OVERVIEW

The Group is one of the leading high-to-luxury end menswear retailers primarily serving Greater China. The Group manages six international menswear brands, namely, Altea, Cerruti 1881, D'urban, Gieves & Hawkes, Intermezzo and Kent & Curwen, and such operations are referred to as the Core Business in this document. Other than the self-owned Kent & Curwen brand, the Group's brands are operated under long term renewable licences in Greater China. The Group also has a number of joint ventures with Salvatore Ferragamo in South Korea and various countries in Southeast Asia.

The Group has developed one of the largest menswear retail networks in Greater China by successfully introducing, promoting and managing international menswear brands in the markets where it operates. As at 30 September 2009, the Group operated 353 retail stores in Greater China, of which 271 retail stores were in Mainland China, whilst the JVs operated 37 retail stores in South Korea, Malaysia, Singapore and Thailand.

The retail stores of the Group are strategically located in high-end shopping malls and department stores in prime venues to attract its target customer base and maintain the premium image of the Brands. The Group is viewed by property developers and department stores as their anchor tenant. All of the Group's retail stores are self-operated to maintain a consistent high quality standard across the merchandising, marketing and customer service functions, and are predominantly mono-brand stores to support the growth and maintain the prestige of each brand.

The Group operates an asset-light business model. As such, it outsources to third-party manufacturers (including certain related parties) the production of (i) product parts (such as front and back panels, facing, collars, labels, lapels and sleeves of jackets and pants); and (ii) certain types of clothing products such as T-shirts and knitwear. The Group, however, continues to keep the critical assembly and finishing functions for products such as suits, blazers, jackets, blousons, overcoats and pants, a process in which such product parts are stitched together, molded and pressed with components added to form the Group's finished products. The Directors believe that the critical assembly and finishing function is important in maintaining high product quality. Moreover, the Group manages the supply chain for all its brands, enabling it to capture attractive margins, enhance scalability, ensure quality standards and foster interdependence between the Brand Owners and the Group.

COMPETITIVE STRENGTHS

The Directors believe that the Group's success to date are attributable to the following principal competitive strengths of the Group:

Leading player with a large portfolio of high-to-luxury end international brands

The portfolio of high-to-luxury end brands managed by the Group and the JVs includes some of the most well-recognised international menswear brands. Each of the six brands managed by the Group, and the Salvatore Ferragamo brand managed by the JVs, enjoys a unique heritage and distinctive style. As a result, the Group and the JVs are uniquely positioned as leading players in the markets where they operate.

The Group's multi-brand strategy enables it to target customers with different needs and tastes. Each of the Brands maintains a dedicated design team to cater to the specific needs of its target customers and allows the Group, as a whole, to reach out to a wider customer base that includes customers of different tastes and ages. This enables the Group to diversify risks associated with over-reliance on any one brand.

Established retail network in prime locations

The Group operates an extensive retail network of shops located in high-end shopping malls and department stores in prime venues, such as Beijing Oriental Plaza, Hualin Shin Kong Department Store, China World Trade Centre and Seasons Place in Beijing, Plaza 66, Shanghai Grand Gateway, Shanghai Ongoing Department Store and No.1 Yaohan Department Store in Shanghai, the International Finance Centre in Hong Kong, and Taipei 101 Mall in Taiwan. As at 30 September 2009, the Group operated 271 retail stores across 41 cities in Mainland China, 38 retail stores in Hong Kong and Macau and 44 retail stores across five cities in Taiwan.

The Group's retail stores are all self-operated and predominantly mono-branded, and are generally located in prime locations with high consumer traffic that attract a steady flow of target customers. As high-end shopping malls and department stores typically seek to secure retail tenants associated with well-known international brands, the Group is able to leverage its multi-brand portfolio to obtain better floor space and preferential lease terms. Given its extensive network of leading brands, the Group is viewed by property developers and department stores as their anchor tenant. Having the ability to set up multiple retail stores in a given commercial venue further increases the Group's bargaining power when negotiating lease terms. The Group's ability to secure prime retail space strengthens the image of its Brands and strategically positions the Group to benefit from high consumer traffic which can lead to increased sales volume through opening new stores. Based on the current best estimate and projection of the Directors, the Group estimates that the payback period for newly opened stores is within one year.

Attractive margins through a vertically integrated business model

The Group has a vertically integrated business model which is responsible for managing the key supply chain functions from theme and product design, sourcing of raw materials and merchandising, outsourcing the production of certain types of clothing products and product parts, critical assembly and finishing of product parts, to marketing and promotion, and sales and distribution of its products. This provides the Group with significant operational flexibility, direct access to end customers and a greater ability to control access to raw materials/product parts as well as the cost, quality and delivery time of such raw materials/product parts.

Pursuant to its asset-light business model, the Group achieves its returns whilst employing a low level of asset base. For instance, the Group outsources the production of certain types of clothing products, such as T-shirts, knitwear and product parts and at the same time preserves its critical assembly and finishing functions for products such as suits, blazers, jackets, blousons, overcoats and pants, to third party manufacturers. The Group also leases all of its retail stores, offices and warehouses. As a result, the Group is able to focus on its core competencies and higher value-added processes in order to maximise operational efficiency and product quality, and improve margins by reducing cost base and capital at risk.

Established and proven platform for scalable growth

The Group's multi-brand operations are highly scalable with an established "plug-and-play" platform. This "plug-and-play" platform is a structure under which the teams in the Group that manage the dedicated business streams with brand focused management functions (for example, product design, marketing and promotion and sales) are internally supported by a centralised infrastructure and support teams that provide operational (for example, warehouse and logistics management, inventory management, sourcing, and critical assembly and finishing) and back-office support functions (for example, information technology, human resource, finance and accounting and administrative services). The Group now has a well-established platform for sustainable growth going forward.

Through this platform, the Group benefits from economies of scale, stronger bargaining power and higher specialisation achieved by pooling and sharing its back-office support. The Group also believes that the “plug-and-play” platform enables it to smoothly integrate additional brands into its portfolio, shorten the lead time for such brands to become established brands in their markets and ensures that the Group’s resources are utilised in the most efficient and optimal way. As the economy continues to improve, the Group is reaping the benefits of restructuring and investment.

Experienced management

The Group is led by a senior management team consisting of the Directors and the senior management of the Group who have extensive experience in managing business growth, international brands, and sales and distribution in Greater China. Most of the executive Directors have over seven years of experience in the retail and supply chain management business in Asia. The senior management team also includes the brand directors/brand managing directors of the Brands, with an average of about 20 years of experience in the retail industry.

Following the acquisitions of DDL Group and Green Group, the Group has streamlined its operations in order to improve its supply chain management and optimise its cost structure. The management team formulate and presides over initiatives to optimise critical business functions, including design, outsourcing, sourcing, merchandising, critical assembly and finishing, inventory management, marketing and retailing. These initiatives include establishing brand management in a dedicated organisation structure, enlarging the design team, outsourcing the production of product parts and certain types of clothing products, introducing a new merchandising system and enhancing inventory management and the POS system. As a result of these efforts, the Group believes that it has set the foundation for the Group to achieve further growth and profitability in the coming years.

BUSINESS STRATEGIES

The Directors believe that in order to achieve success in the long run, the Group must have the ability to nurture and build the Brands, and achieve quality growth. Accordingly, the Group has established the following clear growth strategies to gain a competitive advantage over its competitors and increase its market share:

Increasing same-store sales growth

The Group intends to increase same-store sales growth using a number of measures, which include the following:

(i) expanding its product offerings

The Group believes that expanding the product offerings of the Brands will further diversify its revenue streams. Accordingly, the Group is currently looking into adding more products such as accessories and sportswear lines under the Brands.

(ii) upgrading the image of retail stores

The Group has and will continue to periodically renovate the interior designs of its retail stores to ensure that the image of the Brands are up-to-date and in line with the trends of the fashion industry.

(iii) improving inventory management and control measures

The Group will continue to strengthen its customer relationship and inventory management to optimise product availability to cater to specific needs of customers.

Expanding the Group's retail network in Mainland China

The Group believes that the rapid economic development in Mainland China provides high growth potential to its core business in Mainland China. For the year ended 31 December 2008 and the six months ended 30 June 2009, approximately 54.7% and 59.5% of the Core Business's revenues, respectively, were derived from its operations in Mainland China.

The Group intends to expand its retail network by covering cities with large population, high disposable income levels and increased spending power. The Group intends to consolidate its market presence in first-tier cities, such as Beijing, Shanghai and Chengdu, where the Group already has a strong foothold at prime locations.

The Group also intends to increase its market presence in provincial capital cities as well as second-tier and third-tier cities, such as Dalian, Harbin, Hangzhou, Taiyuan and Wuhan, where the Group believes that there will be an increase in consumer spending as a result of urbanisation and a general rise in disposable income levels.

By entering into these markets, the Group expects that it will benefit from the growing disposable income level and increased urbanisation that have resulted in an increased number of upscale department stores and malls in these cities. The Group currently plans to open an additional approximately 20 and approximately 50 retail stores for the remainder of 2009 and the year ending 2010, respectively, most of which will be located in first-tier cities such as Beijing and Chengdu.

Enhancing supply chain management

The Group plans to further enhance its supply chain management by diversifying its product sourcing channels and extending its product design and development processes to additional menswear categories, such as casual wear and sportswear, as well as to other product segments, such as fashion accessories. The Group also intends to expand its network of raw material suppliers and outsourced manufacturers to ensure that products are manufactured with a consistent standard of quality and optimal cost efficiency.

With respect to product design, the Group's design teams have continued and will continue to expand by recruiting international designers, while at the same time focus on adapting the ideas and trends originated from the overseas design teams of the brand owners of the licensed brands to ensure that the final products for each Brand cater to the regional tastes and preferences of the consumers in their respective retail markets.

Acquiring or licensing additional brands

As one of the leading high-to-luxury end menswear retailers in Greater China with strong local market knowledge and established relationships in Asia, the Group is regularly approached by brand owners who are interested in introducing their brands into Asia or further strengthening their brand equity in Asia. As a result, the Group is often in a position to capitalise on potential brand acquisitions and licensing opportunities, as evidenced by the acquisition of the Kent & Curwen brand in 2008. The Group will also from time to time consider forming strategic alliances and/or joint ventures with other retail brand companies which meet its long-term goals.

The Group is selective in introducing additional brands into its portfolio. When considering whether a prospective brand should be introduced into its portfolio, the Group would take into consideration the following factors: (i) whether the additional brand is a high-to-luxury end brand; (ii) whether the additional brand targets more mature, affluent and high income customers; (iii) whether the additional brand's stores are located at high-end exclusive locations; (iv) whether the additional brand allows the Group to have a high degree of supply chain management; and (v) whether the additional brand is an international brand which already has a presence and enjoys brand awareness in Greater China.

The Group is also exploring potential opportunities to expand the Brands into new markets in Asia and obtaining the relevant licences where necessary.

Enhancing brand equity

The Group will continue to enhance the brand equity of the Brands through active and targeted promotions on a brand by brand basis. Such marketing activities will involve a combination of leveraging the promotional activities of the brand owners of the licensed brands and those that the Group develops in-house with the objective of consolidating its existing customer base and attracting new customers.

The Group will continue to develop marketing initiatives in promoting and increasing brand awareness that include event sponsorships, loyalty programmes, media advertising, fashion shows and other promotional activities. The purpose of such activities is to associate the Brands with trendy fashion events and cultural occasions which reinforce the Brands' image as fashionable, international and upscale. The ability to maintain the image of high-to-luxury brands and foster customer loyalty is and will continue to be a key factor in enhancing brand equity.

THE BRANDS

The Group retails high-to-luxury end menswear and accessories under six brands, namely Altea, Cerruti 1881, D'urban, Gieves & Hawkes, Intermezzo and Kent & Curwen. The Group also has JVs which retail apparel and accessories under the Salvatore Ferragamo brand in South Korea, Singapore, Malaysia and Thailand.

The following table sets out a summary of each of the Brands and the Salvatore Ferragamo brand:

Name of brand	Brand logo	Main markets of rightful use	No. of stores as at 30 September 2009
Owned Brand			
Kent & Curwen	K&C KENT&CURWEN	Global	95[1]
Licensed Brands			
Altea	Altea MILANO	Greater China	5
Cerruti 1881	CERRUTI 1881	Greater China	91
D'urban	D'URBAN	Greater China	66
Gieves & Hawkes	GIEVES & HAWKES No1 SAVILE ROW LONDON	Greater China	82
Intermezzo	INTERMEZZO	Greater China	14
Total number of stores operated by the Group			**353**
The JVs brand			
Salvatore Ferragamo	Salvatore Ferragamo	South Korea and certain countries in Southeast Asia	37
Total number of stores operated by the Group and the JVs			**390**

Note:

(1) All Kent & Curwen stores are located in Greater China. The Group intends to open a store in London.

The Group's brands

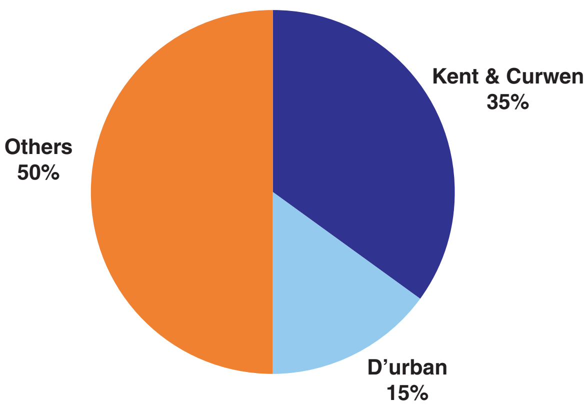
Other than Altea and Intermezzo (with which the Group has had retail relationships since 2004 and the 1970s, respectively), the Group's retail relationships with the relevant previous brand owner (in respect of the Kent & Curwen brand) and the brand owners (in respect of the licensed brands) began in the 1980s. All of the Brands are targeted towards customers in the high-to-luxury end menswear market. The Altea, Cerruti 1881, Gieves & Hawkes and Kent & Curwen brands are of a European heritage, whilst D'urban and Intermezzo are originated in Japan.

The Kent & Curwen brand was previously licensed to the Group. The Group acquired from Renown the trade marks in respect of Kent & Curwen in 2008. The Group owns all rights, title, interests and benefits in respect of the Kent & Curwen trade marks. See the section headed “History, Reorganisation and Group Structure — Other Acquisitions — Acquisitions of Kent & Curwen Trade Marks and Kent & Curwen London Store” in this document for further details about this acquisition.

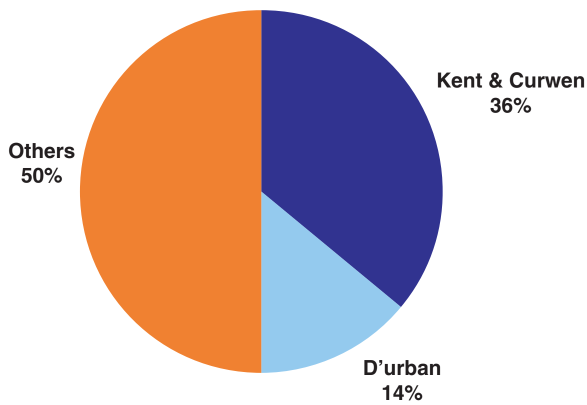
The rights of the Group to use the above Brands (other than the Kent & Curwen brand) in respect of the markets where it operates are granted under the respective licence agreements. The terms of the relevant licences range from six to ten years. The Group pays royalties to each of the Brand Owners in accordance with the relevant licence agreements. Royalty fees are calculated based on either a fixed percentage of sales or fixed amount per annum. The amounts of royalty expenses incurred by the Core Business as a percentage of the total sales of the Core Business for the year ended 31 December 2008 and the six months ended 30 June 2009 were approximately 1.6% and 1.1%, respectively. Refer to the sub-paragraph headed “The Group’s Brands — Description of the Brands” in this section for details of these licences.

The following charts set out a breakdown of the Core Business’s retail sales for the year ended 31 December 2008 and the six months ended 30 June 2009:

Percentage of Retail Sales by Brands
(for the year ended 31 December 2008)



Percentage of Retail Sales by Brands
(for the six months ended 30 June 2009)



Discontinuation of Basic Gear

Prior to the Acquisitions, Basic Gear had always been operated and marketed as a sub-brand of D’urban. Basic Gear’s stores were often located in close proximity to D’urban’s stores. As a result of these operational synergies, the Group continued to operate both brands following the Acquisitions.

The Group subsequently formed the view that the Basic Gear brand did not fall within the high-to-luxury end target market of the Group. The Group thereafter removed the Basic Gear brand from its portfolio by discontinuing the operations of such brand and closed down all remaining retail stores of the Basic Gear brand in September 2008.

The Company considers the contribution of Basic Gear’s sales to the total sales volume of the Group to be insignificant. For the eight months ended 31 December 2006, and the two years ended 31 December 2007 and 2008, the revenue of Basic Gear as a percentage of the revenue of the Core

Business was approximately 4.9%, 2.8% and 0.7%, respectively, while its percentage contribution to the profit of the Core Business was approximately 5.0%, 3.2% and 0.4%, respectively.

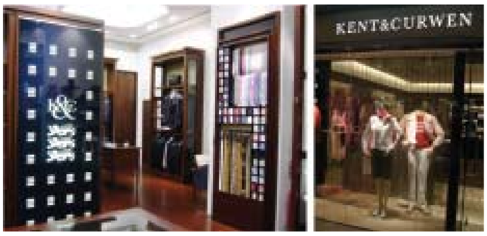
The JVs brand

Pursuant to the relevant joint venture contracts entered into in 2002 and 2003, respectively, the Salvatore Ferragamo group and Parent Group sold Salvatore Ferragamo products through the JVs in South Korea and certain countries in Southeast Asia. The Salvatore Ferragamo group and Parent Group each held a 50% interest in each of the JVs. Parent Group's interests in the JVs were then acquired by the Group on 31 March 2007. The range of Salvatore Ferragamo products sold by the Group includes menswear, ladieswear and leather goods. See the section headed "History, Reorganisation and Group Structure — Salvatore Ferragamo Joint Ventures" in this document for further details about the Salvatore Ferragamo brand.

Description of the Brands

The description of each of the brands operated by the Group is set out in the following pages:

KENT&CURWEN



Brand description	▪ History: In 1926, Eric Kent and Dorothy Curwen established the Kent & Curwen brand in London featuring the three lions emblem. Kent & Curwen began as a manufacturer of club, college and regimental ties, and expanded into fashion retailing to become one of the most recognised British fashion houses today. The brand has a long association with cricket, the national sport of England, and has sponsored many cricket teams in the past including the national England team ▪ Product range: Primarily business and casual menswear targeting affluent male customers
The Group's retail network in Greater China as at 30 September 2009	▪ 72 stores in Mainland China, 11 stores in Hong Kong, two stores in Macau and 10 stores in Taiwan
Ownership details	▪ The Group owns the brand globally
Relationship with the Group	▪ Retail relationship between the previous brand owner and the Group in Asia since the mid-1980s

The Group's retail network for Kent & Curwen in Greater China

Total stores in Greater China: 95

Altea
MILANO

Brand description

- History: Established in Milan since 1892, Altea is a tie specialist that has expanded to menswear. Altea's products are distributed worldwide in North and South America, Europe, Asia, Australia and New Zealand with a total of approximately 3,500 points of sale
- Product range: Primarily menswear

The Group's retail network as at 30 September 2009

- Three stores in Mainland China and two stores in Hong Kong

Licence details

- Licence rights: Exclusive right to manufacture, market, advertise, promote and distribute
- Regions covered under the licence: Mainland China, Hong Kong, Macau and Taiwan
- Terms of the licence: Six years, from 1 January 2005 to 31 December 2010, renewable for a further term of six years subject to conditions, including the following:
  - the brand owner and the Group must consult each other on whether to renew the agreement at least 12 months prior to the expiration;
  - all payment obligations under the agreement must have been met; and
  - the number of points of sale must not be less than the number stipulated in the agreement

Relationship with the Group

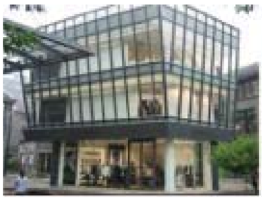
- Retail relationship with the Group in Asia since 2004
- The Group has no intention to renew the Altea licence in accordance with the existing terms, but will explore other possible business opportunities with Altea. The Group will evaluate from time to time its plans for such business opportunities.

The Group's retail network for Altea

Total stores in Greater China: 5

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained in it is incomplete and is subject to change. This Web Proof Information Pack must be read in conjunction with the section headed "Warning" on the cover of this Web Proof Information Pack.

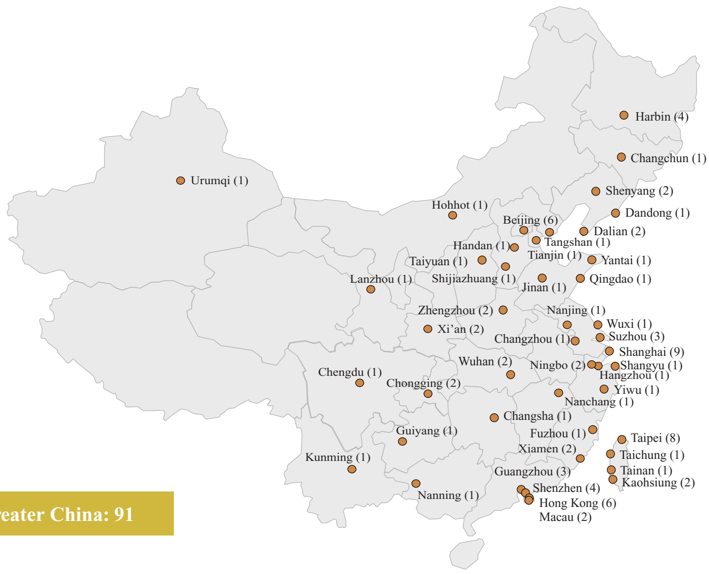
CERRUTI 1881



Summary description

Brand description	▪ History: Initially established as a fabric mill since 1881, Cerruti 1881 has established itself as an apparel and fashion brand since 1967 with a century old heritage. Cerruti 1881 is currently a premium Italian fashion house. Cerruti 1881 has boutique stores in major cities worldwide including Paris, Rome, Berlin, Dubai, Damascus, Andorra and Moscow ▪ Product range: Primarily menswear representing European luxury and elegance and targeting male customers seeking a contemporary modern look
The Group's retail network as at 30 September 2009	▪ 71 stores in Mainland China, six stores in Hong Kong, two stores in Macau and 12 stores in Taiwan
Licence details	▪ Licence rights: Exclusive right to wholesale, retail, import, distribute and market and right to manufacture most of the products ▪ Regions covered under the licence: Mainland China, Hong Kong, Macau and Taiwan ▪ Terms of principal licence: 10 years, from 1 January 2004 to 31 December 2013, renewal subject to conditions such as the requirement for the brand owner and the Group to meet at least 12 months before the expiration of the relevant licence agreement to negotiate for a new licence agreement
Relationship with the Group	▪ Retail relationship with the Group in Asia since the mid-1980s

The Group's retail network for Cerruti 1881



D'URBAN

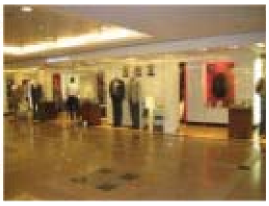
Brand description	■ History: Established in Japan in 1970. As at 31 December 2008, D'urban had 189 stores in the major cities of Japan such as Hiroshima, Kyoto, Nagoya, Osaka, Sapporo, Sendai, Tokyo and Yokohama. D'urban is inspired by the long-held traditions of prestigious tailoring in Europe. The D'urban brand targets men who aspire for sophisticated simplicity, quiet elegance and modern minimalism ■ Product range: Primarily menswear characterised by simplicity and elegance and targeting the metropolitan male
The Group's retail network as at 30 September 2009	■ 47 stores in Mainland China, five stores in Hong Kong, two stores in Macau and 12 stores in Taiwan

Licence details	■ Regions covered under licence: Mainland China, Hong Kong, Macau, Taiwan, Australia and New Zealand
	■ In respect of Greater China:
	  ■ Licence rights: Exclusive right to manufacture, distribute, wholesale and retail
	  ■ Terms of the licence: 10 years from 1 March 2007. Automatically renewed every 10 years. The next renewal date will be 1 March 2017.
	■ In respect of Australia and New Zealand:
	  ■ Licence rights: Non-exclusive right to manufacture and exclusive right to market and sell
	  ■ Terms of the licence: From 1 September 2008 to 31 December 2016, automatic renewal subject to conditions, including the requirement for the brand owner and the Group to consult each other on renewing the agreement at least 18 months prior to the expiration

Relationship with the Group	■ Retail relationship with the Group in Asia since the mid-1980s

The Group's retail network for D'urban

GIEVES & HAWKES
No1 SAVILE ROW LONDON



Brand description

- History: A premium British fashion house established in London in 1771. The Gieves & Hawkes flagship store in the United Kingdom is located on No.1 Savile Row and is one of the oldest suit retailers in England today.
- Gieves & Hawkes is an internationally recognised brand with 19 stores and concessions in the UK as at 31 December 2008, and outlets in the Middle East, Russia and Ireland as well as those in Asia
- Gieves & Hawkes is granted the use of the three Royal Warrants of Appointment to HM The Queen, HRH The Duke of Edinburgh and HRH The Prince of Wales. The Royal Warrants are awarded only to brands that supply the British Royal Family, and Gieves & Hawkes had been granted the use of one or more Royal Warrants since the award first began in 1809.
- Product range: Primarily menswear, including bespoke and made-to-measure services

The Group's retail network as at 30 September 2009

- 66 stores in Mainland China, five stores in Hong Kong, one store in Macau and 10 stores in Taiwan

Licence details

- Licence rights: Exclusive right to manufacture, wholesale and/or retail
- Regions covered under licence: Mainland China, Hong Kong, Macau and Taiwan (excluding airport or port duty free areas within those regions), and Australia and New Zealand
- Terms of the licence: From 1 September 2006 to 31 August 2012, renewable subject to conditions, including the requirement that certain sales figures for a specified period must not be less than the amount stipulated in the agreement

Relationship with the Group

- Retail relationship with the Group in Asia since the mid-1980s

The Group's retail network for Gieves & Hawkes

Total stores in Greater China: 82

INTERMEZZO

Brand description	▪ History: Established in Japan in 1971. As at 31 December 2008, Intermezzo had 160 stores in the major cities in Japan. Intermezzo's collection consists of chic, versatile and comfortable casual wear for adults ▪ Product range: Primarily contemporary style menswear including chic and comfortable casual wear
The Group's retail network as at 30 September 2009	▪ 12 stores in Mainland China and two stores in Hong Kong
Licence details	▪ Licence rights: Exclusive right to manufacture, distribute, wholesale and retail ▪ Region covered under licence: Mainland China, Hong Kong, Macau and Taiwan ▪ Terms of the licence: 10 years from 1 March 2007. Automatically renewed every 10 years. The next renewal date will be 1 March 2017.
Relationship with the Group	▪ Retail relationship with the Group in Asia since the 1970s

The Group's retail network for Intermezzo

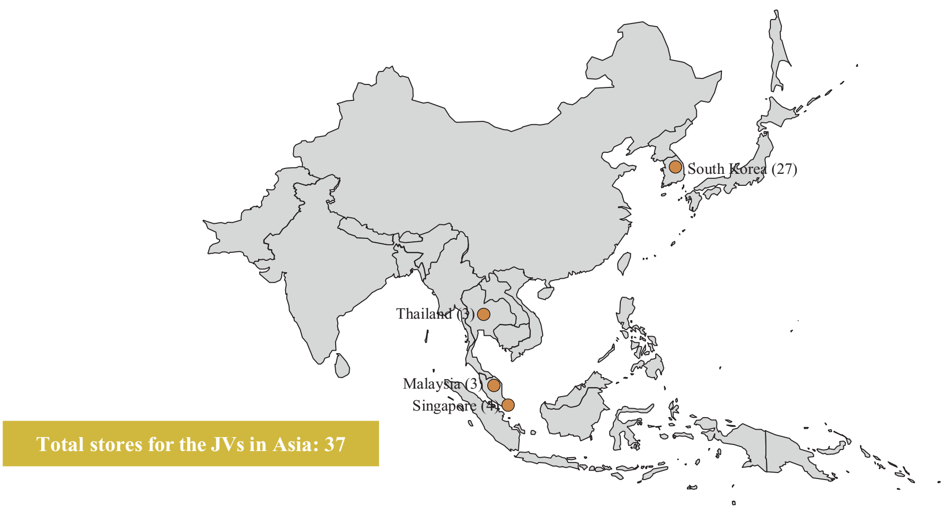
Total stores in Greater China: 14

Description of the JVs brand

The description of the JVs brand operated by the JVs is set out below:

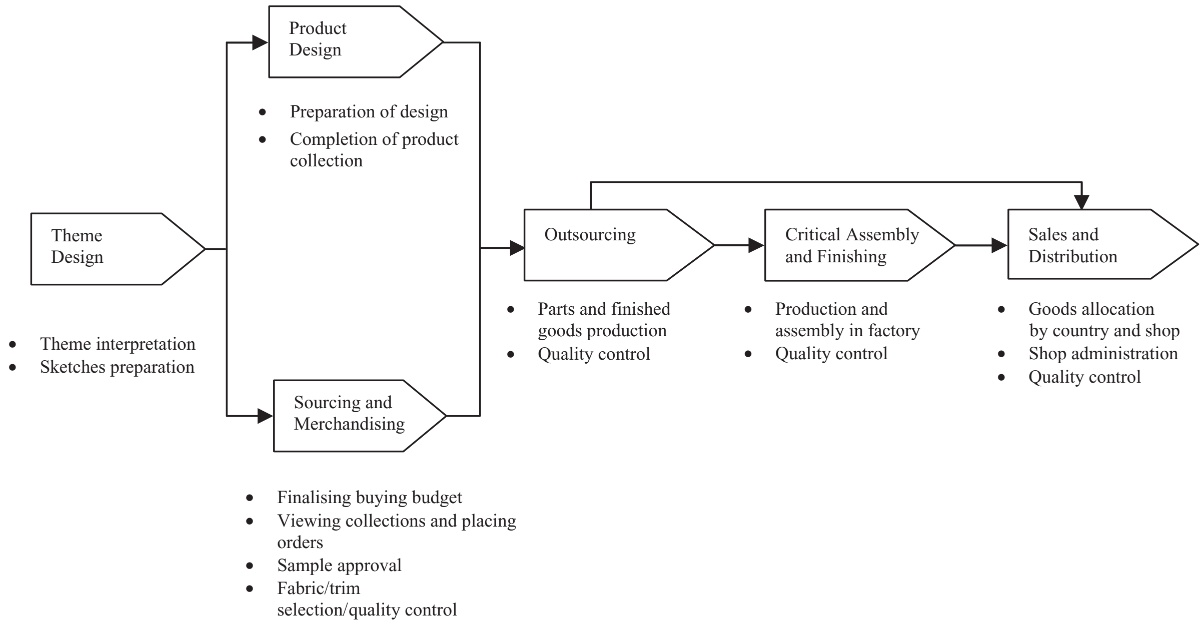
Brand description	▪ History: A world-famous luxury Italian brand founded in 1927 by designer Salvatore Ferragamo. Well known for its leather goods, Salvatore Ferragamo has a global network of over 450 stores in over 55 countries as at 31 December 2008. ▪ Product range: Menswear, ladieswear and leather products
Retail network as at 30 September 2009	▪ 27 stores in South Korea, four stores in Singapore, three stores in Malaysia and three stores in Thailand
Joint venture contracts details	▪ Terms of the joint venture contracts: Will continue to be in force until 31 December 2012 and are renewable for another five-year term unless either party gives 12 months' prior notice to terminate ▪ Profits from the JVs are shared between the Group and the Salvatore Ferragamo brand owner in accordance with their respective equity interests in the JVs
Relationship with the Group	▪ The retail relationship between the Salvatore Ferragamo group and Parent Group (and its predecessors) started in the mid-1980s when the first Salvatore Ferragamo store in Asia opened in Singapore in 1986. The brand has since expanded into Malaysia, South Korea and Thailand. ▪ The Salvatore Ferragamo group and the Group each owns 50% of the JVs

JVs' retail network in Asia for Salvatore Ferragamo



VERTICALLY INTEGRATED BUSINESS MODEL OF THE GROUP

In managing and operating the Brands, the Group principally utilises a vertically integrated business model encompassing the following stages: theme and product design, sourcing and merchandising, outsourcing, critical assembly and finishing, and sales and distribution. A diagram of the Group's business model is set out below:



As shown above, the Group manages the various stages of the supply chain for the Brands from seasonal themes and product designs, sourcing and merchandising, critical assembly and finishing, marketing and promotion, to sales and distribution. The business model is used by the Group to manage and operate each of its Brands, regardless of whether it is a self-owned or licensed brand.

The acquisition of ownership of the Kent & Curwen brand has given the Group full freedom to implement its business strategies and manage the Kent & Curwen brand, particularly in respect of the Greater China market. In respect of the licensed brands, namely, Altea, Cerruti 1881, D'urban, Gieves & Hawkes and Intermezzo, the Group is contractually required to obtain, from time to time, certain approvals from the relevant brand owners for the various stages, such as theme and product design, production arrangements and promotion, and/or sales and distribution for products. The Group is of the view that the contractual requirements to obtain approvals do not in practice interfere with its ability and efficiency to manage the licensed brands. For details about the risks associated with the Group's business model, refer to the section headed "Risk Factors — Risks Relating to the Group" in this document.

The retail activities of the Salvatore Ferragamo products are managed by the JVs. The JVs adopt an "import and distribution" business model for the Salvatore Ferragamo brand. Under this business model, the JVs source Salvatore Ferragamo-branded finished products directly from the Salvatore Ferragamo group or their specified licensees for distribution in South Korea, Singapore, Malaysia and Thailand. For details about the risks associated with the JVs, refer to the section headed "Risk Factors — Risks Relating to the Group" in this document.

THEME AND PRODUCT DESIGN

In general, there are two fashion seasons each year, that is, the fall/winter collection and the spring/summer collection. The Group commences preparation work for a new collection approximately 12 months before the start of that season.

Most of the Group's clothing products for sale in the markets where it operates are designed by the Group. The Group has a dedicated design team for each of the Brands, which regularly collaborates with international designers recruited by the Group or the respective Brand Owners of the licensed brands to design the themes for each new collection.

The Group's theme and product design process for most of its clothing products in each season normally begins from the receipt of the themes or sketches from the respective international designers or Brand Owners, which highlights the proposed themes and features for each Brand for the coming season. Based on the design teams' interpretations of the brand themes from these basic themes or sketches, the designs for each Brand are then developed and made into samples. The design teams then collaborate with the respective international designers and overseas design teams from the Brand Owners to finalise the samples and ensure that the final product designs reflect the trade mark qualities of the brands, while at the same time cater to Asian preferences, fitting and sizes for the Group's target customers.

The Group's accessories (such as ties, belts and shoes) are either designed and manufactured by vendors who are licensees of the Brands to manufacture such products, or designed by the Group which are outsourced to third-party manufacturers for production.

SOURCING AND MERCHANDISING

The sourcing and merchandising functions of the Group are performed by its merchandising teams which work closely with the design teams.

The choice of raw materials and product parts depends on the concepts, specifications and projected pricing of a product. When the buying budget has been finalised, the Group selects and sources quality fabrics and product parts from the appropriate raw material suppliers and outsourced manufacturers at competitive prices. The Group's sourcing and merchandising teams and product development teams often attend fabric shows and inspect collections from different suppliers and manufacturers to ensure that they are sourcing high quality raw materials and product parts.

Fabric is the main raw material used in the production of the Group's product parts. Most of the fabrics for the Group's products are sourced from Europe. Once purchased, the fabrics are delivered to outsourced manufacturers to process the production of the product parts and finished products. All completed product parts are then transported to the Group's critical assembly and finishing facilities in Hong Kong for the final assembly of the Group's finished products.

The Group's sourcing and merchandising team and the product development team are also responsible for sourcing some of the accessories and clothing products sold by the Group directly from other vendors who are licensees of the Brands to manufacture such products. Merchandising decisions are based on the budget determined for each of the Brands as well as the production capability of such vendors.

OUTSOURCING

As part of the Group's restructuring efforts as set out in the section headed "History, Reorganisation and Group Structure" in this document, the Group retains the design function but outsources to third-party manufacturers the production of (i) product parts for most of its clothing products and (ii) certain types of clothing products such as T-shirts and knitwear.

For the production of product parts, the Group is usually responsible for purchasing and delivering raw materials, such as fabric, to the outsourced manufacturers. The raw material is then processed according to the Group's requirements and made into product parts. The product parts are subsequently delivered to the Group for critical assembly and finishing at its facilities in Hong Kong. All such product parts are currently produced by Lever Style which engages in the manufacture of shirts, parts and other finished clothing goods for international apparel brands (including those of the Group).

For the production of clothing products such as T-shirts and knitwear, the Group either (i) purchases and delivers raw materials, such as fabric, to the outsourced manufacturers for their manufacturing or (ii) outsources the whole process, that is, from the purchase of fabric to manufacturing of the clothing products, to the outsourced manufacturers. The turn-around time from order to delivery of the product parts is generally within two months and that of the clothing products generally ranges from four to six months, depending on the type of product parts and clothing products ordered.

The Group ensures the quality control of the product parts and finished clothing products manufactured by the outsourced manufacturers by sending staff to the outsourced manufacturers' production facilities to carry out quality control checks on a regular basis. The Group inspects the completed product parts and finished clothing products upon receipt of the same from the outsourced manufacturers.

The Group commissions the outsourced manufacturers and pays them according to the agreed payment terms upon receipt of the completed product parts or the finished clothing products. In order to maintain its flexibility, the Group does not sign any exclusive outsourcing agreements with the outsourced manufacturers.

Through these outsourcing arrangements, the Group is able to focus on processes such as critical assembly and finishing which it believes adds more value to its products.

The Group's suppliers

The Group's five largest suppliers (all of which are Independent Third Parties as at the Latest Practicable Date) accounted for approximately 74.9%, 47.7%, 31.1% and 37.1% of the Group's total purchases for the years ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2009, respectively, while the Group's largest supplier accounted for approximately 43.6%, 27.3%, 8.4% and 10.8% of the Group's total purchases for those respective periods. The five largest suppliers of the Group comprise of outsourced manufacturers and suppliers of fabrics, garments and garment products.

The Group's five largest suppliers for the two years ended 31 December 2008 and the six months ended 30 June 2009 include Lever Style. Lever Style is an Independent Third Party in which Fung Trinity Holdings (a member of Parent Group) holds 25% of its issued ordinary shares, while the remaining 75% of its issued ordinary shares is held by Lever Style Holdings Limited. Fung Trinity Holdings also holds 100% of the issued limited-voting preference shares (the "Limited-voting Shares") of Lever Style.

Holders of the Limited-voting Shares do not have any voting rights other than the right to vote for the winding up of the company or reduction of its share capital, or varying or abrogating any of the special rights attached to the Limited-voting Shares. They are not entitled to any dividends. On a return of capital on liquidation, holders of the Limited-voting Shares are only entitled to the subscription price of their fully paid Limited-voting Shares after payment of the company's liabilities and the costs and expenses of the liquidation. They are not entitled to any distributions of residual assets (if any) after payments to holders of ordinary shares the subscription price of their fully paid ordinary shares and any unpaid dividends declared. All the Limited-voting Shares shall be redeemed by Lever Style at the subscription price on the earlier of the date falling five years from the date of adoption of the memorandum and articles of the association of Lever Style or the occurrence of a liquidity event, which means (i) any public offering of securities in any jurisdiction of any entity (whether a body corporate, fund or other form of entity capable of supporting the issue of tradable securities) in which all or any majority of the securities or the business of the Lever Style comprise or represent any material part of the assets, or constitute or support any material part of the revenue or profits, of the issuing entity; or (ii) the refinancing of all or substantially all of the debt of Lever Style through the issuance of debt securities or other instruments or from bank borrowings.

In view of the limited rights attached to the Limited-voting Shares in respect of voting, profit distribution and distribution of residual assets, the Limited-voting Shares are, in essence, more in the nature of a debt than an equity interest. Furthermore, no management right in respect of Lever Style is conferred to the holders thereof.

Lever Style Holdings Limited and its ultimate beneficial owners are, so far as the Directors are aware after making all reasonable enquiries, not connected with the Lee Family. The Directors confirm that the Group's purchases from Lever Style were conducted at arm's length and on normal commercial terms no more favourable than those offered to other suppliers, and in aggregate accounted for approximately 26.8%, 8.4% and 10.8% of the Group's total purchases for the year ended 31 December 2007, 31 December 2008 and the six months ended 30 June 2009, respectively.

The Group's five largest suppliers also include Trinity Textiles Limited and I.D.D. Italia S. R. L. Trinity Textiles Limited was a subsidiary of the ultimate holding company of the Group prior to June 2007. I.D.D. Italia S. R. L. is a wholly owned subsidiary of Renown. Prior to 29 January 2008, Renown owned 49% interest in Trinity China (BVI), a company in which the Company owned a 51% interest. As at the Latest Practicable Date, Renown held 2.22% interest in the Company and did not have any interest in Trinity China (BVI). Trinity Textiles HK accounted for approximately 43.6% and approximately 10.8% of the Group's total purchases for the years ended 31 December 2006 and 2007, respectively, whilst I.D.D. Italia S. R. L. accounted for approximately 4.3% of the Group's total purchases for the year ended 31 December 2007.

CRITICAL ASSEMBLY AND FINISHING

The Group currently operates two critical assembly and finishing facilities in Hong Kong, occupying an aggregate gross floor area of approximately 58,000 square feet.

The typical process that takes place in these facilities is as follows:

- Once the Group receives the product parts, they are stitched together to form semi-finished products. These semi-finished products will then be inspected as part of the quality control process to ensure that they are ready for finishing.

- During the finishing phase, the semi-finished products are molded, ironed and buttons and other components are added.
- A final quality control inspection will then be carried out on all finished products before they are packed and delivered to the Group's warehouses.

The Group considers that the critical assembly and finishing process as the stage that adds most value to its products, especially for men's suits. As such, the Group has decided to retain its critical assembly and finishing facilities in Hong Kong for products such as suits, blazers, jackets, blousons, overcoats and pants in order to ensure that the quality of the products are consistent. All the staff working at the critical assembly and finishing facilities are experienced and generally have an average of over ten years of relevant experience. Certain key employees such as Mr. Lam Ho Ming, the Production Director of Trinity (Business Wear) and Trinity (Casual Wear), has over 30 years of experience in suit making and manufacturing management and is responsible for overseeing the critical assembly and finishing for business suits and casual wear.

MARKETING AND PROMOTION

The Group has dedicated marketing teams that are responsible for the marketing and promotional activities for each of the Brands. Moreover, as each of the Brands is well known in its respective overseas markets, the Group has also been leveraging on the brand awareness in such markets to promote its product offerings in the markets where it operates. In addition, the Group obtains inputs from its design teams when initiating and executing marketing themes. In respect of the licensed brands, the Group usually utilises promotional materials supplied by the brand owners of the licensed brands for the Group's own marketing initiatives.

The key marketing and promotional activities that the Group carries out for the Brands consist of the following:

Event sponsorships

The Group regularly sponsors one-off events which appeal to the Group's target customers. For example, the Group sponsored the Hong Kong delegation to the 2008 Olympic Games in Beijing by providing them with branded uniforms from Kent & Curwen. The Group will jointly organise the Kent & Curwen Raceday with The Hong Kong Jockey Club in January 2010. The world-renowned tennis player, Mr. Rafael Nadal, is also a celebrity client of the Cerruti 1881 Brand. The Group believes that the Brands will benefit from being associated with certain well-received and highly publicised events.

Loyalty programmes

The Group has individual loyalty programmes for each of the Brands in Mainland China, Hong Kong and Taiwan as it believes that customer loyalty is an important aspect of the high-to-luxury end menswear fashion market. These loyalty programmes provide discounts to members and may require minimum annual spending to qualify for membership renewals. The Group also conducts targeted promotional events for its members, including VIP sales events and distribution of catalogues for new seasons.

Media advertising

The Group advertises in fashion magazines, newspapers, billboards and widely circulated magazines to raise brand awareness amongst its target customers.

Fashion shows

The Group's experience has been that fashion shows for the Brands can raise awareness of the Brands through heightened media coverage. During the Track Record Period, a number of fashion shows for the Brands were carried out, including the "Kent & Curwen Fall/Winter 2007 Fashion Show" held in Beijing and the "D'urban Spring/Summer 2008 Fashion Show" held in Shanghai. These fashion shows were mono-branded events, displaying the latest designs and colour themes of the Brands. Local celebrities, designers, media and editors of fashion magazines were also invited to generate stronger media coverage.

Other promotional activities

The Group conducts other promotional activities from time to time. For instance, it invited designers from the Brand Owners to Hong Kong for promotional events. The Group also collaborates with department stores and shopping mall owners to participate in certain seasonal promotional campaigns.

SALES AND DISTRIBUTION

Retail

The Group has a broad high-to-luxury end menswear retail network in Mainland China, Hong Kong and Taiwan. The JVs also cover the menswear, ladieswear and leather goods markets in South Korea and certain Southeast Asian countries such as Malaysia, Singapore and Thailand.

The following table sets out the breakdown of the retail stores of the Group and the JVs by geographical regions and brands as at 30 September 2009:

	The Group						The JVs	
Region	**Altea**	**Cerruti 1881**	**D'urban**	**Gieves & Hawkes**	**Intermezzo**	**Kent & Curwen**	**Salvatore Ferragamo**	**Total**
Eastern China[(1)]	–	26	15	21	5	24	–	91
Southern China[(2)]	–	11	10	10	4	14	–	49
Western China[(3)]	–	9	6	9	2	11	–	37
Northern China[(4)]	3	25	16	26	1	23	–	94
Mainland China sub-total	**3**	**71**	**47**	**66**	**12**	**72**	**–**	**271**
Hong Kong	2	6	5	5	2	11	–	31
Macau	–	2	2	1	–	2	–	7
Taiwan	–	12	12	10	–	10	–	44
Total for the Group	**5**	**91**	**66**	**82**	**14**	**95**	**–**	**353**
South Korea and Southeast Asia[(5)]	–	–	–	–	–	–	37	37
Total for the Group and the JVs	**5**	**91**	**66**	**82**	**14**	**95**	**37**	**390**

Notes:

(1) Eastern China region includes Changsha, Changzhou, Hangzhou, Huzhou, Nanchang, Nanjing, Ningbo, Shanghai, Shangyu, Suzhou, Wuhan, Wuxi, Yiwu and Zhengzhou.

(2) Southern China region includes Fuzhou, Guangzhou, Nanning, Shenzhen and Xiamen.

(3) Western China region includes Chengdu, Chongqing, Guiyang, Kunming, Lanzhou, Urumqi and Xi'an.

(4) Northern China region includes Beijing, Changchun, Dalian, Dandong, Handan, Harbin, Hohhot, Jinan, Qingdao, Shenyang, Shijiazhuang, Taiyuan, Tangshan, Tianjin and Yantai.

(5) Southeast Asia region includes Singapore, Malaysia and Thailand; and the retail stores in South Korea and Southeast Asia are currently operated by the JVs.

Location and format of retail stores

The Group's retail stores are located in department stores and shopping malls, and are usually located in close proximity to other competing luxury brands. The Group is viewed by property developers and department stores as their anchor tenant. All of the Group's retail stores for each Brand present a consistent and distinctive visual image, from the design and colour of the shop front to merchandise display and the staff uniforms.

Factory outlets

The Group's retail stores comprise 27 factory outlets in Hong Kong, Chengdu, Shanghai, Beijing, Suzhou, Chongqing, Changsha and Taiwan as at 30 September 2009. These factory outlets are predominantly mono-branded, typically located in the suburbs of the cities, and tend to be larger in size than the other retail stores of the Group.

Products for the current season will generally continue to be sold in the retail stores of the Group. The Group classifies its products as past season products when their designs become outdated and no longer reflect the trend and style of the current season. Past season products will generally be moved to the Group's factory outlets.

Management of retail stores

The Group directly manages its retail stores. Each Brand is supported by its own dedicated retail team, which usually consists of a brand managing director, regional brand managers and retail brand managers.

The Group's headquarters in Hong Kong is mainly responsible for, amongst other activities, making business decisions relating to its retail network management, which involves business strategy formulation, market segment identification and analysis, information technology, staff recruitment, training and promotion, internal control, brand budgeting and back office sharing arrangements and management.

Headed by the Group's brand directors/brand managing directors, the headquarters in Hong Kong sets the macro brand retail strategies. Each Brand is supported by its own regional brand managers, who are based in the respective regional head offices of the Group. These regional brand managers report directly to the corresponding Hong Kong-based brand managing director. The responsibilities of such regional brand managers include implementing the strategies formulated by the Group's headquarters, making executive decisions on inventory control, logistics management, recruitment and promotion. Retail brand managers report to the regional brand managers and each of them is responsible for managing a number of retail stores of the Group and directly participates in the operation and management of such retail stores.

For the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, the amounts of rental fees paid to department stores/shopping malls by the Core Business were approximately HK$155.3 million, HK$244.9 million, HK$311.8 million and HK$163.7 million, respectively.

The rent of the Group's retail stores for the Core Business is based on a variable rent with or without a minimum fixed portion, or a fixed rent. For stores with variable rent with a minimum fixed portion, if turnover falls below a predetermined threshold, the store will pay a minimum rent. If the turnover of the store stays above such threshold, rental payment of the store will be a percentage of the turnover. For stores with variable rent with no minimum fixed portion, there is no predetermined threshold and therefore the Group has no committed rental payment. The rental payment will be a percentage of the turnover. For stores with fixed rent, rental payment does not vary with turnover and is based on an agreed amount. Refer to "Financial Information — Selling and marketing expenses" for a summary of the proportion of the leases of the Group payable in fixed and variable rent, and the year of expiry of such leases as at 30 September 2009.

Brand-driven pricing policy

Each Brand has its own dedicated management team to review and set the pricing policy for each season. The retail prices of the Group's products are determined by the headquarters with reference to factors such as the brands' specifications, production costs, competitors' retail prices, the anticipated market trends and expected market demand.

Apart from the discounts on products sold in the Group's factory outlets, the Group also gives seasonal discounts during the summer/winter period in all of its retail stores. Regular discounts are also given to its VIP members under the Group's loyalty programmes. The Group also regularly reviews the prices set by its competitors, and give discounts to ensure its prices are competitive to those of its competitors.

Other businesses

The Group also engages in the following businesses, which accounted for approximately 2.7% and 0.9% of the total revenues of the Core Business for the year ended 31 December 2008 and the six months ended 30 June 2009, respectively:

(i) *wholesale business*: the Group sells D'urban, Gieves & Hawkes and Kent & Curwen branded products in Australia and New Zealand through a distributor;

(ii) *uniform business*: the Group sells uniforms to large corporate customers in Hong Kong and Macau. The production of these uniforms is completely outsourced. The Group discontinued the uniform business in April 2009; and

(iii) *management services*: the Group provides management services to Parent Group for the House Brands.

The Group's customers

Due to the nature of the Group's businesses, which focus primarily on retail sales, the Group's customers are predominantly retail consumers.

INVENTORY CONTROL

As the Group's products are subject to both seasonality effects and changes in consumer preferences, the Group's sales level fluctuates constantly, which in turn affects its inventory levels. The Group believes that maintaining optimal levels of inventories is critical to its overall profitability. Accordingly, each Brand has its own dedicated management team to determine the optimal levels of inventories for each Brand in view of the expected future sales in the coming months and to adjust its inventory levels accordingly. The role of the team is also to identify and seek to rectify the inefficiencies within the inventory management under the relevant Brand in order to optimise inventory age and levels. The Group's inventory control policy is set out below:

(i) the products sold by the Core Business are less sensitive to rapid changes in fashion trends as it operates in the high-to-luxury end menswear segment and some past season products continue to be sold in the retail stores other than factory outlets;

(ii) the management of the Core Business (including the Chief Financial Officer and Managing Director of the Group) meets monthly to review the level of aged inventories and sets specific goals to reduce any excess aged products, which varies from time to time depending on seasonality effects, for instance, by setting up concession counters at department stores to hold bargain sales and organising private sale events for staff of the Group. The Group evaluates sales and demand levels from time to time to determine the ideal inventory level and form relevant strategies to achieve such target level. The Group also aims to make more precise estimates of the sales of each season and the level of raw materials and finished products required to ensure that only an optimum level of inventories is held in order to reduce inventory holding periods and tighten control over the procurement process; and

(iii) the Core Business has set up factory outlets across Greater China to sell any excess past season products.

CASH CONTROL

Cash management

The Group handles a substantial number of cash and credit card transactions on a daily basis. It is therefore crucial that the Group maintains strict control over its cash management. Daily reports on the bank balance of the Group are prepared by its treasury staff and reviewed by the management. Monthly cashflow forecasts are also prepared to facilitate the management of the Group's cashflow.

Cash collection

Stores in department stores

Sales proceeds are first collected by the department stores and the monthly sales amount is typically paid to the Group within two months after deducting the monthly rental fees and any other relevant fees and expenses. The monthly rental fees are calculated at an agreed percentage of the monthly sales receipts made by the Group's stores. The amount of sales proceeds receivable from and the monthly rental fees payable to the department stores are checked by reconciling the monthly sales recorded by the Group's POS system with the sales recorded by the department stores.

During the Track Record Period, the Group had not experienced any material default in collecting the sales proceeds from the department stores.

Stores in malls

With respect to the Group's other stores, primarily in shopping and factory outlet malls, sales are paid for at the time of purchase by cash, credit card or debit card. The Group has adopted strict internal control procedures for handling cash received at its stores, which include the following:

- all cash receipts are deposited daily with a designated bank;
- daily reconciliation of sales recorded by the POS system and actual cash proceeds;
- use of sequentially numbered sales receipts to check against sales amounts and cash proceeds;
- regular checks by the staff of cash proceeds against the records of deposit of cash, as well as random checks on the sales receipts to ensure that sales are properly recorded by the POS system;
- payment by debit or credit cards will only be accepted after online approval from banks/card operators are obtained; and
- settlement by debit or credit cards are checked against bank statements to ensure proper receipts and discrepancies will be followed up with bank/card operators.

Cash payments

In order to maintain strict control over all cash payments, the Group only allows the regional management offices in Taiwan to make payments up to a specific limit. Payments in excess of the specific limit can only be arranged by the finance department of the Group's headquarters in Hong Kong.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board recognises the importance of internal controls to safeguard shareholders' interests and manage business risks.

The Board has delegated the implementation of internal control systems as well as the operational and compliance controls and risk management procedures to the senior management of the Group. Qualified personnel of the Group maintain and monitor these systems of control on an ongoing basis. The Audit Committee, established on 1 January 2009, assumes the overall responsibility for reviewing the adequacy and integrity of the Group's internal controls and risk management systems.

The Group's corporate governance team within the Corporate Compliance Group, under the supervision of the Group Chief Compliance Officer who was appointed on 24 October 2007, performs regular audit reviews which cover all material controls including financial, operational and compliance controls, and risk management functions. The purpose of the reviews is to evaluate the adequacy, effectiveness of and compliance with these systems. The Group Chief Compliance Officer reports all major findings and recommendations to the Audit Committee and the corporate governance team monitors the implementation of the recommendations.

QUALITY CONTROL

The Group believes that its commitment to quality control is one of the principal factors contributing to its success. Accordingly, the Group has established a strict quality control system and set of quality standards.

The Group carries out the following quality control checks:

- **Quality control at each production stage**

  The Group takes measures such as (a) inspecting raw materials and components before they are accepted for use; (b) examining the product at each stage of production to ensure satisfactory product quality; (c) sending staff to the outsourced manufacturers' production facilities to conduct on-site quality control checks on a regular basis; and (d) checking the finished products for consistency and quality upon completion of the production process.

- **Quality control at the Group's retail stores**

  The Group's store personnel at each retail outlet is responsible for checking each product upon delivery before such product is accepted and sold to customers.

The Group complies with the relevant consumer protection laws with respect to return policies on merchandise in the countries where the Group operates. The Group's sales team is also trained to deal with any complaints that may arise from customers, including the verification of any alleged defects in the merchandise.

MANAGEMENT INFORMATION SYSTEMS

The Group has a number of management information systems to support its business, which mainly consists of a real-time POS and an accounting system. The Group's retail stores are equipped with the POS terminal to record and collect sales details and inventory movement on a timely basis. The POS system is linked with the accounting system to provide processed information in the form of daily POS reports (which can be sorted by performance, brand, store and geographical region) and monthly sales reports (which can be sorted by categories) for each retail store and the management of the Group. The ability to sort information in such format as required by the retail stores and the management of the Group allows them to, amongst other things, better track and analyse product margins, consumer preferences and demand, as well as support inventory, sourcing and logistic arrangements. In addition, as an effort to further strengthen the Group's management information systems, the Group implemented a distribution and warehouse management system in July 2008 which incorporates order planning, inventory control and invoicing functionalities. In July 2009, the Group also launched a procurement information system, which enables the Group to effectively plan the procurement of raw materials and finished products and allows the Group to closely monitor its procurement process so as to better control the quantity, quality and timing of its purchases.

COMPETITION

The high-to-luxury end menswear industry in Asia is highly competitive with domestic and international players and there are generally no significant barriers to entry. Competition is typically based on product quality, pricing, store location, promotional activities and customer services. The Group's competitors may specialise in specific target markets and have a greater ability to establish closer customer relationships by responding more quickly to customers' needs and preferences within their niche markets.

In particular, the Group's business in Mainland China has faced increased competition as a result of PRC's accession to the WTO and the opening up of the retail industry in Mainland China to foreign enterprises. These foreign companies include internationally-renowned apparel brands, many of which have more capital resources and are more experienced in operating retail businesses. Such new entrants of foreign brands has increased competition as consumers are given more choices of apparel products. Any increase in competition may exert pricing pressure on the Group's products, and adversely affect the Group's profitability.

Nevertheless, by having a focused menswear brand portfolio, established retail network, integrated supply chain, "plug-and-play" platform and experienced management, the Group believes that it has a clear competitive advantage over its competitors. In particular, the Group is able to differentiate its products by leveraging its portfolio of high-to-luxury end international brands. The Group has great access to its customers through its extensive retail network in Greater China. It enjoys economies of scale and lower operational costs through its vertically integrated business model and "plug-and-play" platform. In addition, the Group is guided by an experienced management team. The Directors therefore believe that the Group's competitive strengths act as a significant barrier to entry to other competitors.

INSURANCE

The Group carries insurance covering risks including loss and theft of, and damage to, property (such as the Group's fixed assets and inventories in all the Group's retail stores, warehouses and factories). The Group believes that its insurance coverage is adequate for its operations and as at 30 September 2009, the Group had not made or been the subject of any material insurance claims.

ENVIRONMENTAL PROTECTION AND OTHER REGULATORY COMPLIANCE

The Group does not own or operate any manufacturing facilities in respect of the Group's product parts. The Group operates critical assembly and finishing facilities in Hong Kong, which uses a steam boiler. The Group has complied with all the legal requirements for the use of the steam boiler. The Group believes that the critical assembly and finishing facilities do not generate any hazards that have any significant adverse effect on the environment. The Group is of the opinion that its environmental protection measures are adequate to comply with all applicable Hong Kong laws and regulations. As at the Latest Practicable Date, the Group is not aware of any violation by the Group of any applicable Hong Kong environmental laws or regulations.

Under relevant PRC laws and regulations, enterprises with foreign investment engaging in retail business in the PRC shall comply with *Measures for the Administration on Foreign Investment in Commercial Fields* (Order of MOC [2004] No.8)(《外商投資商業領域管理辦法》商務部令[2004]第8號) and its four supplements. Under such law, the foreign invested commercial enterprises should meet the following conditions: (i) the minimum registered capital satisfies the provisions of Company Law of the PRC; (ii) the fixed ratio between the registered capital and total investment applicable to the foreign investment enterprises; and (iii) the term of the foreign invested commercial enterprise should not be longer than thirty years. In addition, for those foreign invested commercial enterprises that need to open stores, the following conditions should be satisfied: (i) the requirements of the urban development and urban commercial development where such stores are to be opened must be met;

(ii) timely participation in and the passing of the joint annual inspection of the foreign investment enterprises; and (iii) the registered capital must be fully paid up. The establishment of the foreign invested commercial enterprises as well as the opening of stores by those foreign invested commercial enterprises should be approved by the Ministry of Commerce of the PRC or its designated local provincial commercial commissions. The Company confirms that the Group has obtained all approvals and permits in relation to, and complied with, such requirements of the PRC laws and regulations.

Save as disclosed above, the Group is not subject to any rule or regulation particular to the retailing business in the jurisdictions which it operates.

INTELLECTUAL PROPERTY RIGHTS

Details of the Group's intellectual property rights are more particularly set out under the section headed "Statutory and General Information — B. Further Information about the Business — 2. Intellectual Property Rights" in Appendix VI to this document.

PROPERTY INTEREST

As at 30 September 2009, the Group owns one property with a floor area of approximately 59.36 square metres for residential use in Hong Kong.

As at 30 September 2009, the Group leased one property with an aggregate floor area of approximately 18,453 square metres in Hong Kong, in which 5,387 square metres of the property is used for critical assembly and finishing facilities, 10,279 square metres of the property is used for an ancillary office and storage, and the remaining portion of 2,787 square metres of the property and car parking space is sub-leased out to Branded Lifestyle HK and a subsidiary of Lever Style.

As at 30 September 2009, the Group also leased or held under agreements 25 properties with an aggregate floor area of approximately 9,243.70 square metres for storage, residential and office uses in Mainland China, Hong Kong, Taiwan and Singapore.

As at 30 September 2009, the Group leased or held under agreements 350 properties with an aggregate floor area of approximately 33,667.60 square metres for retail use in Mainland China, Hong Kong, Taiwan and Macau.

Save for the leases disclosed in the section headed "Connected Transactions" in this document, the remaining leases were entered into with lessors who are Independent Third Parties.

As at 30 September 2009, the leases for 24 properties with a total floor area of approximately 3,743.55 square metres have not been registered with the relevant authorities in Mainland China. Of the 24 properties, 4 related to office premises, 15 related to store premises, and 5 related to storage. The Company is of the opinion that the unregistered leases are not crucial to the Group's operations as the stores under these unregistered leases contributed to less than 5% of the Core Business's revenue as well as store contribution profits for the year ended 31 December 2008. Under the relevant PRC laws and regulations, such registration and filings are the responsibility of the landlords. Although the Group has requested its landlords to carry out the registration and filing procedures, it is unable to ascertain if and when the landlords will complete such registrations and filings. The Group's PRC legal advisers have advised the Group that, under PRC law, failure of the landlords to register and file such leases will not subject the Group as tenants to any penalties or invalidate the lease agreements and as such, the relevant lease agreements to which such leased properties are subject are valid and enforceable by the Group and there is no legal impediment to the Group occupying the leased properties. However, under relevant PRC laws and regulations, leases that have not been registered do not bind third parties such as mortgagee of the leased property. In such situations, although the Group has the right to be compensated by the lessor due to the lessor's breach of the lease agreement between the lessor and the Group, the Group cannot claim any right to continue the lease if the subject property has been mortgaged and then disposed of by the mortgagee. There has been no illegal use of these leased properties by the Group and the leased properties are not subject to any judicial or administrative confiscation orders.

The Group is of the view that the risk of forced eviction from these leased properties due to the landlords' failure to register the leases is limited. If the Group is not able to use any of these properties due to the lack of the requisite registration documents, the Group may seek alternative properties. As at the Latest Practicable Date, the Group has not encountered any issues, evictions or fines. Even if the Group is unable to continue leasing these properties as a result of any disputes arising due to failure to register the leases, the Group's PRC legal advisers have advised the Group that it maintains its right of recourse on the rental deposits attributable to those leased properties.