A. EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Group has entered into the following transactions, each of which will constitute a continuing connected transaction exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for the Company upon [●]:

1. Sharing of corporate compliance services with LF (1937) Management Limited

LF (1937) Management Limited has assigned a team of dedicated full time personnel, under the supervision of the Group Chief Compliance Officer, to provide corporate compliance services, comprising internal audit, corporate secretarial and corporate governance services, to the Group. LF (1937) Management Limited is a wholly owned subsidiary of LF (1937). Therefore, LF (1937) Management Limited is an associate of LF (1937) (being a substantial shareholder of the Company) and is a connected person of the Company. The assigned team of personnel does not provide corporate compliance services to other companies within Parent Group and the payment for this team of personnel is charged to the Group based on an actual cost reimbursement basis. The fee payable by the Group for the services provided by the Group Chief Compliance Officer is based on usage of the services and at cost which is determined on a fair and equitable basis. The Directors expect that this arrangement will continue after [●].

The fees for such services for the two years ended 31 December 2008 were HK$2,180,000 and HK$3,420,000 respectively. As set out above, the fees for such services are on cost basis and are allocated on a fair and equitable basis and accordingly, this transaction is exempt from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33(2) of the Listing Rules.

2. Provision of access to fashion design information website to BLS (Private Labels) HK Limited

The Company has subscribed for access to a fashion design information website (the "Information Website") and has been sharing such access rights with BLS (Private Labels) HK Limited ("BLS (Private Labels) HK") since 30 November 2007. The Information Website provider charges an annual fee of GBP11,000 for the access to the Information Website and such fee is shared among BLS (Private Labels) HK and other users of the Information Website who are members of the Group on a pro rata basis with reference to their number of users and the expected usage of the Information Website. The fees for such transaction was GBP2,487.85 (approximately HK$30,650) for the period from 30 November 2007 to 30 November 2008 and is projected to be GBP2,982.68 (approximately HK$36,747) for the period from 1 December 2008 to 30 November 2009. BLS (Private Labels) HK is indirectly wholly owned by BLS Holdings, a wholly owned subsidiary of LF Retailing. Therefore, BLS (Private Labels) HK is an associate of LF Retailing (being a substantial shareholder of the Company) and is a connected person of the Company. The Directors expect that the above arrangement will continue after [●] and it was agreed between the Company and BLS (Private Labels) HK that the fee will be charged according to the above basis.

As the annual fees payable by BLS (Private Labels) HK to the Group are expected to be less than HK$1,000,000 and on normal commercial terms, this transaction is exempt from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33(3) of the Listing Rules.

3. Provision of independent vendor compliance audit service to LiFung Trinity (Management) by Li & Fung (Trading) Limited

Li & Fung (Trading) Limited has been providing compliance audit services to its own customers to ensure their suppliers' compliance of the applicable rules and regulations and code of conduct. In order to strengthen the monitoring of the Group's suppliers' compliance with the applicable local rules and regulations of the countries in which the suppliers' factories operate and supplier code of conduct set by the Group, the Group decided to engage professional services provider for compliance audit services in respect of its suppliers. Having considered the experience and expertise of Li & Fung (Trading) Limited in providing such compliance audit services, the engagement with Li & Fung (Trading) Limited would be more efficient and more economically viable to the Group. After comparing similar services available in the market, LiFung Trinity (Management) decided to engage Li & Fung (Trading) Limited for the provision of such compliance audit service in respect of the suppliers of LiFung Trinity (Management) and its fellow subsidiaries from 2 July 2009. Li & Fung (Trading) Limited charges a fee of HK$3,300 plus expense costs, which is similar to the rate offered to Independent Third Parties, for each audit conducted for the suppliers of LiFung Trinity (Management) and its fellow subsidiaries. The fee will be reviewed every 12 months from 2 July 2009 and any adjustment will be made by reference to inflation or deflation and other market indicators. The fee for such services for the period from 2 July 2009 to 30 September 2009 was nil. Li & Fung (Trading) Limited is a subsidiary of Li & Fung Trading and thus an associate of LF (1937), a substantial shareholder of the Company. Therefore, Li & Fung (Trading) Limited is a connected person of the Company. The Directors expect that the above arrangement will continue after [●].

With reference to the current fee and the number of audits for each supplier and projected adjustment, the annual fees payable by LiFung Trinity (Management) to Li & Fung (Trading) Limited are expected to be less than HK$1,000,000 and on normal commercial terms, and accordingly, this transaction is exempt from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33(3) of the Listing Rules.

4. Provision of administrative services to LF (1937) Management Limited by LiFung Trinity (Management)

LF (1937) Management Limited used to have its own team for administrative services for its operations. As a result of the internal restructuring of LF (1937) Management Limited in 2009, LF (1937) Management Limited engaged LiFung Trinity (Management) for the provision of administrative services (including accounting, information system and human resources services) for its operations in respect of the Excluded Brands (other than the House Brands and Hardy Amies) on a cost basis from 1 June 2009. LF (1937) Management Limited is a wholly owned subsidiary of LF (1937). Therefore, LF (1937) Management Limited is an associate of LF (1937) (being a substantial shareholder of the Company) and thus a connected person of the Company. The Directors expect that the said arrangement will continue after [●].

The fee for such services is based on usage of the services and at cost which is determined on a fair and equitable basis. The fee for the period from 1 June 2009 to 30 September 2009 was HK$1,243,058. This transaction is exempt from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33(2) of the Listing Rules.

5. Licensing arrangement for the use of office premises and related office facilities by the Group

Since 1 October 2009, certain licensing arrangement between the Group and Hardy Amies London Limited has been in place for the use of office premises in the United Kingdom and related office facilities by the Group. The licence fees charged by Hardy Amies London Limited are on a cost basis. Hardy Amies London Limited is a subsidiary of King Lun Holdings Limited (a controlling shareholder of the Company) and thus a connected person of the Company. The Directors expect that the above arrangement will continue after [●].

As the annual fees for such licensing arrangements are expected to be less than HK$1,000,000 and on normal commercial terms, this transaction is exempt from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33(3) of the Listing Rules.

6. Provision of insurance brokerage services in relation to the insurance policies of the Group by Sun Fung Insurance Agency Limited

Sun Fung Insurance Agency Limited ("Sun Fung") has been providing insurance brokerage services in relation to the insurance policies of the Group underwritten by various insurers (the "Insurers"). The Group pays the Insurers premium for the insurance policies through Sun Fung in line with the market practice. For the year ended 31 December 2008, the aggregate premium paid by the Group to the Insurers amounted to approximately HK$2.9 million. The Group does not pay any agency fee to Sun Fung. The Company understands that the Insurers pay Sun Fung a commission at a rate agreed between them in accordance with the market practice.

Mr. Jeffrey Lee, a director and shareholder of Sun Fung, is the uncle of Ms. Sabrina Fung, and the brother-in-law of Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun, all being Directors and beneficial Shareholders, and therefore Sun Fung is a connected person of the Company. The Insurers, being independent third parties, are not associates of Sun Fung and thus are not connected persons of the Company.

As Sun Fung has been providing insurance brokerage services to other members of the Li & Fung Group for a number of years, Sun Fung has a deeper understanding of the business needs of Li & Fung Group than other insurance brokerage services providers. The arrangement is on normal commercial terms and on an arm's length basis, and is in the ordinary course of business of the Group. The Directors expect that such insurance brokerage services provided by Sun Fung will continue after the [●] and no agency fee shall be payable by the Group to Sun Fung for such services. As no agency fee is paid by the Group to Sun Fung (i.e., the transaction amount is zero), such transaction is exempted from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33(3) of the Listing Rules. The Company will comply with such reporting, announcement and independent shareholders' approval requirements in accordance with the Listing Rules, if any of the percentage ratios (other than the profit ratio, which does not apply) exceeds 0.1%.

B. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Group has entered into the following transactions, each of which will constitute a non-exempt continuing connected transaction of the Company which is subject to the reporting and announcement requirements only under Chapter 14A of the Listing Rules upon [●]:

1. Leasing of office premises by LiFung (Shanghai) and Trinity China Distributions (SH) from Shanghai LiFung Property Management Co. Ltd.

On 28 September 2007, LiFung (Shanghai) and Trinity China Distributions (SH) (collectively, the "LF-Shanghai Companies"), both being subsidiaries of the Company, entered into separate tenancy agreements (collectively, the "Shanghai Tenancy Agreements") with Shanghai LiFung Property Management Co. Ltd. ("Shanghai LF Property Management"). Pursuant to the Shanghai Tenancy Agreements, the LF-Shanghai Companies agreed to lease from Shanghai LF Property Management the office premises situated at Rooms 601 and 602 of 6th Floor, LiFung Plaza Main Building, No. 2000 Yishan Road, Minhang District, Shanghai, PRC (上海市閔行區宜山路2000號) for a term of three years commencing from 8 October 2007 to 7 October 2010 at an aggregate monthly rental of RMB227,150 (approximately HK$258,951) with a rent-free period of two months from 8 October 2007.

Shanghai LF Property Management is a subsidiary of LF (1937). Therefore, Shanghai LF Property Management is an associate of LF (1937) (being a substantial shareholder of the Company) and is a connected person of the Company.

For the two years ended 31 December 2008, the aggregate rentals and management fees paid by the LF-Shanghai Companies to Shanghai LF Property Management under the Shanghai Tenancy Agreements were RMB314,493 (approximately HK$358,522) and RMB3,325,476 (approximately HK$3,791,043) respectively. It is expected that the aggregate rentals and management fees payable by the LF-Shanghai Companies to Shanghai LF Property Management for each of the two years ending 31 December 2010 will not exceed RMB3,325,476 and RMB2,556,683 respectively (approximately HK$3,791,043 and HK$2,914,619 respectively).

CB Richard Ellis Limited, an independent property valuer, has confirmed that the rentals and management fees payable under the Shanghai Tenancy Agreements reflects the prevailing market rates.

2. Provision of warehousing and logistics related services to the Group by Parent Group

Since 1 April 2008, certain associates of LF (1937) have been providing warehousing and logistics related services (the "Services") to the Group. On 15 October 2009, the Company entered into a master agreement with LF (1937) (the "Master Agreement") governing the principal terms on which the Services will from time to time be provided by LF (1937) and its associates to the Group in Hong Kong and Mainland China (the "Transactions") during the term commencing from [●] and ending on 31 December 2011. LF (1937), a substantial shareholder of the Company, is a connected person of the Company.

The fees charged by LF (1937) and its associates are either at market rates or at rates similar to those offered to Independent Third Parties, and the terms of the Transactions are on an arm's length basis. Alternative services providers, who offer similar services with comparable prices, are available in the market. After comparing the scope and other terms of services provided by Parent Group and other services providers available in the market, the Directors are of the opinion that Parent Group has a better understanding of the business needs of the Group than such alternative services providers. The Directors consider that the engagement of Parent Group for the provision of the Services is in the interests of the Group and the Shareholders as a whole and the Transactions allow the Group to leverage the logistics expertise of its associates.

For the period from 1 April 2008 to 30 June 2009, the fees paid by the Group were HK$1,017,000 and RMB6,519,614 for the Services provided in Hong Kong and in Mainland China respectively. Pursuant to the Master Agreement, the Company and LF (1937) would enter into, and procure their respective subsidiaries and associates to enter into, the Transactions within the limit of a maximum annual cap of HK$600,000, HK$8,100,200 and HK$8,559,000 for Services provided in Hong Kong and RMB8,800,000, RMB11,100,000 and RMB12,580,000 for Services provided in Mainland China, for each of the three years ending 31 December 2011 respectively. The annual caps are determined with reference to historical amount paid for the Services, projected increase in demand of Services and projected expansion of scope of Services. The annual cap for the year ending 31 December 2009 is much lower than those for the years ending 31 December 2010 and 2011 due to the projected expansion of scope of transportation services (such as increase in transportation services as a result of sales increase and stores expansion, as well as increase in transportation services within cities in Mainland China (including more outbound transport services from Shanghai to other cities in Mainland China by air freight services)) for the years 2010 and 2011.

The Directors expect that the above transaction will continue after [●]. The above annual caps are determined after taking into account the projected demand of warehousing and logistics related services in view of the expected growing business of the Group.

3. Provision of management services to BLS (Private Labels) by the Group

On 13 October 2009, the Company entered into an agreement with BLS Holdings in relation to the provision of management services to BLS (Private Labels) and its subsidiaries by the Group for the management of the House Brands for a term of 36 months from 1 September 2009, subject to early termination in the event of a discontinuance of business relating to the House Brands by BLS (Private Labels) (either by way of dissolution or disposal to third parties) or Parent Group ceasing to be the controlling shareholder of the Company. The scope of services includes front end management services (such as services relating to product development or design, product sourcing, retail management and marketing) and back office support services (such as services relating to accounting and treasury, corporate compliance, management information system, human resources and lease administration). The annual fee for such services is the higher of: (a) 7% of the annual turnover of BLS (Private Labels); and (b) HK$21,000,000. The annual fee is determined after arm's length negotiation and on a cost-plus basis with reference to management experience and estimated time spent. Under the said agreement, a call option is granted to the Company, the exercise of which provides the Company a right to acquire the interest in BLS (Private Labels) from BLS Holdings. The call option is exercisable at any time within the above term. Upon the exercise of such call option by the Company, the parties will negotiate the price for acquiring the interest in BLS (Private Labels). The Company will comply with the applicable requirements of the Listing Rules in respect of the exercise of the call option. The Company considers that it is in its interest to provide the above management services for the management of the House Brand because it allows the Company to gain better understanding of the business and trading position of BLS (Private Labels) for it to evaluate whether it would be in the interest of the Company to exercise the call option. Furthermore, the provision of the above management services also generates regular income to the Company during the term of the above management services.

BLS Holdings is a wholly owned subsidiary of LF Retailing, a substantial shareholder of the Company. Therefore, BLS Holdings is a connected person of the Company.

It is expected that the fees chargeable by the Group will not exceed HK$25 million for each year of the term of the above agreement.

4. Licensing arrangements for the use of office premises and related office facilities by Parent Group

Since October 2009, certain licensing arrangements between the Group and Parent Group have been in place for the use of parts of 6/F and 8/F of the building situated at 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong and related office facilities by Parent Group. On 9 October 2009, the Company entered into separate licensing agreements with each of IDS, Fortune Nation Enterprises Limited and BLS Holdings for such arrangement. The licence fees charged by the Group are on a cost basis with reference to the floor area used. Each of the above companies is a member of Parent Group and is an associate of King Lun Holdings Limited (a controlling shareholder of the Company) and thus a connected person of the Company.

It is expected that the aggregate licence fees for such licensing arrangements for each of the three years ending 31 December 2011 will not exceed HK$850,000, HK$2,830,000 and HK$2,800,000 respectively.

5. Sourcing of products from Kanematsu Textile Corporation and/or its subsidiaries

The Group used to source products for certain brand directly from the relevant brand owner. Due to the change in sourcing arrangement with such brand owner, the Group started sourcing certain types of garments and fashion accessories (such as belts and leather goods), which are all finished goods, from Kanematsu Textile Corporation (“Kanematsu”) and/or its subsidiaries (together the “Kanematsu Group”) from October 2009 in order to meet the demand for products. On 15 October 2009, the Company and Kanematsu entered into an agreement in relation to the provision of product supply service in Mainland China or other Asian countries (such as Japan and Korea) for a term of not more than 36 months. The price of products purchased from the Kanematsu Group is at cost plus a commission of certain percentage of the value of the orders. The [●] confirm that such commission is at market rate. Kanematsu Group is a supplier specialised in sourcing apparels. After comparing the services and products provided by alternative suppliers available in the market, the Directors consider that Kanematsu Group has a better understanding of the business needs of the Group than other alternative suppliers available in the market and such sourcing arrangement is in the interests of the Group and the Shareholders as a whole.

Each of Kanematsu and its subsidiaries is an indirect subsidiary of King Lun Holdings Limited (a controlling shareholder of the Company) and thus a connected person of the Company.

The estimated amount of products contracted to be purchased from the Kanematsu Group for the year ending 31 December 2009 is approximately HK$4,000,000. With reference to the estimated demand of products by customers and historical amount of products sourced from previous suppliers, it is expected that the amount of products to be purchased from the Kanematsu Group by the Group for each of the 12-month period ending on 30 September 2010, 2011 and 2012 respectively will not exceed HK$28 million, HK$31 million and HK$34 million respectively.

Application for waiver for non-exempt continuing connected transactions

Notwithstanding that connected persons of the Group will provide the above services to the Group under the aforesaid continuing connected transactions, the Directors and the [●] are of the opinion that each of the above continuing connected transactions set out in this section does not constitute a material transaction of the Group and the operational independence of the Group will not be affected on the ground that the Group either has the ability to perform such services or can obtain similar services from alternative suppliers which are Independent Third Parties. Prior to any of the aforesaid continuing connected transactions being renewed, the Group will independently evaluate whether it will be more justifiable for it to perform the service under such continuing connected transaction, or engage an alternative supplier which is Independent Third Party to provide such service. Renewal of such continuing connected transaction will not be made unless such renewal is in the interest of the Company and complies with all applicable requirements of the Listing Rules. Hence, the Directors consider that the Group does not have any undue reliance on Parent Group, and is capable of carrying on its business independently of Parent Group.

The Directors (including the independent non-executive Directors), having (a) reviewed the relevant documentation, underlying agreements, and historical figures provided by the Company; and (b) considered the pricing principles and annual caps, reasons for the transactions and the confirmations from the property valuer, are of the view that:

(i) the above continuing connected transactions have been and will be entered into in the ordinary and usual course of business of the Group either (aa) on normal commercial terms, being terms which a party could obtain if the transaction were on an arm's length basis or on terms no less favourable to the Group than terms available to or from independent third parties; or (bb) on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and

(ii) the annual caps set for the above continuing connected transactions are fair and reasonable and in the interest of the shareholders of the Company as a whole.

As the relevant percentage ratios of each of the transactions numbered B(1) to B(5) above are less than 2.5%, under Rule 14A.34 of the Listing Rules, such transactions will, following the [●], constitute non-exempt continuing connected transactions for the Company and will be subject to the reporting and announcement requirements provided for under the Listing Rules.

The Company has, pursuant to Rule 14A.42(3) of the Listing Rules, applied to the Stock Exchange for a waiver from strict compliance with the announcement requirements under the Listing Rules, for the transactions numbered B(1) to B(5) above upon the [●].

The Stock Exchange has granted a waiver from strict compliance with the applicable requirements under the Listing Rules as mentioned above and the Company should comply with requirements under Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Listing Rules, subject to the respective annual caps for each of the continuing connected transactions set out above.