the Hong Kong General Chamber of Commerce (1994-1996), the Hong Kong Exporters' Association (1989-1991) and the Hong Kong Committee for Pacific Economic Cooperation (1993-2002). 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 The Hong Kong Polytechnic University. Currently, 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, and an independent director of Singapore Airlines Limited.

Jose Hosea CHENG Hor Yin | *Non-executive Director*

Aged 47, is a Non-executive Director appointed in December 2006. Prior to joining the 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 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 director of Furla Hong Kong Retail Limited, a ladies accessories company; a non-executive director of Lever Style Inc, a garment manufacturer; and a director of KTF Holdings Limited, which invests in the business of textile and apparel sourcing, distribution and brand management in Japan and China.

Jean-Marc LOUBIER | *Non-executive Director*

Aged 58, was appointed an Independent Non-executive Director on 1 June 2009 and re-designated as a Non-executive Director on 23 March 2011. He is the Chief Executive Officer of HKL Holding in Paris, France. He is also the Chief Executive Officer of RC Holdings SAS, which operates the footwear and accessories brand, Robert Clergerie. Mr Loubier is the President of First Heritage Brands Advisory SAS (previously known as Fung Heritage Brands Advisory SAS) and Delvaux Design Coordination & Finance NV and the Chairman of Sonia Rykiel Creation et Diffusion de Modeles SA. He is also the Chairman of the Supervisory Board of Cerruti 1881 SAS and *Gérant* of Toga Investments France SARL, both are the Company's subsidiaries in France. He is a Board Member of Federation Francaise de la Couture et du Pret-a-Porter and a Vice President of Chambre Syndicale du Pret-a-Porter. He is a Director of Comite Colbert, French Association of Luxury Companies.

He was an independent non-executive director of Harry Winston Diamond Corporation (which is now known as "Dominion Diamond Corporation" after its sale of retail business), a company listed on the Toronto Stock Exchange and the New York Stock Exchange. 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 since 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 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.

Sabrina FUNG Wing Yee | *Non-executive Director*

Aged 42, daughter of Dr Victor Fung Kwok King and niece of Dr William Fung Kwok Lun, is a Non-executive Director. She was appointed as a Director in September 2007 and re-designated from the office of an Executive Director to a Non-executive Director on 18 February 2014.

Ms Fung started her career at the private investment arm of Fung group in 2000 as Investment Manager running the family's investments and is the Investment Director of Fung Investment Management Limited. She is an executive director of Fung Retailing Limited, a substantial shareholder of the Company. Prior to joining the 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. She has been a member of the Mainland Business Advisory Committee of Hong Kong Trade Development Council until 31 March 2014. In the US, she serves on the Board of Trustees at St Paul's School in New Hampshire.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Patrick SUN | *Independent Non-executive Director*
Chairman of Audit Committee

Aged 55, 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, Sihuan Pharmaceutical Holdings Group Ltd and China NT Pharma Group Company Limited, all these companies are listed companies in Hong Kong. He is also an independent non-executive director of China CNR Corporation Limited, a company listed on the Shanghai Stock Exchange. He is the Chairman of The Chamber of Hong Kong Listed Companies, appointed in June 2013 and was its Vice-chairman and Honorary Chief Executive Officer. Mr Sun was a non-executive director of Renhe Commercial Holdings Company Limited, an executive director of Value Convergence Holdings Limited and SW Kingsway Capital Holdings Limited (all of which are listed companies in Hong Kong) and an independent non-executive director of The Link Management Limited, the manager of The Link Real Estate Investment Trust which is also listed in Hong Kong, 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. 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, the United States, with a Bachelor of Science degree in Economics in 1981. Mr Sun also completed the Stanford Executive Program of Stanford Business School, the United States, in 2000. Mr Sun is a fellow of the Association of Chartered Certified Accountants, the United Kingdom, and a fellow of the Hong Kong Institute of Certified Public Accountants.

Cassian CHEUNG Ka Sing | *Independent Non-executive Director*
Chairman of Remuneration Committee

Aged 58, 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 Nestlé Company from 1978 until 1994, and was the Chief Operating Officer-PRC for Nestlé (China) Ltd from 1992 to 1994. Currently, Mr Cheung is an executive director and Group Chief Executive Officer of Next Media Limited, a company listed on the Main Board of the Stock Exchange. He was the President of the Hong Kong Kellogg Alumni Club. He is a member of the Kellogg Alumni Council of Asia and an advisory member of the Global Business program of the Business School of the Hong Kong University of Science and Technology ("HKUST"). Since 2005, Mr Cheung has 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. Mr Cheung received a Master of Business Administration degree from the Kellogg School of Management, Northwestern University.

Michael LEE Tze Hau | *Independent Non-executive Director*
Chairman of Nomination Committee

Aged 53, 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 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 ("HKEx") (both of which are listed on the Main Board of the Stock Exchange), and the chairman and an independent non-executive director of OTC Clearing Hong Kong Limited, a subsidiary of HKEx. He is also 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.

Eva CHENG LI Kam Fun | *Independent Non-executive Director*

Aged 61, was appointed an Independent Non-executive Director on 1 November 2011.

Mrs Cheng began her career with Amway in Hong Kong in 1977 and was promoted to the rank of Corporate Executive Vice President of Amway in 2005. She had direct responsibility for all Amway markets in the Greater China and Southeast Asia regions.

Mrs Cheng is best known for leading Amway's entry into China in 1991, and served concurrently as Executive Chairwoman of Amway China Co. Ltd. until her retirement in the spring of 2011. Under her leadership, Amway China overcame significant regulatory and operating challenges and grew to become a business enterprise with over US$3 billion in revenues in 2010. In 2007, CNBC presented Mrs Cheng with the "China Talent Management Award". In 2008 and 2009, she was twice named by Forbes magazine as one of the "World's 100 Most Powerful Women". In 2010, Fortune magazine (Chinese edition) named her as one of the "25 Most Influential Business Women in China".

Mrs Cheng is the Founding Chairwoman & Honorary Chairwoman of the Amway Charity Foundation, Member of the Executive Committee of the All-China Women's Federation, and Member of the Guangdong Provincial Committee of Chinese People's Political Consultative Conference. She currently serves as independent non-executive director on other publicly listed company boards of Esprit Holdings Limited and Haier Electronics Group Co., Ltd. in Hong Kong and Amway (Malaysia) Holdings Berhad in Malaysia. She is also a director of Nestlé S.A., which is a company listed in Switzerland. In February 2014, she was appointed as an independent non-executive director of The Link Management Limited, the manager of The Link Real Estate Investment Trust which is listed in Hong Kong.

Mrs Cheng graduated from The University of Hong Kong and holds a Bachelor of Arts (Hons) Degree and a Master of Business Administration Degree.

GROUP CHIEF COMPLIANCE OFFICER

Srinivasan PARTHASARATHY | *Group Chief Compliance Officer*

Aged 56, was appointed as the Group Chief Compliance Officer of the Company in January 2012. He is also the Group Chief Compliance Officer of Fung Holdings (1937) Limited, a substantial shareholder of the Company and of the Fung group of companies including Li & Fung Limited and Convenience Retail Asia Limited of which he is also their respective Group Chief Compliance Officer. He has more than 30 years of experience and has held various financial and commercial positions with the Fung group since 1999, and the Inchcape Group before that, in Hong Kong, Singapore, the United Kingdom and the Middle East. He is a Commerce Graduate of Bombay University and qualified as a Chartered Accountant in India, securing fourth position in the All India Merit Rankings. He is also a Fellow Member of the Chartered Institute of Management Accountants, United Kingdom.

SENIOR MANAGEMENT

Raymond Mark CLACHER | *Managing Director – Gieves & Hawkes*

Aged 50, is the Managing Director of Gieves & Hawkes. Prior to joining our Group on 1 October 2009, Mr Clacher was the Retail Director of Gieves UK Limited in 2005 and Commercial Director in 2006, responsible for the brand globally. 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.

Carissa FORTINO | *Managing Director – Kent & Curwen*

Aged 44, is the Managing Director of Kent & Curwen since January 2014. Born on the East Coast of the United States, she was previously the Director of International Merchandising for Tommy Hilfiger in New York in 1997 and subsequently the Director for Merchandising and Planning responsible for European business. She later became the Vice President of Export Sales of Tommy Hilfiger responsible for overseeing distributorships in Italy, Turkey, Greece, Middle East, Poland, Czech Republic, Slovenia, Slovakia, and Hungary. In 2004, she was promoted to Managing Director for Tommy Hilfiger responsible for relaunching business in Italy. Prior to joining Trinity Group, Ms Fortino was Managing Director, Mid Pacific of DFS and then the President of Fendi Asia Pacific of Fendi Asia Pacific Limited.

Ms Fortino has broad experience in global fashion management and extensive knowledge in brand business development. She graduated from Indiana University in Bloomington, with a Bachelor of Arts degree majoring in Economics and Spanish.

Catherine GERARDIN-VAUTRIN | *President – Cerruti 1881*

Aged 54, joined the Group in October 2011. She is a recognised manager of the luxury fashion industry. From 1992 to 1998, she was International Store Image Director at Louis Vuitton Malletier, and was the Director of Ready-to-Wear from 1998 to 2000. She later joined Emilio Pucci (LVMH Group) as President and CEO. She is also an independent, non-executive director of Yoox Group, the fashion internet retailer, listed on the Milan Stock Exchange. Ms Gerardin-Vautrin graduated from HEC (Hautes Etudes Commerciales), France.

Godwin LAM Kin Ping | *Managing Director – China*

Aged 65, 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 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 Fung Distribution International Limited. From 1984 to 1999, Mr Lam held various senior management positions in various 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 54, joined the Group on 1 April 2007. She was Regional Managing Director primarily responsible for managing Salvatore Ferragamo until end of 2012. She is currently Regional Managing Director of LiFung Trinity Management (Singapore) Pte Ltd and Cerruti Investment Pte. Ltd and is responsible for developing Trinity's owned brands into ASEAN and Indian sub-continent. Ms Ng formed Branded Lifestyle, the fashion retailing arm of the Fung group. Ms Ng has more than 27 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 (Hons) degree from Brighton University, United Kingdom.

Agnes SHEN | *Managing Director – Cerruti 1881*

Aged 59, is the Managing Director of Cerruti 1881. She is also a director of two 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.

information for investors

Listing Information

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

Key Dates

14 March 2014
Announcement of 2013 Final Results

20 May 2014
Record Date for determining Members' right to attend Annual General Meeting

21 May 2014
Annual General Meeting

28 May 2014
Closure of Register of Members and Record Date for 2013 Final Dividend

9 June 2014
Despatch of 2013 Final Dividend Warrants

Share Information

Board lot size
2,000 shares

Shares outstanding as at 31 December 2013
1,732,636,883

Market capitalisation as at 31 December 2013
HK$4.50 billion

Dividend per share for 2013

Interim	**4.5 HK cents**
Final	**8.5 HK cents**
Full Year	**13.0 HK cents**

Share Registrar and Transfer Offices

Principal:

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

Hong Kong Branch:

Tricor Investor Services Limited
26/F, Tesbury Centre (Note)
28 Queen's Road East
Wanchai
Hong Kong
Telephone number: (852) 2980 1333
e-mail: is-enquiries@hk.tricorglobal.com

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@trinitygroup.com

Trinity Limited
30/F, OCTA Tower
8 Lam Chak Street
Kowloon Bay, Kowloon
Hong Kong

Website

www.trinitygroup.com

Note: Change of address to "Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong" with effect from 31 March 2014

directors' report

The Directors have pleasure in submitting their report together with the audited consolidated financial statements for the year ended 31 December 2013.

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 44 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 71.

The Directors declared an interim dividend of 4.5 HK cents per share, which was paid on 27 September 2013.

The Directors recommend the payment of a final dividend of 8.5 HK cents per share.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in Note 30 to the consolidated financial statements.

Distributable Reserves

As at 31 December 2013, the Company's distributable reserves available for distribution to shareholders under the Companies Act 1981 of Bermuda (as amended) amounted to HK$603,354,000 (2012: HK$607,273,000).

Donations

Charitable and other donations made by the Group during the year amounted to HK$983,000 (2012: HK$1,979,000).

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 29 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.

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 151.

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 2013, options to subscribe for a total of 14,928,000 Shares granted by the Company pursuant to the Pre-IPO Share Option Scheme remained valid and outstanding and these options represented approximately 0.86% of the total number of issued Shares as 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 2013, the number of Shares available for issue in respect thereof is 64,528,488, representing approximately 3.72% 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 prices 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 2013, options to subscribe for a total of 12,808,000 Shares granted by the Company pursuant to the Scheme remained valid and outstanding and the options representing approximately 0.74% 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 2013 are as follows:

Category of Participants	Scheme Type	Number of Share Options: As at 01/01/2013	Granted	Exercised	Cancelled/ Lapsed	As at 31/12/2013	Exercise Price HK$	Grant Date	Exercisable Period
Directors									
WONG Yat Ming	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	26/11/2011 – 25/11/2013
	Post-IPO	1,600,000	–	–	–	1,600,000	2.45	26/11/2009	26/11/2012 – 25/11/2014
Danny LAU Sai Wing	Post-IPO	1,000,000	–	–	–	1,000,000	8.08	11/01/2011	01/01/2012 – 31/12/2013
	Post-IPO	1,000,000	–	–	–	1,000,000	8.08	11/01/2011	01/01/2013 – 31/12/2014
Sabrina FUNG Wing Yee	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	26/11/2011 – 25/11/2013
	Post-IPO	700,000	–	–	–	700,000	2.45	26/11/2009	26/11/2012 – 25/11/2014
Continuous Contract Employees	Pre-IPO	1,015,000	–	148,000	–	867,000	1.65	16/10/2009	03/11/2010 – 02/11/2014
	Pre-IPO	4,497,000	–	626,000	–	3,871,000	1.65	16/10/2009	03/11/2011 – 02/11/2014
	Post-IPO	3,704,000	–	2,988,000	716,000	–	2.45	26/11/2009	26/11/2011 – 25/11/2013
	Post-IPO	6,590,000	–	1,932,000	–	4,658,000	2.45	26/11/2009	26/11/2012 – 25/11/2014
	Post-IPO	630,000	–	–	120,000	510,000	8.08	11/01/2011	01/01/2012 – 31/12/2013
	Post-IPO	630,000	–	–	120,000	510,000	8.08	11/01/2011	01/01/2013 – 31/12/2014
	Post-IPO	250,000	–	–	–	250,000	7.71	24/03/2011	01/01/2012 – 31/12/2013
	Post-IPO	250,000	–	–	–	250,000	7.71	24/03/2011	01/01/2013 – 31/12/2014
	Post-IPO	1,780,000	–	–	230,000	1,550,000	5.61	25/11/2011	01/01/2013 – 31/12/2014
Other Participants	Pre-IPO	571,000	–	1,000	–	570,000	1.65	16/10/2009	03/11/2010 – 02/11/2014
	Pre-IPO	895,000	–	175,000	–	720,000	1.65	16/10/2009	03/11/2011 – 02/11/2014
	Post-IPO	350,000	–	350,000	–	–	2.45	26/11/2009	26/11/2011 – 25/11/2013
	Post-IPO	1,000,000	–	400,000	–	600,000	2.45	26/11/2009	26/11/2012 – 25/11/2014
	Post-IPO	60,000	–	–	–	60,000	8.08	11/01/2011	01/01/2012 – 31/12/2013
	Post-IPO	60,000	–	–	–	60,000	8.08	11/01/2011	01/01/2013 – 31/12/2014
	Post-IPO	60,000	–	–	–	60,000	5.61	25/11/2011	01/01/2013 – 31/12/2014
	Total:	37,842,000	–	8,920,000	1,186,000	27,736,000			

Notes:

1. *The weighted average closing market prices per share immediately before the dates on which the share options were exercised by Mr WONG Yat Ming and Ms Sabrina FUNG Wing Yee, both the Directors of the Company, were HK$3.17 and HK$3.00 respectively.*
2. *The weighted average closing market prices per share immediately before the dates on which the share options were exercised by the continuous contract employees and by other participants were HK$3.79 and HK$3.55 respectively.*
3. *The above options are recognised as expenses in the consolidated financial statements in accordance with the Company's accounting policy as set out in Note 3.18(v) to the consolidated financial statements. Other details of share options granted by the Company are set out in Note 29 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 *(Group Managing Director)*
Bruno LI Kwok Ho *(Chief Financial Officer)*
Danny LAU Sai Wing *(Chief Operating Officer)*

Non-executive Directors

Dr Victor FUNG Kwok King *(Chairman)*
Dr William FUNG Kwok Lun *(Deputy Chairman)*
Jose Hosea CHENG Hor Yin
Jean-Marc LOUBIER
Sabrina FUNG Wing Yee
(re-designated from Executive Director to Non-executive Director on 18 February 2014)

Independent Non-executive Directors

Cassian CHEUNG Ka Sing
Michael LEE Tze Hau
Eva CHENG LI Kam Fun
Patrick SUN

In accordance with Bye-law 84 of the Company's Bye-laws, Dr William FUNG Kwok Lun, Mr Jose Hosea CHENG Hor Yin, Ms Sabrina FUNG Wing Yee and Mr Michael LEE Tze Hau will retire by rotation at the forthcoming Annual General Meeting, and being eligible, will offer themselves 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 section stated below and Note 41 "Related party transactions" to the consolidated financial statements.

Directors' Interests and Short Positions in Securities

As at 31 December 2013, 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 Issuers ("Model Code"):

Long Position in Shares and Underlying Shares of the Company

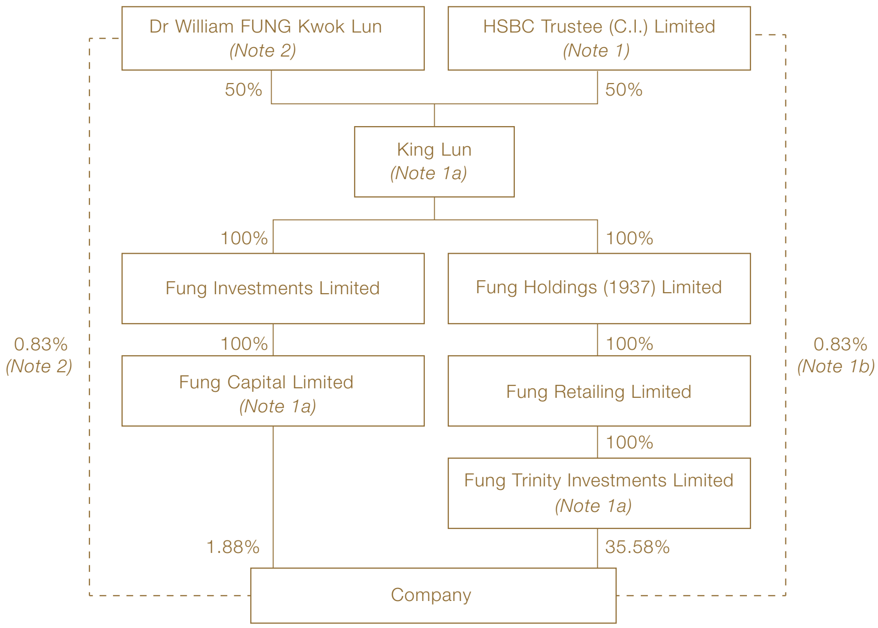
	Number of Shares					
Directors	Personal Interest	Family Interest	Corporate/ Trust Interest	Equity Derivatives (share options)	Total	Approximate Percentage of Issued Share Capital (%)
Victor FUNG Kwok King	–	–	663,527,555 [1]	–	663,527,555	38.29
William FUNG Kwok Lun	–	–	663,527,555 [2]	–	663,527,555	38.29
Sabrina FUNG Wing Yee	1,400,000	–	663,527,555 [1]	2,100,000 [3]	667,027,555	38.49
Jose Hosea CHENG Hor Yin	–	–	50,227,590 [4]	–	50,227,590	2.89
WONG Yat Ming	50,976,563	–	–	9,100,000 [3]	60,076,563	3.46
Bruno LI Kwok Ho	5,400,000	–	–	–	5,400,000	0.31
Danny LAU Sai Wing	–	–	–	2,000,000 [3]	2,000,000	0.11

Notes:

1. *Each of Dr Victor FUNG Kwok King and Ms Sabrina FUNG Wing Yee (daughter of Dr Victor FUNG Kwok King and as his family member) was deemed to have interests in 663,527,555 Shares, which were held in the following manner:*
   a. *616,413,760 Shares and 32,613,795 Shares were directly held by Fung Trinity Investments Limited and Fung Capital Limited respectively, both of which are indirect wholly owned subsidiaries of King Lun Holdings Limited ("King Lun"). King Lun was owned as to 50% by HSBC Trustee (C.I.) Limited as trustee of a trust ("Trustee") established for the benefit of the family members of Dr Victor FUNG Kwok King and as to 50% by Dr William FUNG Kwok Lun.*
   b. *14,500,000 Shares were directly held by First Island Developments Limited, a company wholly owned by HSBC Trustee (C.I.) Limited, the Trustee.*
2. *Of these 663,527,555 Shares in which Dr William FUNG Kwok Lun had deemed interest, 649,027,555 Shares were indirectly held by King Lun as mentioned in Note 1a above and the balance of 14,500,000 Shares were directly held by Step Dragon Enterprise Limited, a company beneficially owned by him.*
3. *These interests represented the interests in underlying shares in respect of the share options granted by the Company to these Directors as beneficial owners, details of which are set out in the Share Options section.*
4. *The 50,227,590 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.*

Directors' Interests and Short Positions in Securities *(Continued)*

The deemed interests of each of Dr Victor FUNG Kwok King, Dr William FUNG Kwok Lun, and Ms Sabrina FUNG Wing Yee in the 663,527,555 Shares are summarised in the following chart:



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 Options section.

Save as disclosed above, as at 31 December 2013, 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 2013, 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:

Shareholders	Capacity	Number of Shares	Approximate Percentage of Issued Share Capital (%)
Fung Trinity Investments Limited [1]	Beneficial owner	616,413,760 (L)	35.58
Fung Retailing Limited [1]	Interest of controlled corporation	616,413,760 (L)	35.58
Fung Holdings (1937) Limited [1]	Interest of controlled corporation	616,413,760 (L)	35.58
King Lun [1]	Interest of controlled corporation	649,027,555 (L)	37.46
HSBC Trustee (C.I.) Limited [2]	Trustee	663,527,555 (L)	38.29
JPMorgan Chase & Co [3]	Beneficial owner (1,955,000 Shares (L) and 1,945,000 Shares (S))	121,044,491 (L)	6.99
		1,945,000 (S)	0.11
	Custodian (119,089,491 Shares (P))		
T. Rowe Price Associates, Inc and its affiliates	Beneficial owner	89,692,000 (L)	5.18
Wasatch Advisors, Inc	Investment manager	88,756,819 (L)	5.12

(L) represents long position, (S) represents short position and (P) represents shares in lending pool

Notes:

1. *Fung Trinity Investments Limited was an indirect wholly owned subsidiary of King Lun, with Fung Retailing Limited and Fung Holdings (1937) Limited as the intermediate holding companies along the chain of ownership. Therefore, Fung Retailing Limited, Fung Holdings (1937) Limited, and King Lun were all deemed to be interested in the 616,413,760 Shares held by Fung Trinity Investments 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. Refer to the chart in the section headed "Directors' Interests and Short Positions in Securities".*
2. *HSBC Trustee (C.I.) Limited, the Trustee, owned 50% of the issued share capital of King Lun and was therefore deemed to be interested in the 649,027,555 Shares indirectly held by King Lun. In addition, the Trustee had deemed interest of the 14,500,000 Shares directly held by its wholly owned company, First Island Developments Limited. Refer to the chart in the section headed "Directors' Interests and Short Positions in Securities".*
3. *JPMorgan Chase & Co was interested in these Shares through various companies/entities controlled directly or indirectly by it.*

Save as disclosed above, as at 31 December 2013, 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 49 to 56.

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

The Group purchased or sold less than 30% of its goods and services from or to its five largest suppliers or customers for the years ended 31 December 2012 and 2013, respectively.

Connected Transactions

Note Purchase Agreement

On 21 August 2013, the Group entered into a note purchase agreement with British Heritage Brands Inc., ("BHB"), an associate of Fung Holdings (1937) Limited ("FH 1937"), whereby BHB sold to the Group convertible promissory note issued by BHB in a maximum aggregate principal amount of US$15,000,000 (approximately HK$117,000,000). FH 1937 is a substantial shareholder of the Company. This connected transaction was subject to reporting and announcement requirements but exempt from the independent shareholders' approval requirement.

During the year, the Group also engaged in certain continuing connected transactions as set out below:

(i) Provision of warehousing and logistics related services

On 25 August 2011, the Company entered into a master agreement ("Master Agreement") with FH 1937 in respect of the provision of warehousing and logistics related services ("Services") by FH 1937 and its associates to the Group in Hong Kong and the Chinese Mainland for a term of three years from 1 January 2012 to 31 December 2014. The provision of the Services pursuant to the Master Agreement constituted continuing connected transactions under the Listing Rules. The Group incurred service charges of HK$13,294,000 for the year ended 31 December 2013.

(ii) Leasing and/or licensing arrangements

The Group has been leasing certain office premises in Shanghai, PRC from a subsidiary of FH 1937. On 24 November 2012, the Company entered into the master agreement with FH 1937 for a term of one year from 1 January 2013 to 31 December 2013 in respect of the leasing and/or licensing arrangements with FH 1937 and its associates. The said master agreement was renewed on 19 November 2013 for a term of three years from 1 January 2014 to 31 December 2016 covering the property leasing and/or licensing arrangements with FH 1937 and its associates. Rentals for the property leasing and/or licensing arrangements were negotiated between parties with reference to the then prevailing market rates and such transactions constituted continuing connected transactions under the Listing Rules. The Group incurred rentals of HK$3,636,000 for the year ended 31 December 2013.

(iii) Consultancy services

On 13 March 2012, the Group entered into a consultancy services agreement with an associate of a director of the Company for the provision of advisory services to the Group's business in Europe for a term of 12 months starting from 1 April 2012 to 31 March 2013 for a monthly fee of Euro 33,000. On 13 March 2013, the consultancy services agreement was renewed for another term of 12 months starting from 1 April 2013 to 31 March 2014 for a monthly fee of Euro 33,000. The consultancy fee incurred by the Group for the 12 months ended 31 March 2013 and the 9 months ended 31 December 2013 were HK$3,964,000 (Euro 396,000) and HK$3,035,000 (Euro 297,000) 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 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 41 to the consolidated financial statements is a connected transaction or a continuing connected transaction which is subject to the reporting and disclosure requirements under the Listing Rules. The Company has complied with the disclosure requirements governing connected transactions under the 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.

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 2013, the Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are 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, 14 March 2014

independent auditor's report

pwc 羅兵咸永道

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 71 to 150, which comprise the consolidated and company balance sheets as at 31 December 2013, 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.

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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 the 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 2013 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, 14 March 2014

consolidated income statement

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000 (Restated)
Revenue	6	**2,695,935**	2,800,671
Cost of sales		**(659,795)**	(614,543)
Gross profit		**2,036,140**	2,186,128
Other income	8	**70,391**	71,556
Selling and marketing expenses		**(1,285,970)**	(1,260,314)
Administrative expenses		**(509,153)**	(464,570)
Other gains – net	9	**47,592**	15,543
Gain on disposal of investments in joint ventures	20	**3,984**	34,766
Operating profit	7	**362,984**	583,109
Finance income		**20,102**	5,457
Finance costs			
Notional interest expenses on contingent purchase consideration payable for acquisition		**(13,185)**	(7,019)
Interest expenses on bank borrowings and overdrafts		**(16,608)**	(9,777)
Finance costs – net	10	**(9,691)**	(11,339)
Share of profit of			
Associates	21	**16,156**	–
Joint ventures	20	**–**	65,346
Profit before income tax		**369,449**	637,116
Income tax expense	11	**(61,241)**	(96,997)
Profit for the year attributable to shareholders of the Company		**308,208**	540,119
Basic earnings per share attributable to shareholders of the Company during the year (expressed in HK cents per share)	13(a)	**17.8 cents**	31.5 cents
Diluted earnings per share attributable to shareholders of the Company during the year (expressed in HK cents per share)	13(b)	**17.7 cents**	30.9 cents

The notes on pages 79 to 150 are an integral part of these consolidated financial statements. Details of dividends of HK$225,093,000 (2012: HK$414,019,000) are set out in Note 16(a) to the consolidated financial statements.

consolidated statement of comprehensive income

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000 (Restated)
Profit for the year	**308,208**	540,119
Other comprehensive income		
Item that will not be reclassified subsequently to profit or loss		
Remeasurements of post employment benefit obligations	**665**	(1,360)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of subsidiaries, joint ventures and associates	**3,160**	30,740
Exchange differences realised upon disposal of a subsidiary	**(263)**	–
Exchange differences realised upon disposal of investments in joint ventures	**–**	(6,841)
Other comprehensive income for the year, net of tax	**3,562**	22,539
Total comprehensive income for the year	**311,770**	562,658
Total comprehensive income attributable to:		
– Shareholders of the Company	**311,770**	562,658

The notes on pages 79 to 150 are an integral part of these consolidated financial statements.

consolidated balance sheet

As at 31 December 2013

	Note	31 December 2013 HK$'000	31 December 2012 HK$'000 (Restated)	1 January 2012 HK$'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	17	**278,572**	328,810	311,806
Intangible assets	18	**3,080,812**	3,077,327	2,312,248
Investments in associates	21	**135,167**	128,278	–
Investments in joint ventures	20	**–**	–	229,045
Loan receivable	22	**71,647**	–	–
Derivative financial instrument	23	**6,024**	–	–
Deposit and prepayments	24	**55,436**	45,983	45,695
Deferred income tax assets	25	**150,670**	154,151	94,009
		3,778,328	3,734,549	2,992,803
Current assets				
Inventories	26	**684,710**	663,626	605,036
Trade receivables	27	**174,084**	188,130	233,326
Deposit and prepayments	24	**120,793**	101,551	63,554
Amounts due from related parties	41(b)	**652**	4,614	1,153
Current income tax recoverables		**20,124**	9,504	3,735
Cash and cash equivalents (excluding bank overdrafts)	28	**1,337,451**	999,097	790,370
		2,337,814	1,966,522	1,697,174
Total assets		**6,116,142**	5,701,071	4,689,977
EQUITY				
Capital and reserves attributable to the Company's shareholders				
Share capital	29	**173,264**	172,372	170,839
Share premium	29	**2,355,300**	2,335,098	2,302,656
Reserves	30	**911,071**	953,772	779,091
Total equity		**3,439,635**	3,461,242	3,252,586

The notes on pages 79 to 150 are an integral part of these consolidated financial statements.

	Note	31 December 2013 HK$'000	31 December 2012 HK$'000 (Restated)	1 January 2012 HK$'000 (Restated)
LIABILITIES				
Non-current liabilities				
Provision for long service payments	31	**8,722**	9,719	9,378
Retirement benefit obligations	32	**22,035**	22,687	16,324
Contingent purchase consideration payable for acquisition	35	**319,301**	311,352	–
Other payables and accruals		**–**	–	31,648
Deferred income tax liabilities	25	**345,159**	360,726	230,693
		695,217	704,484	288,043
Current liabilities				
Trade payables	34	**89,932**	81,467	123,759
Contingent purchase consideration payable for acquisition	35	**–**	8,277	–
Other payables and accruals	33	**401,793**	517,763	529,615
Amounts due to related parties	41(b)	**20,024**	13,098	13,674
Current income tax liabilities		**41,432**	44,740	102,300
Borrowings	36	**1,428,109**	870,000	380,000
		1,981,290	1,535,345	1,149,348
Total liabilities		**2,676,507**	2,239,829	1,437,391
Total equity and liabilities		**6,116,142**	5,701,071	4,689,977
Net current assets		**356,524**	431,177	547,826
Total assets less current liabilities		**4,134,852**	4,165,726	3,540,629

On behalf of the Board

Victor FUNG Kwok King
Director

WONG Yat Ming
Director

The notes on pages 79 to 150 are an integral part of these consolidated financial statements.

balance sheet of the company

As at 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	19(a)	**2,678,694**	2,682,298
Current assets			
Prepayments		**3,817**	3,817
Amounts due from subsidiaries	19(b)	**1,052,074**	752,285
Cash and cash equivalents	28	**813**	5,305
		1,056,704	761,407
Total assets		**3,735,398**	3,443,705
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	29	**173,264**	172,372
Share premium	29	**2,355,300**	2,335,098
Reserves	30	**603,354**	607,273
Total equity		**3,131,918**	3,114,743
LIABILITIES			
Non-current liabilities			
Contingent purchase consideration payable for acquisition	35	**319,301**	311,352
Current liabilities			
Contingent purchase consideration payable for acquisition	35	**–**	8,277
Other payables and accruals	33	**5,331**	5,516
Amounts due to subsidiaries	19(b)	**278,848**	3,817
		284,179	17,610
Total liabilities		**603,480**	328,962
Total equity and liabilities		**3,735,398**	3,443,705
Net current assets		**772,525**	743,797
Total assets less current liabilities		**3,451,219**	3,426,095

On behalf of the Board

Victor FUNG Kwok King
Director

WONG Yat Ming
Director

The notes on pages 79 to 150 are an integral part of these consolidated financial statements.

consolidated statement of changes in equity

For the year ended 31 December 2013

	Note	Attributable to shareholders of the Company				
		Share capital HK$'000	Share premium HK$'000	Retained earnings HK$'000 (Note 30)	Other reserves HK$'000 (Note 30)	Total HK$'000
Balance at 1 January 2012		170,839	2,302,656	950,439	(168,439)	3,255,495
Impact of change in accounting policy	3(a)	–	–	(3,000)	91	(2,909)
Balance at 1 January 2012 (restated)		170,839	2,302,656	947,439	(168,348)	3,252,586
Comprehensive income						
Profit for the year (restated)		–	–	540,119	–	540,119
Other comprehensive income						
Remeasurements of post employment benefit obligations (restated)	3(a)	–	–	(1,360)	–	(1,360)
Exchange differences on translation of subsidiaries, joint ventures and associates (restated)		–	–	–	30,740	30,740
Exchange differences realised upon disposal of investments in joint ventures		–	–	–	(6,841)	(6,841)
Other comprehensive income/(expenses) for the year, net of tax (restated)		–	–	(1,360)	23,899	22,539
Total comprehensive income (restated)		–	–	538,759	23,899	562,658
Transactions with owners						
Employee share option schemes						
– value of employee services		–	–	–	6,500	6,500
– exercise of share options	29	1,533	32,442	–	–	33,975
– transfer to retained earnings		–	–	10,804	(10,804)	–
Transfer of reserve upon disposal of investments in joint ventures		–	–	3,817	(3,817)	–
2011 final dividends paid	16(b)	–	–	(257,110)	–	(257,110)
2012 interim dividends paid	16(a)	–	–	(137,367)	–	(137,367)
Total transactions with owners		1,533	32,442	(379,856)	(8,121)	(354,002)
Balance at 31 December 2012 (restated)		172,372	2,335,098	1,106,342	(152,570)	3,461,242

The notes on pages 79 to 150 are an integral part of these consolidated financial statements.

	Note	Attributable to shareholders of the Company				
		Share capital HK$'000	Share premium HK$'000	Retained earnings HK$'000 (Note 30)	Other reserves HK$'000 (Note 30)	Total HK$'000
Balance at 1 January 2013		172,372	2,335,098	1,110,592	(152,508)	3,465,554
Impact of change in accounting policy	3(a)	–	–	(4,250)	(62)	(4,312)
Balance at 1 January 2013 (restated)		172,372	2,335,098	1,106,342	(152,570)	3,461,242
Comprehensive income						
Profit for the year		–	–	308,208	–	308,208
Other comprehensive income						
Remeasurements of post employment benefit obligations	3(a)	–	–	665	–	665
Exchange differences on translation of subsidiaries and associates		–	–	–	3,160	3,160
Exchange differences realised upon disposal of a subsidiary		–	–	–	(263)	(263)
Other comprehensive income for the year, net of tax		–	–	665	2,897	3,562
Total comprehensive income		–	–	308,873	2,897	311,770
Transactions with owners						
Employee share option schemes						
– exercise of share options	29	892	20,202	–	–	21,094
– transfer to retained earnings		–	–	7,515	(7,515)	–
2012 final dividends paid	16(b)	–	–	(242,071)	–	(242,071)
2012 special final dividends paid	16(b)	–	–	(34,581)	–	(34,581)
2013 interim dividends paid	16(a)	–	–	(77,819)	–	(77,819)
Total transactions with owners		892	20,202	(346,956)	(7,515)	(333,377)
Balance at 31 December 2013		173,264	2,355,300	1,068,259	(157,188)	3,439,635

The notes on pages 79 to 150 are an integral part of these consolidated financial statements.

consolidated cash flow statement

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000 (Restated)
Cash flows from operating activities			
Cash generated from operations	37	**335,752**	527,955
Interest paid on bank borrowings and overdrafts		**(16,741)**	(9,118)
Income tax paid		**(91,105)**	(189,949)
Net cash generated from operating activities		**227,906**	328,888
Cash flows from investing activities			
Purchase of property, plant and equipment		**(96,209)**	(111,773)
Investments in convertible promissory note	22	**(77,544)**	–
Acquisition of subsidiaries, net of cash acquired	38	**–**	(365,660)
Capital injection in joint ventures	20	**–**	(12,438)
Proceeds from disposal of investments in joint ventures	20	**3,984**	201,969
Dividend received from an associate	21	**9,045**	–
Dividends received from joint ventures	20	**–**	29,807
Proceeds from disposal of a subsidiary		**177**	–
Proceeds from disposal of property, plant and equipment		**124**	–
Interest income received		**18,606**	5,457
Net cash used in investing activities		**(141,817)**	(252,638)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	29	**21,094**	33,975
Proceeds from borrowings		**920,012**	640,000
Repayment of borrowings		**(380,012)**	(150,000)
Dividends paid	30	**(354,471)**	(394,477)
Net cash generated from financing activities		**206,623**	129,498
Net increase in cash and cash equivalents		**292,712**	205,748
Cash and cash equivalents at beginning of the year		**999,097**	790,370
Effect on foreign exchange rates changes		**27,533**	2,979
Cash and cash equivalents at end of the year	28	**1,319,342**	999,097

The notes on pages 79 to 150 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 in Bermuda as an exempted company with limited liability under Companies Act 1981 of Bermuda. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Company and its subsidiaries (together the "Group") are principally engaged in the retailing of high-end to luxury menswear in the Chinese Mainland, Hong Kong, Macau, Taiwan (the "Greater China") and Europe, as well as licensing its fully owned brands globally. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is at 30/F, OCTA Tower, 8 Lam Chak Street, Kowloon Bay, 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, as modified by financial assets and financial liabilities including derivative financial instrument and contingent purchase consideration payable for acquisition, which are carried at fair values.

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.

3 Summary of principal accounting policies *(Continued)*

(a) Adoption of new/revised standards and amendments to existing standards effective in 2013

The Group has adopted the following new/revised standards and amendments to existing standards which are mandatory for accounting periods beginning on or after 1 January 2013 and relevant to the Group:

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Annual Improvements Project	Annual Improvements 2009-2011 Reporting Cycle

The adoption of such new/revised standards and amendments to existing standards does not have material impact on the consolidated financial statements as at and for the year ended 31 December 2013 except as described below:

HKAS 1 (Amendment), Presentation of Financial Statements

The amendments to HKAS 1 require entities to classify items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

HKAS 19 (2011), Employee Benefits

HKAS 19 (2011) includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised immediately in other comprehensive income and permanently excluded from profit or loss; expected returns on plan assets are no longer recognised in profit or loss and instead, interest on the net defined benefit liability (asset) in profit or loss is calculated using the discount rate used to measure the defined benefit obligation and; unvested past service costs are now recognised in profit or loss in the year and not amortised over the vesting period. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. HKAS 19 (2011) requires retrospective application. The adoption of HKAS 19 (2011) had an impact on the retirement benefit obligations primarily due to the immediate recognition of actuarial gains and losses in other comprehensive income which were deferred using corridor approach in previous years.

3 Summary of principal accounting policies *(Continued)*

(a) Adoption of new/revised standards and amendments to existing standards effective in 2013 *(Continued)*

HKAS 19 (2011), Employee Benefits *(Continued)*

The tables below show the effect on the Group's consolidated balance sheet, consolidated income statement and consolidated statement of comprehensive income.

Impact on consolidated balance sheet

Increase/(decrease)	31 December 2013 HK$'000	31 December 2012 HK$'000	1 January 2012 HK$'000
Liabilities			
– Retirement benefit obligations	**3,446**	4,312	2,909
Equity			
– Retained earnings	**(3,500)**	(4,250)	(3,000)
– Translation reserve	**54**	(62)	91

Impact on consolidated income statement

Increase/(decrease)	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000
Administrative expenses	**(85)**	(110)
Profit for the year	**85**	110

Impact on consolidated statement of comprehensive income

Increase/(decrease)	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000
Profit for the year	**85**	110
Remeasurements of post employment benefit obligations	**665**	(1,360)
Exchange differences on translation of subsidiaries, joint ventures and associates	**116**	(153)
Total comprehensive income attributable to shareholders of the Company	**866**	(1,403)

This change in accounting policy does not have any material impact on current or deferred taxation, statements of cash flows and earnings per share.

3 Summary of principal accounting policies *(Continued)*

(a) Adoption of new/revised standards and amendments to existing standards effective in 2013 *(Continued)*

HKFRS 12, Disclosure of Interests in Other Entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosure requirements in HKFRS 12 are generally more extensive than those previously required by the respective standards. The Group's additional disclosures of interests in joint ventures and associates have been made in Note 20 and Note 21 to the consolidated financial statements accordingly.

HKFRS 13, Fair Value Measurement

HKFRS 13 establishes a single source of guidance under HKFRSs for all fair value measurements. HKFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under HKFRSs when fair value is required or permitted.

HKFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including HKFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required in annual financial statements for financial instruments; accordingly, the Group provides these disclosures in Note 4.2 to the consolidated financial statements.

(b) New/revised standard, amendment and interpretation to existing standards effective in 2013 but not relevant to the Group

The following new/revised standard, amendment and interpretation to existing standards are mandatory for accounting periods beginning on or after 1 January 2013 but currently not relevant to the Group:

HKFRS 1 (Amendment)	First-time adoption of Hong Kong Financial Reporting Standards – Government Loans
HKFRS 11	Joint Arrangements
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

3 Summary of principal accounting policies *(Continued)*

(c) New/revised standards, amendments and interpretation to standards that have been issued but are not yet effective

The following new standards, amendments and interpretation to standards have been issued but are not yet effective and have not been early adopted by the Group:

HKAS 19 (2011) (Amendment)	Employee Benefits: Defined Benefit Plans – Employee Contribution (effective for annual periods beginning on or after 1 July 2014)
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014)
HKAS 36 (Amendment)	Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014)
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014)
HKFRS 9	Financial Instruments (effective for annual periods beginning on or after 1 January 2015)
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures (effective for annual periods beginning on or after 1 January 2015)
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Investment Entities (effective for annual periods beginning on or after 1 January 2014)
HK(IFRIC)-Int 21	Levies (effective for annual periods beginning on or after 1 January 2014)

All these amendments are effective in the financial year of 2014 or years after 2014 and these amendments are not expected to have a significant impact on the results and financial position of the Group.

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 Summary of principal accounting policies *(Continued)*

3.2 Consolidation

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

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Except for acquisition of entities or business under common control using merger accounting as explained in Note 3.1 of this section, the Group applies acquisition method to account for business combinations. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement (Note 3.6(i)).

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. 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.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss.

3 Summary of principal accounting policies *(Continued)*

3.2 Consolidation *(Continued)*

(ii) Joint ventures

Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

(iii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in associates are reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in associates equal or exceed its interest in the associates, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associates.

The Group determines at each balance sheet date whether there is any objective evidence that the investment in associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of associates' in the consolidated income statement.

Profits and losses resulting from transactions between the Group and its associates are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

3 Summary of principal accounting policies *(Continued)*

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.

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$" or "HKD"), 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 or valuation where items are remeasured. 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.

Foreign exchange gains and losses are presented in the consolidated income statement within 'other gains – net'.

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 other comprehensive income.

(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 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 rate on the dates of the transactions); and

(3) all resulting exchange differences are recognised in other 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. Exchange differences arising are recognised in other comprehensive income.

3 Summary of principal accounting policies *(Continued)*

3.4 Foreign currency translation *(Continued)*

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

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
– Leasehold improvements, furniture and fixtures	3 – 9 years
– Computers, equipment and air-conditioners	3 years
– Plant and machinery	6 – 9 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 the carrying amount and are recognised within 'administrative expenses' in the consolidated income statement.

3 Summary of principal accounting policies *(Continued)*

3.6 Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared with the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Trademarks and licences

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. 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.

3.7 Impairment of investments in subsidiaries, joint ventures, associates and non-financial assets

Assets that have an indefinite useful life 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 balance sheet date.

Impairment testing of the investments in subsidiaries, joint ventures and associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries, joint ventures and associates 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 Summary of principal accounting policies *(Continued)*

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 purchase price, 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 the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprises as 'loan receivable' (Note 3.10), '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 asset is impaired.

3.10 Loan receivable

Loan receivable is recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

3.11 Derivative financial instruments

Derivatives financial instruments include forward exchange contracts and conversion right embedded in convertible promissory note (Note 23) are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value of derivative financial instruments are recognised immediately in the consolidated income statement. Trading derivatives are classified as a current asset or liability.

3 Summary of principal accounting policies *(Continued)*

3.12 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.

3.13 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

3.14 Share capital

Ordinary shares are classified as equity.

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

3.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables 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.

3.16 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)*

3.17 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 in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

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, joint ventures and associates 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. Current income tax recoverables which could not be offset against current income tax liabilities of another entity were presented under current assets, and comparative figures have been restated to conform to current year's presentation.

(b) Deferred income tax

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 only 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 taxable temporary differences arising from investments in subsidiaries, joint ventures and associates, except for deferred income tax liability 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. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

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 Summary of principal accounting policies *(Continued)*

3.18 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.

(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 fixed 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. 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.

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. The defined benefit obligation is calculated annually 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 the market rates on government 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 are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately as income.

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)*

3.18 Employee benefits *(Continued)*

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(iv) 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.

(v) Share-based compensation

(a) Equity-settled share-based payment transactions

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:

– including any market performance conditions (for example, an entity's share price);
– excluding the impact of any service and non-market performance vesting conditions; and
– including the impact of any non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity (employee share-based compensation reserve). The amounts recognised in the employee share-based compensation reserve are transferred to the retained earnings when the options are exercised or options expire.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

3 Summary of principal accounting policies *(Continued)*

3.18 Employee benefits *(Continued)*

(v) Share-based compensation *(Continued)*

(b) Share-based payment transactions among Group entities

The grant by Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

3.19 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.20 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, when it is probable that future economic benefits will flow to the entity; and when 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 of return 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.

3 Summary of principal accounting policies *(Continued)*

3.20 Revenue recognition *(Continued)*

(ii) Royalty income from licensing

Royalty income is recognised based on sales made by the licensees and terms of the contract on an accruals basis.

(iii) Sales of goods – wholesale

Sales of goods 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 wholesaler, and either the wholesaler has 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.

(iv) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

(v) Administration and consultancy fee income

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

3.21 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.

(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.

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

3.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the 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 Summary of principal accounting policies *(Continued)*

3.23 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.

3.24 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.

3.25 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.

4 Financial risk management and financial instruments

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 and evaluates 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 ("EUR"), Japanese Yen ("JPY") and Taiwan Dollars ("TWD"). 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.

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 use forward contracts. As at 31 December 2013, the Group has two (2012: two) outstanding forward contracts with notional principal amounts of EUR1,000,000 (buying EUR at fixed exchange rate of 10.4125 HKD) (2012: EUR2,595,000 (buying EUR at fixed exchange rate of 10.002 HKD)), and JPY31,000,000 (buying JPY at fixed exchange rate of 0.077025 HKD) (2012: JPY21,889,000 (buying JPY at fixed exchange rate of 0.098843 HKD)).

4 Financial risk management and financial instruments *(Continued)*

4.1 Financial risk factors *(Continued)*

(a) Market risk (Continued)

(i) Foreign exchange risk *(Continued)*

The Group assumes that its foreign exchange risk mainly comes from RMB denominated receivables and bank balances. At 31 December 2013, if HK dollar had weakened or strengthened by 5% against the RMB with all other variables held constant, profit for the year would have been HK$92,242,000 (2012: HK$49,010,000) respectively higher or lower, mainly as a result of foreign exchange gains or losses on translation of RMB denominated receivables and bank balances recorded in the books of the Group's entities in Hong Kong.

(ii) Interest rate risk

The Group's interest rate risk arises from short term bank borrowings. Bank 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 HK$.

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$1,183,000 (2012: HK$821,000) for the year ended 31 December 2013.

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, loan receivable, trade receivables and deposit and prepayments represent the Group's maximum exposure to credit risk in relation to financial assets. As at 31 December 2013, 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.

Management does not expect any investment counterparty to fail to meet its obligation.

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 in the Chinese Mainland and licensees in Europe with no recent history of material 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.

For the outstanding loan receivable from British Heritage Brands, Inc. ("BHB") (Note 22), management performs regular reviews of its financial condition and assess if any provision would be required.

4 Financial risk management and financial instruments *(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. The Finance Department maintains flexibility in funding by monitoring availability of 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 tables below analyse the Group's and the Company'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 their carrying balances, as the impact of discounting is not significant.

Group

	Repayment period			
As at 31 December 2013	**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	**89,932**	**–**	**–**	**–**
Contingent purchase consideration payable for acquisition	**–**	**1,960**	**32,080**	**468,170**
Other payables and accruals	**181,769**	**–**	**–**	**–**
Amounts due to related parties	**20,024**	**–**	**–**	**–**
Borrowings	**1,429,184**	**–**	**–**	**–**
	1,720,909	**1,960**	**32,080**	**468,170**

	Repayment period			
As at 31 December 2012	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	81,467	–	–	–
Contingent purchase consideration payable for acquisition	1,258	4,061	33,401	459,610
Other payables and accruals	199,667	–	–	–
Amounts due to related parties	13,098	–	–	–
Borrowings	870,428	–	–	–
	1,165,918	4,061	33,401	459,610

4 Financial risk management and financial instruments *(Continued)*

4.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

Company

As at 31 December 2013	Repayment period 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
Contingent purchase consideration payable for acquisition	–	1,960	32,080	468,170
Other payables and accruals	3,081	–	–	–
Amounts due to subsidiaries	278,848	–	–	–
	281,929	1,960	32,080	468,170

As at 31 December 2012	Repayment period 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
Contingent purchase consideration payable for acquisition	1,258	4,061	33,401	459,610
Other payables and accruals	3,266	–	–	–
Amount due to a subsidiary	3,817	–	–	–
	8,341	4,061	33,401	459,610

4.2 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's financial assets and liabilities that are measured at their fair values at 31 December 2013 and 31 December 2012.

4 Financial risk management and financial instruments *(Continued)*

4.2 Fair value estimation *(Continued)*

31 December 2013	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Derivative financial instrument – conversion right embedded in convertible promissory note (Note 23)	–	–	6,024	6,024
Derivative financial instruments – forward exchange contracts	–	186	–	186
Total assets	–	186	6,024	6,210
Liabilities				
Contingent purchase consideration payable for acquisition (Note 35)	–	–	319,301	319,301

31 December 2012	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Derivative financial instruments – forward exchange contracts	–	395	–	395
Liabilities				
Contingent purchase consideration payable for acquisition (Note 35)	–	–	319,629	319,629

(a) Valuation techniques used to derive Level 2 fair values

Level 2 financial instruments comprise forward exchange contracts, which have been determined using forward exchange rates that are quoted in an active market. Since all significant inputs required to estimate the fair values are observable, the instruments are included in Level 2.

4 Financial risk management and financial instruments *(Continued)*

4.2 Fair value estimation *(Continued)*

(b) Fair value measurements using significant unobservable inputs (Level 3)

Level 3 financial instruments comprise conversion right embedded in a convertible promissory note and contingent purchase consideration payable for acquisition.

The fair value of conversion right embedded in convertible promissory note is determined using binomial model based on the estimated performance of BHB. The valuation takes into account of the expected volatility of 30% with reference to the historical returns of comparable listed companies. The fair value measurement is positively correlated to the expected volatility. The Group's profit attributable to shareholders of the Company would increase/decrease and the conversion right would increase/decrease by HK$1,582,000 and HK$1,378,000 respectively if the expected volatility is 3.0% higher/lower at balance sheet date (2012: nil).

The valuation technique used to determine contingent purchase consideration payable for acquisition is discounted cash flow analysis. As disclosed in Note 38, the Group's acquisition of Gieves & Hawkes group involved post-acquisition performance-based contingent purchase consideration which was recognised at fair value at the acquisition date as part of the total consideration for the acquired business. The fair value measurement requires, among other things, significant estimation of post-acquisition performance of the acquired business and significant judgement in relation to the time value of money. All outstanding contingent purchase consideration will be re-measured at fair value reflecting the impact of any events or factors which occur after the acquisition date, with any resulting gain or loss recognised in the consolidated income statement. The determination of outstanding contingent purchase consideration payable involves significant judgement and estimation of the future performance of the acquired business. The Group's profit attributable to shareholders of the Company would decrease/increase and the contingent purchase consideration payable would increase/decrease by HK$44,815,000 (2012: HK$49,028,000) and HK$41,093,000 (2012: HK$44,213,000) respectively if future revenue growth is 1% higher/lower than the estimation made by management at balance sheet date.

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	HK$'000
Conversion right embedded in convertible promissory note (Note 23)	
Opening balance at 1 January 2013	–
Addition	6,024
Closing balance at 31 December 2013	6,024

4 Financial risk management and financial instruments *(Continued)*

4.2 Fair value estimation *(Continued)*

(b) Fair value measurements using significant unobservable inputs (Level 3) (Continued)

	2013 HK$'000	2012 HK$'000
Contingent purchase consideration payable for acquisition (Note 35)		
Opening balance	**319,629**	–
Acquisition of subsidiaries (Note 38)	**–**	317,600
Remeasurement gains recognised in profit or loss	**(13,513)**	(4,990)
Notional interest expenses on contingent purchase consideration payable for acquisition	**13,185**	7,019
Closing balance	**319,301**	319,629
Change in unrealised gains for the year included in profit or loss for liabilities held at the end of the year, under 'Other income'	**13,513**	4,990
Change in unrealised losses for the year included in profit or loss for liabilities held at the end of the year, under 'Finance costs – net'	**(13,185)**	(7,019)

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2012: nil).

(c) Group's valuation processes

The Group's Finance Department performs the valuations of financial liabilities required for financial reporting purposes, including Level 3 fair values based on policies approved by the Board of Directors. The Group's Finance Department reports directly to the Chief Financial Officer.

The main Level 3 inputs used by the Group include:

- The discount rate for conversion right embedded in convertible promissory note and estimated future performance of the BHB business. The discount rate is referenced to weighted average cost of capital of comparable listed companies. The estimated future performance of BHB business was determined with reference to senior management's best estimate.
- The discount rate for contingent purchase consideration payable for acquisition and estimated post acquisition performance of the acquired business. The discount rate is estimated based on the expected cost of borrowings with similar maturity. The estimated post acquisition performance of the acquired business was determined with reference to senior management's best estimate.

4 Financial risk management and financial instruments *(Continued)*

4.2 Fair value estimation *(Continued)*

(d) Fair value of financial assets and liabilities measured at amortised cost

The carrying amounts of the Group's financial assets (loan receivable, trade receivables, deposit and prepayments and amounts due from related parties) and financial liabilities (trade payables, other payables and accruals, amounts due to related parties and borrowings) approximate their fair values except for forward exchange contracts disclosed in Note 4.2 which have been grouped under deposit and prepayments as at 31 December 2012 and 2013 and they were included in Level 2.

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.

Note 4.2(b) contains the information about the assumptions and its risk factors relating to the valuation of contingent purchase consideration payable for acquisition. Other 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 intangibles – goodwill and trademarks

The Group tests annually or whenever there is an indicator of impairment whether goodwill and trademarks 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).

5 Critical accounting estimates and judgements *(Continued)*

(b) Useful life of trademarks

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 competitors' actions in response to severe industry cycles. Under HKAS 38, the Group re-evaluates the useful life of intangibles each year to determine whether events and circumstances continue to support the view of indefinite useful life for these assets.

(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) Allocation of purchase price amongst identifiable assets acquired, liabilities and contingent liabilities assumed in business combination

The Group accounts for the business combination as detailed in Note 38 in accordance with the accounting policy set out in Note 3.2(i). On initial recognition, it is required to recognise separately, at the date of initial recognition, the Group's share of identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria regardless of whether they have been previously recognised in acquiree's financial statements. The valuation in respect of the identifiable assets (including intangible assets recognised upon initial recognition during the year) and liabilities was referenced to the inflow of future economic benefits associated to the asset and the outflow of future economic resources required to settle the obligation based on fair value assessment which requires significant amount of judgement and estimate. An independent professional valuer was engaged to assist in determining the fair values of identifiable assets, liabilities and contingent liabilities, if any.

(e) Estimated impairment of convertible promissory note

The fair value of convertible promissory note comprises two elements, namely, the loan receivable and the conversion right. The Group tests annually or whenever there is an indicator of impairment whether the loan receivable element has suffered any impairment in accordance with the accounting policies stated in Note 3.10 and Note 3.11. If an indication of impairment is identified, management prepares discounted cashflow to assess the difference between the carrying value and recoverable amount and makes provision for impairment loss. The valuation measurement requires, among other things, significant estimation of future performance of BHB business and significant judgement in relation to the time value of money. The conversion right element will be remeasured at fair value annually, with any resulting gain or loss recognised in the consolidated income statement.

6 Segment information

The Group is principally engaged in the retailing and wholesale of high-end to luxury menswear in Greater China and Europe, as well as licensing its fully owned brands globally. The associates/joint ventures are retailers of luxury fashion and accessories in South Korea and various countries in Southeast Asia. The performance of the Group's retail stores is subject to seasonal fluctuations and certain holiday seasons.

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 both geographic and business lines perspectives. Geographically, management considers the performance of the retail businesses in the Chinese Mainland, Hong Kong & Macau, Taiwan, Europe and others. Management also assesses the performance of the individual business line, namely retail, wholesale and licensing. Management assesses the performance of operating segments based on a measure of segmental earnings before finance costs – net and income tax expense ("Segmental contribution") for the year. Corporate employee benefit expenses and overhead, finance income/(costs), other income, gain on disposal of investments in joint ventures and other gains – net are not allocated to segments. Inter-segment revenue are priced with reference to prices charged to external parties for similar orders. During the year, certain amendments and reclassifications (allocation of certain corporate management overheads to individual segment) were made to the management reports presented to the senior executive management in order to better reflect the composition and performance of each segment. Prior year comparatives have been restated accordingly.

Segment asset consists only of inventories.

(a) Segment results

The segment results for the year ended 31 December 2013 are as follows:

	HK & Macau		Chinese Mainland	Taiwan	Europe		Others	
	Retail HK$'000	Wholesale HK$'000	Retail HK$'000	Retail HK$'000	Retail HK$'000	Licensing HK$'000	Retail HK$'000	Total HK$'000
Total segment revenue	864,479	855,621	1,345,452	191,133	210,531	155,580	–	3,622,796
Inter-segment revenue	–	(849,406)	–	–	(29,453)	(48,002)	–	(926,861)
Segment revenue and revenue from external customers	864,479	6,215	1,345,452	191,133	181,078	107,578	–	2,695,935
Gross profit	678,134	1,469	1,016,317	133,683	98,959	107,578	–	2,036,140
Segmental contribution	193,926	1,469	283,814	41,483	(98,159)	21,974	16,156	460,663
Segmental contribution includes:								
Depreciation	(16,195)	–	(132,572)	(2,546)	(11,023)	(2,215)	–	(164,551)
Additional provision for impairment of property, plant and equipment	(1,356)	–	(2,982)	–	–	–	–	(4,338)
Share of profit of associates	–	–	–	–	–	–	16,156	16,156
Segment asset	241,061	–	338,771	57,543	47,335	–	–	684,710

6 Segment information *(Continued)*

(a) Segment results (Continued)

The segment results for the year ended 31 December 2012 were as follows:

	HK & Macau		Chinese Mainland	Taiwan	Europe		Others	
	Retail HK$'000	Wholesale HK$'000	Retail HK$'000	Retail HK$'000	Retail HK$'000	Licensing HK$'000	Retail HK$'000	Total HK$'000
Total segment revenue	847,540	989,865	1,492,785	195,937	157,367	160,564	–	3,844,058
Inter-segment revenue	–	(980,634)	–	–	(9,020)	(53,733)	–	(1,043,387)
Segment revenue and revenue from external customers	847,540	9,231	1,492,785	195,937	148,347	106,831	–	2,800,671
Gross profit	672,139	2,132	1,173,045	142,035	89,946	106,831	–	2,186,128
Segmental contribution	212,424	2,132	414,627	40,055	(43,747)	41,163	65,346	732,000
Segmental contribution includes:								
Depreciation	(15,641)	–	(134,496)	(4,058)	(12,018)	(2,075)	–	(168,288)
Reversal of/(additional provision for) impairment of property, plant and equipment	(61)	–	(4,757)	46	776	–	–	(3,996)
Share of profit of joint ventures	–	–	–	–	–	–	65,346	65,346
Segment asset	213,853	–	332,660	69,638	47,475	–	–	663,626

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

	2013 HK$'000	2012 HK$'000 (Restated)
Segmental contribution for reportable segments	**460,663**	732,000
Add:		
Other income (Note 8)	**70,391**	71,556
Other gains – net (Note 9)	**47,592**	15,543
Gain on disposal of investments in joint ventures (Note 20)	**3,984**	34,766
Less:		
Finance costs – net (Note 10)	**(9,691)**	(11,339)
Employee benefit expenses	**(139,170)**	(147,433)
Rental expenses	**(20,141)**	(17,546)
Depreciation and amortisation	**(11,300)**	(11,937)
Other unallocated expenses	**(32,879)**	(28,494)
Total Group's profit before income tax	**369,449**	637,116

7 Operating profit

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

	2013 HK$'000	2012 HK$'000 (Restated)
Cost of inventories recognised as expenses included in cost of sales (Note 26)	**635,077**	623,760
Additional/(reversal of) provision for impairment of inventories (Note 26)	**24,718**	(9,217)
Depreciation of property, plant and equipment (Note 17)	**175,851**	178,466
Additional provision for impairment of property, plant and equipment (Note 17)	**4,338**	3,996
Amortisation of intangible assets (Note 18)	**–**	1,759
Loss on disposal of property, plant and equipment	**5,199**	6,821
Operating lease rental expense – minimum lease payment	**323,112**	273,052
Operating lease rental expense – contingent rents	**290,720**	319,854
(Reversal of)/additional provision for impairment of trade receivables – net (Note 27)	**(3,034)**	200
Employee benefit expenses (Note 14)	**685,470**	659,777
Advertising and promotion expenses (note)	**157,797**	161,233
Royalty expenses	**7,838**	13,933

Note: Advertising and promotion expenses included employee benefit expenses and operating lease rental expenses of HK$18,892,000 (2012: HK$20,716,000) and HK$2,533,000 (2012: HK$3,665,000) respectively.

The remuneration to the auditors for audit and non-audit services is as follows:

	2013 HK$'000	2012 HK$'000
Audit services	**5,398**	4,810
Non-audit services		
– due diligence review	**–**	2,053
– taxation services	**628**	904
– other services	**357**	223
	6,383	7,990

Note: HK$5,206,000 (2012: HK$4,702,000) of the audit services fees and HK$985,000 (2012: HK$3,156,000) of non-audit services fees are payable to the Company's auditor.

8 Other income

	2013 HK$'000	2012 HK$'000
Subsidy income	12,974	24,066
Rental and licence fee income	2,776	2,214
Consultancy services fee income from third parties	17,094	–
Consultancy services fee income from a related party (Note 41(a))	2,800	–
Management fee income from related parties (Note 41(a))	2,285	25,584
Claims received	2,413	2,194
Sales commission	1,486	1,552
Gains on remeasurement of contingent purchase consideration payable for acquisition	13,513	4,990
Gain on disposal of a subsidiary	479	–
Others	14,571	10,956
	70,391	71,556

9 Other gains – net

	2013 HK$'000	2012 HK$'000
Fair value (losses)/gains on forward foreign exchange contracts	(209)	395
Net foreign exchange gains	47,801	15,148
Other gains – net	47,592	15,543

10 Finance costs – net

	2013 HK$'000	2012 HK$'000
Finance costs		
– Interest expenses on bank borrowings and overdrafts wholly repayable within five years	(16,608)	(9,777)
– Notional interest expenses on contingent purchase consideration payable for acquisition	(13,185)	(7,019)
Finance costs	(29,793)	(16,796)
Finance income		
– Interest income on bank deposits	18,606	5,457
– Interest income on loan receivable	1,496	–
Finance income	20,102	5,457
Finance costs – net	(9,691)	(11,339)

11 Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit. 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. Overseas capital gain tax has also been provided for in respect of the disposal of investments in joint ventures for the year ended 31 December 2012.

	2013 HK$'000	2012 HK$'000
Current income tax		
– Hong Kong profits tax	45,768	38,967
– Overseas taxation	31,853	81,864
Deferred income tax (Note 25)	(3,268)	(9,647)
Over provision in prior years	(13,112)	(14,187)
	61,241	96,997

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

	2013 HK$'000	2012 HK$'000
Profit before income tax (restated)	369,449	637,116
Tax calculated at domestic tax rates applicable to profits in the respective areas	56,096	103,435
Effect of withholding tax on distributable profits of the Group's Chinese Mainland subsidiaries, joint ventures and associates in South Korea and Thailand	7,490	(6,424)
Income not subject to tax	(17,453)	(10,085)
Over provision in prior years	(13,112)	(14,187)
Effect of unrecognised tax losses	12,568	1,044
Expenses not deductible for tax purposes	15,652	23,214
Income tax expense	61,241	96,997

The weighted average applicable tax rate for the year was 15.2% (2012: 16.2%). The decrease is caused by a change in the mix of profitability of the Group's subsidiaries in the respective countries.

The subsidiaries incorporated in the Chinese Mainland are subject to income tax rate at 25% (2012: 25%).

12 Profit for the year attributable to shareholders of the Company

The profit for the year attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK$350,552,000 (2012: HK$591,702,000).

13 Earnings per share

(a) Basic

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

	2013	2012 (Restated)
Weighted average number of ordinary shares in issue	**1,728,854,000**	1,715,719,000
Profit attributable to shareholders of the Company (HK$'000)	**308,208**	540,119
Basic earnings per share (HK cents per share)	**17.8 cents**	31.5 cents

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue 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.

	2013	2012 (Restated)
Weighted average number of ordinary shares in issue	**1,728,854,000**	1,715,719,000
Adjustment for share options	**10,769,000**	31,126,000
Weighted average number of ordinary shares for diluted earnings per share	**1,739,623,000**	1,746,845,000
Profit attributable to shareholders of the Company (HK$'000)	**308,208**	540,119
Diluted earnings per share (HK cents per share)	**17.7 cents**	30.9 cents

14 Employee benefit expenses

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

	2013 HK$'000	2012 HK$'000 (Restated)
Wages, salaries and bonus	**579,990**	559,953
Pension costs – defined benefit and contribution plans	**13,254**	13,242
Social security and benefits (note)	**92,226**	80,082
Employee share option benefit	**–**	6,500
Total	**685,470**	659,777

There were no forfeited contributions during the year (2012: nil).

Note: Certain employee benefit expenses to employees in the Chinese Mainland of HK$8,249,000 (2012: HK$12,172,000) are included in social security and benefits.

15 Directors' and senior management emoluments

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

(i) For the year ended 31 December 2013:

	Fees HK$'000	Salary HK$'000	Bonuses HK$'000	Other benefits (note) HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive Directors						
WONG Yat Ming	**120**	**3,360**	**4,739**	**1,103**	**15**	**9,337**
Bruno LI Kwok Ho	**120**	**1,766**	**3,033**	**556**	**15**	**5,490**
Sabrina FUNG Wing Yee *	**120**	**2,280**	**1,517**	**74**	**15**	**4,006**
Danny LAU Sai Wing	**120**	**2,990**	**3,791**	**982**	**15**	**7,898**
Non-executive Directors						
Victor FUNG Kwok King	**180**	**–**	**–**	**–**	**–**	**180**
William FUNG Kwok Lun	**150**	**–**	**–**	**–**	**–**	**150**
Jose Hosea CHENG Hor Yin	**200**	**–**	**–**	**–**	**–**	**200**
Jean-Marc LOUBIER	**200**	**–**	**–**	**–**	**–**	**200**
Independent Non-executive Directors						
Cassian CHEUNG Ka Sing	**280**	**–**	**–**	**–**	**–**	**280**
Michael LEE Tze Hau	**280**	**–**	**–**	**–**	**–**	**280**
Patrick SUN	**250**	**–**	**–**	**–**	**–**	**250**
Eva CHENG LI Kam Fun	**230**	**–**	**–**	**–**	**–**	**230**
	2,250	**10,396**	**13,080**	**2,715**	**60**	**28,501**

** Ms Sabrina FUNG Wing Yee has been re-designated from an Executive Director to a Non-executive Director with effect from 18 February 2014.*

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

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

(ii) For the year ended 31 December 2012:

	Fees HK$'000	Salary HK$'000	Bonuses HK$'000	Other benefits (note) HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive Directors						
WONG Yat Ming	120	3,360	4,862	1,094	14	9,450
Bruno LI Kwok Ho	120	1,766	3,112	546	14	5,558
Sabrina FUNG Wing Yee	120	2,280	1,815	64	14	4,293
Danny LAU Sai Wing	120	3,000	3,890	971	14	7,995
Non-executive Directors						
Victor FUNG Kwok King	180	–	–	–	–	180
William FUNG Kwok Lun	150	–	–	–	–	150
Jose Hosea CHENG Hor Yin	200	–	–	–	–	200
Jean-Marc LOUBIER	200	–	–	–	–	200
Independent Non-executive Directors						
Cassian CHEUNG Ka Sing	280	–	–	–	–	280
Michael LEE Tze Hau	280	–	–	–	–	280
Patrick SUN	250	–	–	–	–	250
Eva CHENG LI Kam Fun	230	–	–	–	–	230
	2,250	10,406	13,679	2,675	56	29,066

For the year ended 31 December 2012, the executive directors had agreed to revise their bonus entitlement which amounted to approximately HK$8.7 million and the bonus reduction for each of the executive director was as follows:

Mr Wong Yat Ming – approximately HK$3.2 million
Mr Bruno Li Kwok Ho – approximately HK$2.1 million
Ms Sabrina Fung Wing Yee – approximately HK$0.8 million
Mr Danny Lau Sai Wing – approximately HK$2.6 million

Note: other benefits include insurance premium and housing allowance.

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

(b) The emoluments of senior management of the Group fall within the following bands:

	Number of individuals	
	2013	2012
Emolument bands		
– HK$2,500,001 to HK$3,000,000	**1**	–
– HK$3,500,001 to HK$4,000,000	**2**	–
– HK$4,000,001 to HK$4,500,000	**–**	2
– HK$4,500,001 to HK$5,000,000	**1**	1
– HK$5,000,001 to HK$5,500,000	**1**	1
– HK$5,500,001 to HK$6,000,000	**1**	1
– HK$6,500,001 to HK$7,000,000	**–**	1
	6	6

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2013 include three (2012: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two highest paid individuals (2012: two) during the year are as follows:

	2013 HK$'000	2012 HK$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**8,770**	7,257
Discretionary bonuses	**3,154**	5,222
Employer's contribution to pension scheme	**332**	173
	12,256	12,652

No compensation was paid for loss of office during the year (2012: nil).

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

	Number of individuals	
	2013	2012
Emolument bands		
– HK$5,500,001 to HK$6,000,000	**1**	1
– HK$6,000,001 to HK$6,500,000	**1**	–
– HK$6,500,001 to HK$7,000,000	**–**	1
	2	2

16 Dividends

(a) Dividends attributable to the year are as follows:

	2013 HK$'000	2012 HK$'000
Interim dividend declared and paid of 4.5 HK cents (2012: 8.0 HK cents) per ordinary share	**77,819**	137,367
Final dividend proposed after the balance sheet date of 8.5 HK cents (2012: 14.0 HK cents) per ordinary share	**147,274**	242,071
No special final dividend proposed after the balance sheet date (2012: 2.0 HK cents) per ordinary share	**–**	34,581
	225,093	414,019

The final dividend (2012: final dividend and special final dividend) proposed after the balance sheet date have not been recognised as liabilities at the balance sheet date.

(b) Dividends attributable to the previous year, approved and paid during the year are as follows:

	2013 HK$'000	2012 HK$'000
Final dividend approved and paid of 14.0 HK cents (2012: 15.0 HK cents) per ordinary share	**242,071**	257,110
Special final dividend approved and paid of 2.0 HK cents (2012: nil) per ordinary share	**34,581**	–
	276,652	257,110

17 Property, plant and equipment – Group

	Buildings HK$'000	Leasehold improvements, furniture and fixtures HK$'000	Computers, equipment and air-conditioners HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2012						
Cost	1,716	580,910	45,548	15,814	3,673	647,661
Accumulated depreciation and impairment	(1,122)	(290,587)	(29,280)	(12,572)	(2,294)	(335,855)
Net book amount	594	290,323	16,268	3,242	1,379	311,806
Year ended 31 December 2012						
Opening net book amount	594	290,323	16,268	3,242	1,379	311,806
Exchange differences	(54)	393	(75)	–	(2)	262
Acquisition of subsidiaries (Note 38)	5,802	7,358	3,960	–	–	17,120
Additions	580	183,041	5,146	138	–	188,905
Disposals	–	(5,891)	(726)	–	(204)	(6,821)
Impairment provision (Note 7)	–	(3,996)	–	–	–	(3,996)
Depreciation (Note 7)	(1,179)	(165,157)	(10,904)	(706)	(520)	(178,466)
Closing net book amount	5,743	306,071	13,669	2,674	653	328,810
At 31 December 2012						
Cost	16,102	626,501	59,495	12,775	1,631	716,504
Accumulated depreciation and impairment	(10,359)	(320,430)	(45,826)	(10,101)	(978)	(387,694)
Net book amount	5,743	306,071	13,669	2,674	653	328,810
Year ended 31 December 2013						
Opening net book amount	**5,743**	**306,071**	**13,669**	**2,674**	**653**	**328,810**
Exchange differences	**37**	**6,832**	**158**	**–**	**–**	**7,027**
Additions	**77**	**122,382**	**5,701**	**87**	**–**	**128,247**
Disposals	**(92)**	**(5,202)**	**(29)**	**–**	**–**	**(5,323)**
Impairment provision (Note 7)	**–**	**(4,338)**	**–**	**–**	**–**	**(4,338)**
Depreciation (Note 7)	**(1,616)**	**(164,810)**	**(8,357)**	**(716)**	**(352)**	**(175,851)**
Closing net book amount	**4,149**	**260,935**	**11,142**	**2,045**	**301**	**278,572**
At 31 December 2013						
Cost	**12,841**	**581,262**	**63,022**	**12,862**	**1,631**	**671,618**
Accumulated depreciation and impairment	**(8,692)**	**(320,327)**	**(51,880)**	**(10,817)**	**(1,330)**	**(393,046)**
Net book amount	**4,149**	**260,935**	**11,142**	**2,045**	**301**	**278,572**

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

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

	2013 HK$'000	2012 HK$'000
Cost of sales	**3,368**	3,023
Selling and marketing expenses	**156,777**	157,331
Administrative expenses	**15,706**	18,112
Total	**175,851**	178,466

During the year, the Group recognised an impairment provision of HK$4,338,000 (2012: HK$3,996,000), mainly arising from a number of loss making stores and the impairment provision is included in selling and marketing expenses.

18 Intangible assets – Group

	Licences (with finite useful lives) HK$'000	Trademarks and licences (with indefinite useful lives) (note (a)) HK$'000	Goodwill HK$'000	Others HK$'000	Total HK$'000
At 1 January 2012					
Cost	60,191	998,032	1,271,751	5,418	2,335,392
Accumulated amortisation	(23,144)	–	–	–	(23,144)
Net book amount	37,047	998,032	1,271,751	5,418	2,312,248
Year ended 31 December 2012					
Opening net book amount	37,047	998,032	1,271,751	5,418	2,312,248
Acquisition of subsidiaries (Note 38)	–	792,000	–	–	792,000
Disposal (note (b))	(35,288)	–	–	–	(35,288)
Amortisation charge (Note 7)	(1,759)	–	–	–	(1,759)
Exchange differences	–	10,040	–	86	10,126
Closing net book amount	–	1,800,072	1,271,751	5,504	3,077,327
At 31 December 2012					
Cost	–	1,800,072	1,271,751	5,504	3,077,327
Accumulated amortisation	–	–	–	–	–
Net book amount	–	1,800,072	1,271,751	5,504	3,077,327

18 Intangible assets – Group *(Continued)*

	Licences (with finite useful lives) HK$'000	Trademarks and licences (with indefinite useful lives) (note (a)) HK$'000	Goodwill HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2013					
Opening net book amount	–	1,800,072	1,271,751	5,504	3,077,327
Exchange differences	–	3,225	–	260	3,485
Closing net book amount	–	1,803,297	1,271,751	5,764	3,080,812
At 31 December 2013					
Cost	–	1,803,297	1,271,751	5,764	3,080,812
Accumulated amortisation	–	–	–	–	–
Net book amount	–	1,803,297	1,271,751	5,764	3,080,812

Notes:

(a) *Indefinite life trademarks mainly represent the Group's rights and titles in respect of the worldwide Kent & Curwen trademark, the worldwide Cerruti and Gieves & Hawkes trademarks acquired through business combinations in prior year.*

(b) *Disposal of intangible assets for the year ended 31 December 2012 relates to the write-off of the licence right for Gieves & Hawkes capitalised in prior years, together with corresponding royalties payable included in other payables and accruals (Note 33), as a result of the completion of acquisition of Gieves & Hawkes group as disclosed in Note 38.*

No amortisation charge (2012: HK$1,759,000) is included in administrative expenses.

Impairment tests for goodwill and other intangible assets

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

All of the Group's goodwill is allocated to the relevant operating segments. An analysis of goodwill allocated to each operating segment as at 31 December 2012 and 2013 is presented below.

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

18 Intangible assets – Group *(Continued)*

Impairment tests for goodwill

In accordance with HKAS 36 "Impairment of Assets", the Group completed its annual 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 financial budget covering a four-year projection. Cash flows beyond the four-year period are extrapolated in perpetuity using a stable growth rate of 3% (2012: 3.5%) which does not exceed industry growth forecasts. The discount rate used is approximately 10% (post-tax) (2012: 10%) 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:

	Gross margin (note (i))		Growth rate (note (ii))		Discount rate (note (iii))	
	2013	2012	**2013**	2012	**2013**	2012
Hong Kong	**79%**	79%	**3.0%**	3.5%	**10%**	10%
Chinese Mainland	**77%**	80%	**3.0%**	3.5%	**10%**	10%
Taiwan	**71%**	75%	**3.0%**	3.5%	**10%**	10%

Notes:

(i) Budgeted gross margin

(ii) Terminal growth rate beyond four-year budget period

(iii) 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.

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 licences 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 annual impairment test of the carrying amount of each trademark as a corporate asset based on a fair value less costs to sell calculation. This valuation uses cash flow projections based on financial estimates covering a five-year period, expected royalty rates deriving from respective trademarks and a post-tax discount rate of 10% (2012: 10%). The cash flows beyond the five-year period are extrapolated using a growth rate of 3% (2012: 3.5%). This growth rate does not exceed the long-term average growth rate for apparel markets in which the Group operates. Management has considered the above assumptions and valuation and has also taken into account the business expansion plan going forward and concluded that no impairment is required.

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

(a) Investments in subsidiaries

	2013 HK$'000	2012 HK$'000
Unlisted investments, at cost	**481,082**	481,082
Capital contribution relating to share-based payment	**1,332**	4,936
Advances to subsidiaries	**2,196,280**	2,196,280
	2,678,694	2,682,298

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

Details of subsidiaries are included in Note 44.

(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$651,285,000 (2012: HK$301,285,000) represents dividend receivable from subsidiaries. The fair values of amounts due from/(to) subsidiaries are approximately the same as their carrying amounts.

20 Investments in joint ventures – Group

	Ferragamo (Malaysia) Sdn Bhd HK$'000	Ferragamo (Thailand) Limited HK$'000	Ferragamo (Singapore) Pte Ltd HK$'000	Ferragamo Korea Limited HK$'000	Total HK$'000
At 1 January 2012	24,412	–	23,010	181,623	229,045
Share of profit of joint ventures	4,912	4,727	6,581	49,126	65,346
Capital contribution	–	2,729	–	9,709	12,438
Dividends received	(5,745)	–	–	(24,062)	(29,807)
Exchange differences	848	26	1,572	17,369	19,815
Disposal (note (i))	(14,656)	(2,836)	(18,697)	(132,370)	(168,559)
Transfer to investments in associates (Note 21)	(9,771)	(4,646)	(12,466)	(101,395)	(128,278)
At 31 December 2012	–	–	–	–	–

20 Investments in joint ventures – Group *(Continued)*

Notes:

(i) On 20 December 2012, the Group disposed of its 30% equity interest in Ferragamo Korea Limited, Ferragamo (Malaysia) Sdn Bhd, Ferragamo (Singapore) Pte Ltd and Ferragamo (Thailand) Limited (collectively "Ferragamo entities"), then joint ventures of the Group, to Salvatore Ferragamo S.p.A. for a total cash consideration of US$26,056,000 (approximately HK$201,969,000). As a result of the disposal, the Group's interests in Ferragamo entities had been reduced from 50% to 20%. The Group had classified its residual interests as investments in associates and had continued to equity account for these entities in its financial statements.

Details of consideration received and net assets disposed of were as follows:

	HK$'000
Total cash consideration received	201,969
Net assets disposed of:	
30% share of net assets of interest in joint ventures disposed	(168,559)
Translation reserve	6,841
Related transaction costs incurred	(5,485)
Gain on disposal of investments in joint ventures	34,766

(ii) During the year ended 31 December 2013, a further gain on disposal of investments in joint ventures of HK$3,984,000 has been recognised in the consolidated income statement. It represents the gain arising from the final adjustment to the value of the 30% equity interest in the Ferragamo entities disposed in December 2012.

The summarised financial information of Ferragamo entities are disclosed in Note 21 to the consolidated financial statements.

21 Investments in associates – Group

	2013 HK$'000	2012 HK$'000
Beginning of the year	**128,278**	–
Share of profit of associates	**16,156**	–
Dividend received	**(9,045)**	–
Exchange differences	**(222)**	–
Transfer from investments in joint ventures (Note 20)	**–**	128,278
End of the year	**135,167**	128,278

The assets and liabilities, and results of Ferragamo entities, then joint ventures of the Group, were 50% equity accounted for by the Group up to 20 December 2012 when the Group disposed of its 30% equity interest. Since then, Ferragamo entities became the 20% owned associates of the Group.

Set out below are the associates of the Group as at 31 December 2013, which, in the opinion of the directors, are material to the Group. The associates as listed below have share capital consisting ordinary shares and preference shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Nature of investments in associates 2013 and 2012

Name of entity	Particulars of issued shares held	Place of business/ country of incorporation	% of ownership interest
Ferragamo (Malaysia) Sdn Bhd	1,300,000 ordinary shares of RM1 each	Malaysia	20
Ferragamo (Thailand) Limited	770,000 ordinary shares of Baht100 each 229,500 preference shares of Baht100 each (10 preference shares for 1 vote)	Thailand	20
Ferragamo (Singapore) Pte Ltd	4,600,000 ordinary shares of S$1 each	Singapore	20
Ferragamo Korea Ltd	658,240 ordinary shares of KRW5,000 each	Korea	20

21 Investments in associates – Group *(Continued)*

Nature of the relationship

Ferragamo entities are retailers of luxury fashion and accessories in South Korea and various countries in Southeast Asia, enabling the Group to have exposure to this market through local expertise.

Ferragamo entities are private companies and there is no quoted market price available for their shares.

There are no contingent liabilities relating to the Group's interest in Ferragamo entities.

Set out below are the summarised financial information for Ferragamo entities.

	Ferragamo (Malaysia) Sdn Bhd As at 31 December		Ferragamo (Thailand) Limited As at 31 December		Ferragamo (Singapore) Pte Ltd As at 31 December		Ferragamo Korea Limited As at 31 December		Total As at 31 December	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Summarised balance sheet										
Current assets	**59,050**	49,448	**39,110**	23,300	**107,245**	83,858	**556,284**	390,804	**761,689**	547,410
Non-current assets	**5,127**	8,473	**10,607**	3,797	**31,348**	30,982	**176,695**	167,308	**223,777**	210,560
Current liabilities	**(9,788)**	(8,795)	**(23,146)**	(2,858)	**(66,133)**	(47,549)	**(202,526)**	(51,135)	**(301,593)**	(110,337)
Non-current liabilities	**(45)**	(272)	**(770)**	(1,011)	**(2,690)**	(4,961)	**(4,536)**	–	**(8,041)**	(6,244)
Net assets	**54,344**	48,854	**25,801**	23,228	**69,770**	62,330	**525,917**	506,977	**675,832**	641,389
Summarised statement of comprehensive income										
Revenue	**85,611**	74,369	**48,795**	47,775	**250,047**	213,892	**791,025**	676,823	**1,175,478**	1,012,859
Depreciation and amortisation	**(4,027)**	(3,428)	**(3,466)**	(2,462)	**(10,673)**	(6,539)	**(18,856)**	(9,739)	**(37,022)**	(22,168)
Interest income	**805**	486	**351**	3	**1,712**	–	**338**	558	**3,206**	1,047
Interest expense	**(21)**	–	**(741)**	(811)	**(431)**	(217)	**–**	(15)	**(1,193)**	(1,043)
Profit before tax from continuing operations	**12,526**	13,646	**5,766**	9,628	**12,773**	15,685	**73,308**	126,335	**104,373**	165,294
Income tax expense	**(3,259)**	(3,822)	**(1,329)**	(175)	**(3,012)**	(2,523)	**(15,992)**	(28,083)	**(23,592)**	(34,603)
Net profit from continuing operations	**9,267**	9,824	**4,437**	9,453	**9,761**	13,162	**57,316**	98,252	**80,781**	130,691
Other comprehensive income	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Total comprehensive income	**9,267**	9,824	**4,437**	9,453	**9,761**	13,162	**57,316**	98,252	**80,781**	130,691
Dividends received from associates/ joint ventures	**–**	5,745	**–**	–	**–**	–	**9,045**	24,062	**9,045**	29,807

The information above reflects the amounts presented in the financial statements of the Ferragamo entities (and not Trinity Limited's share of those amounts) adjusted for differences in accounting policies between the Group and the Ferragamo entities.

21 Investments in associates – Group *(Continued)*

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in the associates.

Summarised financial information	Ferragamo (Malaysia) Sdn Bhd 2013 HK$'000	Ferragamo (Malaysia) Sdn Bhd 2012 HK$'000	Ferragamo (Thailand) Limited 2013 HK$'000	Ferragamo (Thailand) Limited 2012 HK$'000	Ferragamo (Singapore) Pte Ltd 2013 HK$'000	Ferragamo (Singapore) Pte Ltd 2012 HK$'000	Ferragamo Korea Limited 2013 HK$'000	Ferragamo Korea Limited 2012 HK$'000	Total 2013 HK$'000	Total 2012 HK$'000
Opening net assets	48,854	–	23,228	–	62,330	–	506,977	–	641,389	–
Profit for the year	9,267	–	4,437	–	9,761	–	57,316	–	80,781	–
Dividend received	–	–	–	–	–	–	(45,225)	–	(45,225)	–
Exchange differences	(3,777)	–	(1,864)	–	(2,321)	–	6,849	–	(1,113)	–
Transfer from investments in joint ventures	–	48,854	–	23,228	–	62,330	–	506,977	–	641,389
Closing net assets	54,344	48,854	25,801	23,228	69,770	62,330	525,917	506,977	675,832	641,389
Interest in associates (20%)	10,869	9,771	5,160	4,646	13,954	12,466	105,184	101,395	135,167	128,278
Carrying value	10,869	9,771	5,160	4,646	13,954	12,466	105,184	101,395	135,167	128,278

22 Loan receivable – Group

	2013 HK$'000	2012 HK$'000
Non-current assets		
Loan receivable	71,647	–
Less: provision for impairment of loan receivable	–	–
Loan receivable – net	71,647	–

(a) On 21 August 2013, the Group entered into a convertible promissory note transaction with BHB, a licensee of Kent & Curwen in Europe, North America, Central America, South America, Russia and the Middle East. Under the terms of the agreement, the Group would contribute a maximum aggregate amount of USD15.0 million in four tranches over two years with the first and second tranches of USD6.75 million and USD3.25 million already paid as at 31 December 2013. For the remaining USD5.0 million (approximately HK$38.8 million), the Group is required to pay to BHB by 31 August 2014, subject to the satisfaction of the relevant benchmarks as prescribed under the agreement. The convertible promissory note carries interest at 5% per annum maturing on 31 December 2027 with a right of conversion up to 23.94% equity interest of BHB during the period commencing on the earlier of either (i) the date on which sum of all payments made by the Group equals the maximum aggregate amount of the convertible promissory note; or (ii) 1 January 2016, and ending on the day occurring 90 days following the date of delivery to the Group of the annual audited financial statements of BHB for the fiscal year 2018.

(b) The convertible promissory note is denominated in US dollars.

(c) The effective interest rate of the convertible promissory note at the balance sheet date was 5.38%.

(d) As at 31 December 2013, the carrying amount of the Group's loan receivable approximated its fair value.

23 Derivative financial instrument – Group

	2013 HK$'000	2012 HK$'000
Non-current assets		
Conversion right embedded in convertible promissory note (Note 4.2(b))	**6,024**	–

The conversion right embedded in convertible promissory note referred to the Group's investment in an unlisted convertible promissory note issued by BHB mentioned in Note 22.

24 Deposit and prepayments – Group

	2013 HK$'000	2012 HK$'000
Non-current assets		
Rental deposits	**55,436**	45,983
Current assets		
Rental deposits	**37,421**	35,225
Prepayments and other receivables	**83,372**	66,326
	120,793	101,551
Total	**176,229**	147,534

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

	2013 HK$'000	2012 HK$'000
Hong Kong dollars ("HKD")	**60,534**	57,767
Renminbi ("RMB")	**57,303**	48,320
Euro ("EUR")	**35,806**	26,942
Pounds Sterling ("GBP")	**12,236**	10,746
Macao Patacas ("MOP")	**7,815**	2,210
Singapore dollars ("SGD")	**1,341**	417
Taiwan dollars ("TWD")	**1,194**	1,132
	176,229	147,534

As at 31 December 2012 and 2013, the carrying amounts of the Group's deposits and prepayments approximated their fair values.

25 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:

	2013 HK$'000	2012 HK$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**150,670**	154,151
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	**(345,159)**	(360,726)

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

	2013 HK$'000	2012 HK$'000
Beginning of the year	**(206,575)**	(136,684)
Credited to consolidated income statement (Note 11)	**3,268**	9,647
Acquisition of subsidiaries	**–**	(98,375)
Utilisation for the year	**11,389**	17,182
Exchange differences	**(2,571)**	1,655
End of the year	**(194,489)**	(206,575)

Deferred income tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$29,395,000 (2012: HK$25,919,000) in respect of losses amounting to HK$94,735,000 (2012: HK$104,027,000) that can be carried forward against future taxable income. The unrecognised tax losses of HK$93,669,000 (2012: HK$104,027,000) can be carried forward indefinitely. Losses amounting to HK$1,066,000 (2012: nil) will expire in 2018.

25 Deferred income tax – Group *(Continued)*

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

	Intangible assets-trademarks HK$'000	Accelerated tax depreciation allowances HK$'000	Undistributed profits of subsidiaries, associates and joint ventures HK$'000	Others HK$'000	Total HK$'000
At 1 January 2012	132,942	17,491	74,928	5,332	230,693
Charged/(credited) to the consolidated income statement	–	10,062	(6,424)	10,180	13,818
Acquisition of subsidiaries	134,716	–	–	–	134,716
Utilisation for the year	–	–	(17,182)	–	(17,182)
Exchange differences	775	1,099	(2,900)	(293)	(1,319)
At 31 December 2012	268,433	28,652	48,422	15,219	360,726
Charged/(credited) to the consolidated income statement	**–**	**1,714**	**7,490**	**(16,403)**	**(7,199)**
Utilisation for the year	**–**	**–**	**(11,389)**	**–**	**(11,389)**
Exchange differences	**956**	**(1,437)**	**1,231**	**2,271**	**3,021**
At 31 December 2013	**269,389**	**28,929**	**45,754**	**1,087**	**345,159**

The movements of 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 2012	2,643	3,170	10,664	58,594	12,988	5,950	94,009
Credited/(charged) to the consolidated income statement	1,211	(2,303)	(1,357)	22,662	2,758	494	23,465
Acquisition of subsidiaries	–	–	–	–	36,341	–	36,341
Exchange differences	(290)	–	(6)	–	547	85	336
At 31 December 2012	3,564	867	9,301	81,256	52,634	6,529	154,151
Credited/(charged) to the consolidated income statement	**(391)**	**1,978**	**(805)**	**(1,607)**	**(3,925)**	**819**	**(3,931)**
Exchange differences	**(388)**	**–**	**274**	**–**	**376**	**188**	**450**
At 31 December 2013	**2,785**	**2,845**	**8,770**	**79,649**	**49,085**	**7,536**	**150,670**

26 Inventories – Group

	2013 HK$'000	2012 HK$'000 (Restated)
Raw materials	**41,500**	47,367
Work-in-progress	**16,074**	14,229
Finished goods	**627,136**	602,030
Total	**684,710**	663,626

The cost of inventories and additional/(reversal of) provision for impairment of inventories recognised as expense and included in 'cost of sales' amounted to HK$635,077,000 (2012: HK$623,760,000) and HK$24,718,000 (2012: reversal of HK$9,217,000) respectively (Note 7).

Comparative figures of finished goods of HK$7,928,000 and HK$5,448,000 have been reclassified to raw materials and work-in-progress respectively to conform to current year's presentation.

27 Trade receivables – Group

	2013 HK$'000	2012 HK$'000
Trade receivables	**175,991**	198,279
Less: provision for impairment of trade receivables	**(1,907)**	(10,149)
Trade receivables – net	**174,084**	188,130

Majority of the Group's revenue are retail sales and licensing income. Retail sales are made in cash or by credit card. Retail sales through department stores are generally collectible within 30 days to 60 days from the invoice date. Licensing income is generally collectible within 90 days from the invoice date. The ageing analysis by invoice date of trade receivables of the Group is as follows:

	2013 HK$'000	2012 HK$'000
1-30 days	**119,988**	132,841
31-60 days	**42,910**	44,472
61-90 days	**7,190**	7,920
Over 90 days	**5,903**	13,046
	175,991	198,279

27 Trade receivables – Group *(Continued)*

Trade receivables that do not have signs of financial problems or not long outstanding are not considered impaired. Trade receivables of HK$33,416,000 (2012: HK$57,563,000) as at 31 December 2013 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:

	2013 HK$'000	2012 HK$'000
Past due		
Up to 3 months	32,558	56,822
4 to 12 months	543	659
Over 12 months	315	82
	33,416	57,563

Trade receivables of HK$1,907,000 (2012: HK$10,149,000) as at 31 December 2013 were impaired and fully provided for. The individually impaired receivables mainly arise from department stores in the Chinese Mainland and licensees in Europe. The ageing of these receivables is as follows:

	2013 HK$'000	2012 HK$'000
Up to 3 months	30	167
4 to 12 months	1,242	1,399
Over 12 months	635	8,583
	1,907	10,149

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

	2013 HK$'000	2012 HK$'000
At 1 January	10,149	8,945
Acquisition of subsidiaries	–	1,911
Additional provision	682	2,244
Unused amounts reversed	(3,716)	(2,044)
Impairment provision written off	(5,235)	(978)
Exchange differences	27	71
At 31 December	1,907	10,149

27 Trade receivables – Group *(Continued)*

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:

	2013 HK$'000	2012 HK$'000
RMB	**112,168**	126,373
TWD	**37,564**	37,076
MOP	**9,226**	8,018
HKD	**8,321**	9,611
EUR	**3,323**	9,431
GBP	**3,313**	5,440
USD	**1,991**	2,330
JPY	**85**	–
	175,991	198,279

28 Cash and cash equivalents

	Group		Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Cash at bank and in hand	**429,863**	923,945	**813**	5,305
Short-term bank deposits (note (i))	**907,588**	75,152	**–**	–
Cash and cash equivalents (excluding bank overdrafts)	**1,337,451**	999,097	**813**	5,305

28 Cash and cash equivalents *(Continued)*

Cash, cash equivalents and bank overdrafts include the following for the purposes of the statement of cash flows:

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Cash and cash equivalents	**1,337,451**	999,097	**813**	5,305
Bank overdrafts (Note 36)	**(18,109)**	–	**–**	–
Cash and cash equivalents	**1,319,342**	999,097	**813**	5,305
Maximum exposure to credit risk	**1,335,978**	997,345	**813**	5,305

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.

As at 31 December 2013, cash and bank balances amounting to HK$236,346,000 (2012: HK$329,972,000) were deposited in the bank accounts in the Chinese Mainland where exchange control applies.

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

	2013	*2012*
Effective interest rate	***2.79%***	*1.80%*
Average maturity days of deposits	***34***	*30*

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

	2013 HK$'000	2012 HK$'000
RMB	**1,105,305**	460,482
HKD	**146,147**	219,094
TWD	**43,406**	39,176
USD	**14,378**	202,598
GBP	**10,945**	27,982
EUR	**10,126**	25,628
MOP	**4,824**	15,930
Others	**2,320**	8,207
	1,337,451	999,097

29 Share capital, share premium and share options

	Number of authorised shares (Thousands)	Number of issued and fully paid shares (Thousands)	Amount: Ordinary shares HK$'000	Amount: Share premium HK$'000	Amount: Total HK$'000
At 1 January 2012	4,000,000	1,708,391	170,839	2,302,656	2,473,495
Exercise of share options (note)	–	15,326	1,533	32,442	33,975
At 31 December 2012	4,000,000	1,723,717	172,372	2,335,098	2,507,470
Exercise of share options (note)	**–**	**8,920**	**892**	**20,202**	**21,094**
At 31 December 2013	**4,000,000**	**1,732,637**	**173,264**	**2,355,300**	**2,528,564**

Note:

During the year, 950,000 (2012: 4,468,000) and 7,970,000 (2012: 10,858,000) 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 "Share Option 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 Share Option 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, or 30% of the shares in issue from time to time.

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

	2013 Number of options	2013 Weighted average exercise price HK$	2012 Number of options	2012 Weighted average exercise price HK$
At 1 January	**37,842,000**	**2.84**	53,362,000	2.67
Exercised	**(8,920,000)**	**2.36**	(15,326,000)	2.22
Forfeited	**(1,186,000)**	**4.20**	(194,000)	4.62
At 31 December	**27,736,000**	**2.94**	37,842,000	2.84

At the end of the year, there were 27,736,000 (2012: 37,842,000) outstanding share options, all share options were exercisable (2012: 34,062,000). The Company has no legal or constructive obligation to settle the share options in cash.

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

Share Option Schemes *(Continued)*

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

Exercisable periods	Exercise price	2013	2012
3 November 2010 to 2 November 2014	HK$1.65	**5,887,000**	6,036,000
3 November 2011 to 2 November 2014	HK$1.65	**9,041,000**	9,842,000
26 November 2011 to 25 November 2013	HK$2.45	**–**	6,354,000
26 November 2012 to 25 November 2014	HK$2.45	**7,558,000**	9,890,000
1 January 2012 to 31 December 2013	HK$8.08	**1,570,000**	1,690,000
1 January 2013 to 31 December 2014	HK$8.08	**1,570,000**	1,690,000
1 January 2012 to 31 December 2013	HK$7.71	**250,000**	250,000
1 January 2013 to 31 December 2014	HK$7.71	**250,000**	250,000
1 January 2013 to 31 December 2014	HK$5.61	**1,610,000**	1,840,000
At 31 December		**27,736,000**	37,842,000

The weighted average share price at the date of exercise of share options exercised during the year was HK$3.60 (2012: HK$5.65).

The share options outstanding at 31 December 2013 had a weighted average remaining contractual life of 0.8 year (2012: 1.7 years).

The fair values of options granted were determined using the Black-Scholes valuation model.

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

During the years ended 31 December 2012 and 2013, the Company had not granted any share options.

30 Reserves

Group

	Note	Retained earnings HK$'000	Merger reserves HK$'000 (note (a))	Other reserve HK$'000 (note (b))	Statutory reserves HK$'000 (note (c))	Translation reserve HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
Balance at 1 January 2012		950,439	(217,064)	(37,623)	9,766	41,727	34,755	782,000
Impact of change in accounting policy	3(a)	(3,000)	–	–	–	91	–	(2,909)
Balance at 1 January 2012 (restated)		947,439	(217,064)	(37,623)	9,766	41,818	34,755	779,091
Comprehensive income								
Profit for the year (restated)		540,119	–	–	–	–	–	540,119
Other comprehensive income								
Remeasurements of post employment benefit obligations (restated)		(1,360)	–	–	–	–	–	(1,360)
Exchange differences on translation of subsidiaries, joint ventures and associates (restated)		–	–	–	–	30,740	–	30,740
Exchange differences realised upon disposal of investments in joint ventures		–	–	–	–	(6,841)	–	(6,841)
Other comprehensive income/(expenses) for the year, net of tax		(1,360)	–	–	–	23,899	–	22,539
Total comprehensive income (restated)		538,759	–	–	–	23,899	–	562,658
Transactions with owners								
Employee share option schemes								
– value of employee services		–	–	–	–	–	6,500	6,500
– transfer to retained earnings		10,804	–	–	–	–	(10,804)	–
Transfer of reserve upon disposal of investments in joint ventures		3,817	–	–	(3,817)	–	–	–
2011 final dividends paid	16(b)	(257,110)	–	–	–	–	–	(257,110)
2012 interim dividends paid	16(a)	(137,367)	–	–	–	–	–	(137,367)
Total transactions with owners		(379,856)	–	–	(3,817)	–	(4,304)	(387,977)
Balance at 31 December 2012 (restated)		1,106,342	(217,064)	(37,623)	5,949	65,717	30,451	953,772

30 Reserves *(Continued)*

Group *(Continued)*

	Note	Retained earnings HK$'000	Merger reserves HK$'000 (note (a))	Other reserve HK$'000 (note (b))	Statutory reserves HK$'000 (note (c))	Translation reserve HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
Balance at 1 January 2013		1,110,592	(217,064)	(37,623)	5,949	65,779	30,451	958,084
Impact of change in accounting policy	3(a)	(4,250)	–	–	–	(62)	–	(4,312)
Balance at 1 January 2013 (restated)		1,106,342	(217,064)	(37,623)	5,949	65,717	30,451	953,772
Comprehensive income								
Profit for the year		308,208	–	–	–	–	–	308,208
Other comprehensive income								
Remeasurements of post employment benefit obligations		665	–	–	–	–	–	665
Exchange differences on translation of subsidiaries and associates		–	–	–	–	3,160	–	3,160
Exchange differences realised upon disposal of a subsidiary		–	–	–	–	(263)	–	(263)
Other comprehensive income for the year, net of tax		665	–	–	–	2,897	–	3,562
Total comprehensive income		308,873	–	–	–	2,897	–	311,770
Transactions with owners								
Employee share option schemes – transfer to retained earnings		7,515	–	–	–	–	(7,515)	–
2012 final dividends paid	16(b)	(242,071)	–	–	–	–	–	(242,071)
2012 special final dividends paid	16(b)	(34,581)	–	–	–	–	–	(34,581)
2013 interim dividends paid	16(a)	(77,819)	–	–	–	–	–	(77,819)
Total transactions with owners		(346,956)	–	–	–	–	(7,515)	(354,471)
Balance at 31 December 2013		1,068,259	(217,064)	(37,623)	5,949	68,614	22,936	911,071

Notes:

(a) *Merger reserves mainly represent 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 on the purchase considerations.*

(b) *Other reserve resulted from the remaining acquisition of non-controlling interest.*

(c) *In accordance with the relevant rules and regulations in the Chinese Mainland, the Republic of Korea and Macau, the Group's subsidiaries registered in the respective countries are required to appropriate a certain percentage of the statutory profit after tax to the statutory general reserve fund until such reserve fund reaches certain percentage of the respective registered capital. Subject to certain restrictions set out in the relevant regulations in respective countries and in the subsidiaries' articles of association, the statutory general reserve fund may be used either to offset losses, or for capitalisation issue by way of paid-up capital. The fund cannot be used for purposes other than those for which they are created and are not distributable as cash dividends.*

30 Reserves *(Continued)*

Company

	Retained earnings HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
Balance at 1 January 2012	368,793	34,755	403,548
Profit for the year	591,702	–	591,702
Employee share option schemes			
– value of employee services	–	6,500	6,500
– transfer to retained earnings	10,804	(10,804)	–
2011 final dividends paid (Note 16(b))	(257,110)	–	(257,110)
2012 interim dividends paid (Note 16(a))	(137,367)	–	(137,367)
Balance at 31 December 2012	576,822	30,451	607,273
Profit for the year	**350,552**	**–**	**350,552**
Employee share option schemes			
– transfer to retained earnings	**7,515**	**(7,515)**	**–**
2012 final dividends paid (Note 16(b))	**(242,071)**	**–**	**(242,071)**
2012 special final dividends paid (Note 16(b))	**(34,581)**	**–**	**(34,581)**
2013 interim dividends paid (Note 16(a))	**(77,819)**	**–**	**(77,819)**
Balance at 31 December 2013	**580,418**	**22,936**	**603,354**

31 Provision for long service payments – Group

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

	2013 HK$'000	2012 HK$'000
At 1 January	**9,719**	9,378
(Credited)/charged to the consolidated income statement	**(997)**	341
At 31 December	**8,722**	9,719

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

32 Retirement benefit obligations – Group

	2013 HK$'000	2012 HK$'000 (Restated)
Balance sheet obligations for:		
– Pension benefits	**22,035**	22,687

	2013 HK$'000	2012 HK$'000 (Restated)
Income statement charge for:		
– Pension benefits (included in administrative expenses)	**853**	869
Remeasurements for:		
– Pension benefits (included in other comprehensive income)	**(665)**	1,360

The Group operates defined benefit pension plans in Taiwan and the United Kingdom respectively. The assets of the funded plans are held independently of the Group's assets in separate trustee administered funds. (i) Taiwan: The latest independent actuarial valuation of the plan was prepared by Mercer (Taiwan) Limited, which is a member of the American Academy of Actuaries, based on the projected unit credit method as at 31 December 2013. (ii) United Kingdom: The latest independent actuarial valuation of the plan was prepared by Barnett Waddingham LLP, which is a member of the Institute and Faculty of Actuaries, based on the projected unit credit method as at 31 December 2013.

All of the plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. The majority of benefit payments are from trustee administered funds. Plan assets held in trusts are governed by local regulations and practice in each country. For the Taiwan and UK plans, responsibility for governance of the plans – including investment decisions and contribution schedules – lies mainly on the board of trustees.

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

	2013 HK$'000	2012 HK$'000 (Restated)
Present value of funded obligations	**105,675**	104,353
Fair value of plan assets	**(83,640)**	(81,666)
Liability in the consolidated balance sheet	**22,035**	22,687

32 Retirement benefit obligations – Group *(Continued)*

The movement in the net defined benefit obligation over the year is as follows:

	Note	Present value of obligation HK$'000	Fair value of plan assets HK$'000	Total HK$'000
At 1 January 2012		18,201	(4,786)	13,415
Impact of change in accounting policy	3(a)	2,909	–	2,909
At 1 January 2012 (restated)		21,110	(4,786)	16,324
Current service cost		607	–	607
Interest expense/(income)		377	(115)	262
		984	(115)	869
Remeasurements:				
– Return on plan assets, excluding interest income		–	65	65
– Loss from change in demographic assumptions		690	–	690
– Loss from change in financial assumptions		859	–	859
– Experience gains		(254)	–	(254)
		1,295	65	1,360
Acquisition of subsidiaries (note)		80,554	(76,747)	3,807
Contributions:				
– Employers		–	(410)	(410)
Payments from plans:				
– Benefit payments		(531)	531	–
Exchange differences		941	(204)	737
		80,964	(76,830)	4,134
At 31 December 2012 (restated)		104,353	(81,666)	22,687

32 Retirement benefit obligations – Group *(Continued)*

The movement in the net defined benefit obligation over the year is as follows: *(Continued)*

	Note	Present value of obligation HK$'000	Fair value of plan assets HK$'000	Total HK$'000
At 1 January 2013		100,041	(81,666)	18,375
Impact of change in accounting policy	3(a)	4,312	–	4,312
At 1 January 2013 (restated)		104,353	(81,666)	22,687
Current service cost		580	–	580
Interest expense/(income)		348	(75)	273
		928	(75)	853
Remeasurements:				
– Return on plan assets, excluding interest income		–	11	11
– Gain from change in financial assumptions		(1,407)	–	(1,407)
– Experience losses		731	–	731
		(676)	11	(665)
Contributions:				
– Employers		–	(406)	(406)
Exchange differences		1,070	(1,504)	(434)
		1,070	(1,910)	(840)
At 31 December 2013		105,675	(83,640)	22,035

Note: In May 2012, the Group acquired Gieves & Hawkes group as detailed in Note 38. The net assets of Gieves & Hawkes group acquired include a defined benefit plan obligation of HK$3,888,000 (2012: HK$3,807,000). As the seller had undertaken to fully indemnify the Group for any future potential exposure of the related defined benefit plan, the Group had recognised an indemnity of the same amount within other receivables.

32 Retirement benefit obligations – Group *(Continued)*

The significant actuarial assumptions were as follows:

	2013		2012	
	Taiwan	UK	Taiwan	UK
Discount rate	1.90%	4.60%	1.50%	5.00%
Future salary growth rate and/or inflation	2.25%	2.70%	2.25%	2.30%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. For Taiwan plans, pensioners are entitled to receive a lump sum amount upon retiring at age 65 or retiring at an earlier age when certain criteria are met. As such, assumptions translating into an average life expectancy in years for a pensioner retiring at age 65 are not applicable for Taiwan plans. For UK plans, these assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2013		2012	
	Taiwan	UK	Taiwan	UK
Retiring at the end of the year:				
– Male	N/A	22	N/A	22
– Female	N/A	24	N/A	24
Retiring 20 years after the end of year:				
– Male	N/A	23	N/A	23
– Female	N/A	26	N/A	26

The sensitivity of the retirement benefit obligations in Taiwan plans to changes in the weighted principal assumption is:

	Impact on retirement benefit obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 2.40%	Increase by 1.40%
Future salary growth rate	0.50%	Increase by 2.75%	Decrease by 1.75%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the consolidated balance sheet. As the UK plans have been fully indemnified by a third party as mentioned above, the Group is not exposed to any risks from any future change in the underlying assumptions used.

32 Retirement benefit obligations – Group *(Continued)*

Plan assets are comprised as follows:

	2013		2012	
	Un-quoted HK$'000	%	Un-quoted HK$'000	%
Equities	39,200	47%	38,380	47%
Bonds	36,054	43%	35,300	43%
Cash	8,386	10%	7,986	10%
Total	83,640	100%	81,666	100%

Through its defined benefit pension plans, the Group is exposed to asset volatility risk from Taiwan plans which is detailed below.

Asset volatility It is legally required that the pension funds need to be deposited at the Bank of Taiwan. The plan assets are operated by the Taiwan government with minimum guaranteed return and individual company has no discretion on investment strategy.

Investments are held as cash in Taiwan. Investments are held as equities, bonds and cash in UK. As aforementioned that UK plans has fully indemnified by a third party, the Group does not monitor their risks in its daily operation.

Funding levels are monitored on an annual basis and the current agreed contribution rate is 2% of pensionable salaries in the Taiwan. The Group considers that the contribution rates set at the last valuation date are sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs, will not increase significantly.

Expected contributions to post-employment benefit plans for the year ending 31 December 2014 are HK$1,064,000.

The weighted average duration of the defined benefit obligation are 14.6 years for Taiwan plans and 17.0 years for UK plans.

Expected maturity analysis of undiscounted pension benefits for Taiwan plans in the future 10 years:

At 31 December 2013	Less than a year HK$'000	Between 1-2 years HK$'000	Between 2-5 years HK$'000	Between 5-10 years HK$'000	Total HK$'000
Pension benefits	98	132	1,790	2,866	4,886

33 Other payables and accruals

Group

	2013 HK$'000	2012 HK$'000
Current		
Royalties payable (Note 18)	**7,211**	7,239
Value-added-tax payable	**18,433**	56,087
Sales deposits received	**33,741**	32,375
Lease incentive	**71,887**	121,395
Other payables and accruals (note (i))	**270,521**	300,667
Total	**401,793**	517,763

Note (i): Other payables and accruals include employee benefits cost amounted to HK$106,238,000 as at 31 December 2013 (2012: HK$111,739,000).

As at 31 December 2012 and 2013, the carrying amounts of the Group's other payables and accruals approximated their fair values.

Company

	2013 HK$'000	2012 HK$'000
Other payables and accruals	**5,331**	5,516

34 Trade payables – Group

	2013 HK$'000	2012 HK$'000
Trade payables	**89,932**	81,467

As at 31 December 2012 and 2013, 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:

	2013 HK$'000	2012 HK$'000
1 – 30 days	**49,720**	32,414
31 – 60 days	**16,630**	18,801
61 – 90 days	**11,226**	9,944
Over 90 days	**12,356**	20,308
	89,932	81,467

34 Trade payables – Group *(Continued)*

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

	2013 HK$'000	2012 HK$'000
EUR	**29,884**	36,173
HKD	**25,825**	20,860
GBP	**13,859**	6,997
USD	**13,355**	8,680
JPY	**6,383**	7,316
RMB	**626**	483
TWD	**–**	958
	89,932	81,467

35 Contingent purchase consideration payable for acquisition

Group and Company	2013 HK$'000	2012 HK$'000
Total contingent purchase consideration payable for acquisition (note)	**319,301**	319,629
Less: current portion of contingent purchase consideration payable for acquisition	**–**	(8,277)
Non-current portion of contingent purchase consideration payable for acquisition	**319,301**	311,352

Note: Balances represent management's best estimation of the fair values of contingent purchase consideration payable for the acquisition as detailed in Note 4.2(b) and Note 38. Final amount of consideration settlement would be determined based on future performance of the acquired business.

36 Borrowings

	2013 HK$'000	2012 HK$'000
Current		
Bank overdrafts (Note 28)	**18,109**	–
Bank borrowings, secured	**1,410,000**	870,000
Total borrowings	**1,428,109**	870,000

(a) The maturity of bank borrowings for current and preceding years is within 1 year.

(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:

	2013	2012
HKD	**1.33%**	1.37%
EUR	**1.65%**	–
GBP	**2.00%**	–

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

(d) The carrying amounts of the bank borrowings are denominated in HKD for current and preceding years and the carrying amounts of the bank overdrafts are denominated in EUR and GBP in current year.

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

	2013 HK$'000	2012 HK$'000
6 months or less	**1,428,109**	870,000

(f) All borrowings were secured by guarantees from the Company as at 31 December 2012 and 2013.

(g) As at 31 December 2013, the Group has unutilised banking facilities amounted to HK$489 million (2012: HK$440 million).

37 Cash generated from operations

Reconciliation of profit before income tax to cash generated from operations

	2013 HK$'000	2012 HK$'000 (Restated)
Profit before income tax	**369,449**	637,116
Adjustments for:		
– Share of profit of associates (Note 21)	**(16,156)**	–
– Share of profit of joint ventures (Note 20)	**–**	(65,346)
– Gain on disposal of investments in joint ventures (Note 20)	**(3,984)**	(34,766)
– Gain on disposal of a subsidiary	**(479)**	–
– Amortisation of intangible assets (Note 18)	**–**	1,759
– Interest income (Note 10)	**(20,102)**	(5,457)
– Interest expense (Note 10)	**29,793**	16,796
– Depreciation of property, plant and equipment (Note 17)	**175,851**	178,466
– Provision for impairment of property, plant and equipment (Note 17)	**4,338**	3,996
– Loss on disposal of property, plant and equipment	**5,199**	6,821
– (Reversal of)/additional provision for impairment of trade receivables – net (Note 27)	**(3,034)**	200
– Net contributions to long service payment provision and retirement benefit obligation	**(550)**	231
– Employee share option benefit	**–**	6,500
– Foreign exchange (gains)/losses	**(23,925)**	6,570
Changes in working capital		
– Inventories	**(20,033)**	(15,804)
– Trade and other receivables	**(3,018)**	33,741
– Trade and other payables	**(168,457)**	(245,219)
– Balances with related parties	**10,860**	2,351
Cash generated from operations	**335,752**	527,955

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

	2013 HK$'000	2012 HK$'000
Net book amount (Note 17)	**5,323**	6,821
Loss on disposal of property, plant and equipment	**(5,199)**	(6,821)
Proceeds from disposal of property, plant and equipment	**124**	–

38 Business combination

On 3 May 2012, the Group acquired a 100% equity interest in each of Marvinbond Limited and Gieves and Hawkes International (BVI) Limited and certain of their subsidiaries ("Gieves & Hawkes group") at an aggregate consideration amounting to approximately HK$719.9 million, including initial consideration of GBP32.5 million (approximately HK$402.3 million) and contingent consideration of HK$317.6 million payable in 19 instalments over 18 years subject to a cap of HK$ equivalent of GBP60.0 million (approximately HK$753.3 million).

The fair value of the contingent purchase consideration payable at the acquisition date was approximately HK$317.6 million. This fair value was dependent and determined based on management's best estimation of the future performance of the acquired business/subsidiaries taking into account the time value of money.

Gieves & Hawkes group is principally engaged in the management of Gieves & Hawkes trademarks and retailing of menswear products. The acquisition fits in with the Group's strategy to own intellectual property rights or take on very long term licences in high-end to luxury menswear brands with heritage.

The net assets of HK$719.9 million acquired included an indefinite life worldwide Gieves & Hawkes trademark of approximately HK$792.0 million and the related deferred tax assets of HK$36.3 million and deferred tax liabilities of HK$134.7 million. The net cash outflow used in acquiring Gieves & Hawkes group amounted to HK$365.7 million for the year ended 31 December 2012.

39 Commitments – Group

(a) Commitments under operating leases – group company as lessee

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 12 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. Certain contingent rent payments are determined based on turnover of respective stores.

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

	2013 HK$'000	2012 HK$'000 (Restated)
No later than 1 year	309,308	287,271
Later than 1 year but no later than 5 years	454,672	312,361
Later than 5 years	93,845	38,868
	857,825	638,500

Certain comparative figures for operating lease commitments have been adjusted to conform to current year's presentation and the restatement does not have any impact to either the Group's consolidated income statement or consolidated balance sheet.

39 Commitments – Group *(Continued)*

(b) Commitments under operating leases – group company as lessor

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

	2013 HK$'000	2012 HK$'000
No later than 1 year	**3,121**	–
Later than 1 year but no later than 5 years	**5,312**	–
	8,433	–

(c) Other commitments

	2013 HK$'000	2012 HK$'000
Contracted but not provided for:		
– Within 1 year	**8,283**	7,700
– Later than 1 year but no later than 2 years	**3,197**	2,800
	11,480	10,500

40 Contingent liabilities

Save as disclosed elsewhere in this report, the Group and the Company had no significant contingent liabilities as at 31 December 2012 and 2013.

41 Related party transactions – Group

(a) Significant related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Transactions with related parties were determined on basis agreed by both parties and were conducted in the normal course of business.

Majority of the Group's related parties are companies associated with or controlled by Fung Holdings (1937) Limited, a substantial shareholder of the Company (collectively, the "Substantial Shareholder Group").

The Group's connected or continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") are disclosed in the Connected Transactions section of the Directors' Report on pages 66 and 67. Other than the related party transactions disclosed elsewhere, significant related party transactions of the Group during the year were as follows:

	Note	2013 HK$'000	2012 HK$'000
(I) Transactions with the Substantial Shareholder Group			
Purchase of goods		**4,554**	7,164
Sub-contracting fee expense for production of product parts		**43,464**	35,194
Management service fee income (Note 8)	(i)	**–**	21,000
Management fee income for provision of accounting, information system and human resources services (Note 8)	(ii)	**547**	4,584
Management fee income for provision of warehouse, logistics and IT services (Note 8)	(ii)	**1,738**	–
Service fee expense for provision of corporate compliance services, legal services and other administrative services	(ii)	**3,298**	2,161
Service fee expense for provision of warehouse and logistics services		**13,294**	14,082
Rental and licence fee income	(ii)	**1,811**	2,214
Rental and management fee expense	(ii)	**3,636**	3,573
Sub-contracting fee income for production of product parts	(ii)	**–**	144
Consultancy services fee received (Note 8)	(ii)	**2,800**	–
Reimbursement of administrative expenses on various training activities	(ii)	**2,300**	–
(II) Transactions with other related parties			
Consultancy and advisory service fee paid to directors of subsidiaries of the Company	(ii)	**962**	540
Consultancy and advisory services expense paid to a company controlled by a director of the Company		**4,057**	3,953
Advertising and promotion expense paid to an associate of a director of the Company	(ii)	**979**	294

Notes:

(i) The Group provided management services including front end management services and back office support services to BLS (Private Labels) Holdings Limited and its subsidiaries. The two service agreements between the Company and BLS Holdings Limited in connection to the aforesaid management services had expired on 31 August 2012 and 31 December 2012 respectively.

(ii) Included in these transactions, certain amounts are exempt from the reporting and disclosure requirements under the Listing Rules.

41 Related party transactions – Group *(Continued)*

(b) Year-end balance with related parties

	2013 HK$'000	2012 HK$'000
Due from		
Substantial Shareholder Group	**652**	3,650
Associates	**–**	964
	652	4,614
Due to		
Substantial Shareholder Group	**19,874**	13,038
Other related party	**150**	60
	20,024	13,098

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

(c) Corporate guarantee to a related party

Banking facilities provided to Ferragamo (Thailand) Limited was previously supported by a corporate guarantee issued in favour of a bank in Thailand by the Company. The corporate guarantee was subsequently replaced by a letter of awareness issued by the Company in July 2013 as a result of the reduction of the Group's interest in Ferragamo entities from 50% to 20% on 20 December 2012. The maximum liability of the Company is the lower of (a) 20% of the borrowed sum; or (b) 20% of Baht 160 million and USD2.5 million (that is Baht 32 million and USD0.5 million). As at 31 December 2012, the sum borrowed by Ferragamo (Thailand) Limited amounted to approximately Baht 14.5 million and USD1.376 million (approximately HK$14.3 million in aggregate).

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

42 Events after the balance sheet date

Save as disclosed elsewhere in this report, there was no other significant events that took place subsequent to 31 December 2013.

43 Approval of consolidated financial statements

The consolidated financial statements have been approved for issue by the Board of Directors on 14 March 2014.

44 Details of subsidiaries

As at 31 December 2013, 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-in capital	Interest held directly	Interest held indirectly
Trinity International Brands Holdings Limited	8 December 2006	British Virgin Islands	Investment holding	USD1	100%	–
Trinity Brands Limited	12 May 2006	British Virgin Islands	Investment holding	USD1	100%	–
Trinity Services Holdings Limited	8 December 2006	British Virgin Islands	Investment holding	USD1	100%	–
Marvinbond Limited	8 June 1993	British Virgin Islands	Investment holding	USD1	100%	–
A.T. Distributions Limited (In members' voluntary liquidation)	3 October 2003	Hong Kong	Inactive	HK$1,000,000	–	100%
Cerruti 1881 SAS	23 March 1967	France	Trading of garments & licensing	EUR11,485,166	–	100%
Cerruti Investment Pte. Ltd.	28 January 2011	Singapore	Holding of trademarks	SGD100	–	100%
Champion Distributions Limited	6 August 1997	Hong Kong	Investment holding & licensing	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	Investment holding	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%
利永（澳門）有限公司 DBN (Macau) Limited	16 August 2012	Macau	Inactive	MOP25,000	–	100%
Ferrinch (L) Limited	5 August 1996	Federal Territory of Labuan, Malaysia	Provision of marketing consultancy services & investment holding	USD3,001,500	–	100%

44 Details of subsidiaries *(Continued)*

Company name	Date of incorporation	Place of incorporation/ operations	Principal activities	Share capital or paid-in capital	Interest held directly	Interest held indirectly
Gieves and Hawkes International (BVI) Limited	23 January 2001	British Virgin Islands	Investment holding & holding of trademarks	USD1	–	100%
Gieves Limited	6 October 1971	England and Wales	Wholesaling, retailing & tailoring businesses	GBP10,100	–	100%
Gieves & Hawkes International Limited	15 March 1984	England and Wales	Trademark licensing	GBP250,000	–	100%
Gieves & Hawkes (Hong Kong) Limited* (under deregistration) * *Deregistered on 17 January 2014*	30 October 2007	Hong Kong	Inactive	HK$1	–	100%
Gieves & Hawkes Limited (formerly "Gieves & Hawkes plc")	18 October 1979	England and Wales	Investment holding	GBP5,111,097	–	100%
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%
LiFung Trinity Management (Singapore) Pte Ltd	21 March 2007	Singapore	Holding of trademarks & provision of business management & consultancy services	SGD100	–	100%
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%
Savile Row Logistics Limited* (under striking-off) * *Dissolved on 21 January 2014*	1 June 2009	England and Wales	Inactive	GBP100	–	100%

44 Details of subsidiaries *(Continued)*

Company name	Date of incorporation	Place of incorporation/ operations	Principal activities	Share capital or paid-in capital	Interest held	
					directly	indirectly
Toga Investments France SARL	20 July 2006	France	Investment holding	EUR27,004,728	–	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 & 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	Inactive	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%
利邦（上海）服裝貿易有限公司 Trinity Distributions & Retails (Shanghai) Limited (note)	27 October 2006	PRC	Trading of garments	RMB3,000,000	–	100%
Trinity Fashions Limited	21 December 2006	Hong Kong	Investment holding	HK$5,000,000	–	100%
Trinity International Brands Limited	18 May 2006	Hong Kong	Investment holding & trading of garments	HK$5,000,000	–	100%
Trinity Lifestyle (Singapore) Pte Ltd (In members' voluntary liquidation)	12 July 1994	Singapore	Inactive	SGD500,000	–	100%
Trinity (Business Wear) Limited	2 February 1973	Hong Kong	Garment manufacturing	HK$3,900,000	–	100%
Trinity (Management Services) Limited	6 April 2006	Hong Kong	Provision of management services	HK$1	–	100%
Trinity Luxury Brands Holdings Limited	11 October 1999	British Virgin Islands	Investment holding	USD1	–	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 & licensing	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:

	Note	2009 HK$'000	2010 HK$'000	2011 HK$'000 (Restated)	2012 HK$'000 (Restated)	**2013 HK$'000**
Consolidated results						
Revenue from Continuing Operations		1,645,178	2,011,380	2,607,281	2,800,671	**2,695,935**
Operating profit	1	262,376	429,640	613,460	583,109	**362,984**
Profit before income tax	1	263,576	460,885	676,917	637,116	**369,449**
Income tax expense		(75,655)	(120,036)	(163,887)	(96,997)	**(61,241)**
Profit for the year from Continuing Operations	1	187,921	340,849	513,030	540,119	**308,208**
Gain/(loss) for the year from						
Discontinued Operations		(18,295)	–	–	–	**–**
Disposal of Discontinued Operations		10,037	–	–	–	**–**
Profit for the year	1	179,663	340,849	513,030	540,119	**308,208**
Attributable to:						
Shareholders of the Company	1	179,663	340,849	513,030	540,119	**308,208**
Assets						
Non-current assets		2,022,174	2,118,509	2,992,803	3,734,549	**3,778,328**
Current assets	1,2	1,114,199	1,350,639	1,697,174	1,966,522	**2,337,814**
Total assets		3,136,373	3,469,148	4,689,977	5,701,071	**6,116,142**
Equity and liabilities						
Total equity	1	2,016,044	2,250,888	3,252,586	3,461,242	**3,439,635**
Liabilities						
Non-current liabilities	1	744,195	370,021	288,043	704,484	**695,217**
Current liabilities	1,2	376,134	848,239	1,149,348	1,535,345	**1,981,290**
Total liabilities		1,120,329	1,218,260	1,437,391	2,239,829	**2,676,507**
Total equity and liabilities		3,136,373	3,469,148	4,689,977	5,701,071	**6,116,142**

Notes:

1 *In order to comply with HKAS 19 (2011) "Employee Benefits", the Group changed its accounting policy with respect to defined benefit plans in 2013. This change in accounting policy has been applied retrospectively. As a result, profit and net assets for the years 2011 and 2012 have been restated.*

2 *Current income tax recoverables were offset against current income tax liabilities in prior years and comparative figures have been restated to conform to current year's presentation.*

additional information

1 Retail Sales Growth – Greater China

	For the year ended 31 December 2013	For the six months ended 31 December 2013	For the six months ended 30 June 2013
Chinese Mainland	**-9.9%**	-9.1%	-10.6%
Hong Kong & Macau	**2.0%**	2.3%	1.7%
Taiwan	**-2.5%**	-0.6%	-4.5%
Greater China	**-5.3%**	-4.5%	-6.1%

2 Same-store Retail Sales Growth – Greater China

	For the year ended 31 December 2013	For the six months ended 31 December 2013	For the six months ended 30 June 2013
Chinese Mainland	**-11.1%**	-12.1%	-10.2%
Hong Kong & Macau	**6.0%**	7.9%	4.0%
Chinese Mainland and Hong Kong & Macau	**-5.7%**	-5.4%	-5.9%
Taiwan	**-2.8%**	0.3%	-6.3%
Greater China	**-5.4%**	-4.9%	-6.0%

3 Gross Margin

	For the year ended 31 December 2013	For the six months ended 31 December 2013	For the six months ended 30 June 2013
Gross margin before provision for impairment of inventories	**76.4%**	76.5%	76.4%
Effect of provision for impairment of inventories	**-0.9%**	-0.8%	-1.0%
Gross margin after provision for impairment of inventories	**75.5%**	75.7%	75.4%

4 Retail Store Footage

	31 December 2013 Footage sq. m.	31 December 2012 Footage sq. m.	Footage 31 December 2013 vs 31 December 2012
Chinese Mainland	**46,774**	48,606	-3.8%
Hong Kong & Macau	**3,239**	3,444	-6.0%
Taiwan	**2,962**	3,058	-3.1%
Greater China	**52,975**	55,108	-3.9%
United Kingdom & Ireland	**1,672**	2,338	-28.5%
France	**614**	614	–
Group total	**55,261**	58,060	-4.8%


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