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APPENDIX I**ACCOUNTANT'S REPORT**

The following is the text of a report, prepared for the purpose of incorporation in [●], received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F Prince's Building
Central, Hong Kong

[Date]

The Directors
Trinity Limited

[●]

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Trinity Limited (the "Company") and its subsidiaries (together, the "Group") as set out in Sections I to III below, for inclusion in [●]. The Financial Information comprises the balance sheets of the Company and the Group at 31 December 2006, 2007 and 2008 and 30 June 2009, and the consolidated income statements, the consolidated statement of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes.

The Company was incorporated in Bermuda on 21 December 2006 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Pursuant to a group reorganisation as described in Note 1 of Section II headed "General Information of the Group and Reorganisation" below, the Company became the holding company of the subsidiaries comprising the Group.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries and jointly controlled entities as set out in Notes 8, 9, 37 and 38 of Section II below. All of these companies are private companies.

All companies comprising the Group during the Relevant Periods have adopted 31 December as their financial year end date.

For the purpose of this report, the Directors of the Company have prepared consolidated financial statements of the Company for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements for each of the years ended 31 December 2006, 2007 and 2008 and

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the six months ended 30 June 2009 in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' responsibility

The Directors of the Company are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements in accordance with HKFRSs issued by the HKICPA.

For the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, the Directors of the Company are responsible for the preparation and the true and fair presentation of the financial information in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

For the financial information for the six months ended 30 June 2008, the Directors of the Company are responsible for the preparation and the presentation of the financial information in accordance with the accounting policies set out in Note 2 of Section II below which are in conformity with HKFRSs.

Reporting accountant's responsibility

For the financial information for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, our responsibility is to express an opinion on the financial information based on our examination and to report our opinion to you. We examined the Underlying Financial Statements used in preparing the financial information, and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

For the financial information for the six months ended 30 June 2008, our responsibility is to express a conclusion on the financial information based on our review and to report our conclusion to you. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Opinion and review conclusion

In our opinion, the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, for the purpose of this report, gives a true and fair view of the state of affairs of the Company and the Group as at 31 December 2006, 2007 and 2008 and 30 June 2009 and of the Group's results and cash flows for the respective years and period then ended.

Based on our review, which does not constitute an audit, nothing has come to our attention that causes us to believe that the financial information for the six months ended 30 June 2008, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below which are in conformity with HKFRSs.

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ACCOUNTANT'S REPORT

I. FINANCIAL INFORMATION

1. CONSOLIDATED BALANCE SHEETS

	Note	As at 31 December			As at 30 June
		2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	44,565	127,041	144,478	122,882
Intangible assets	7	1,462,956	1,516,705	1,637,238	1,633,074
Investments in jointly controlled entities	9	111,566	154,204	145,583	158,239
Deposit and prepayments	10	47,023	46,414	43,863	38,391
Deferred income tax assets	11	5,675	36,601	68,953	63,877
		<u>1,671,785</u>	<u>1,880,965</u>	<u>2,040,115</u>	<u>2,016,463</u>
Current assets					
Inventories	12	259,112	514,988	633,483	546,655
Trade receivables	13	155,255	199,992	223,252	127,698
Deposit and prepayments	10	58,552	62,462	91,435	106,322
Amounts due from related parties	16(c)	1,872	3,736	15,360	1,580
Amount due from immediate holding company	16(c)	76,198	–	–	–
Cash and cash equivalents	17	143,499	820,423	145,177	363,424
		<u>694,488</u>	<u>1,601,601</u>	<u>1,108,707</u>	<u>1,145,679</u>
Total assets		<u>2,366,273</u>	<u>3,482,566</u>	<u>3,148,822</u>	<u>3,162,142</u>
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	18	100	114,920	120,517	120,517
Share premium	18	–	859,277	1,041,310	1,041,310
Retained earnings	19	209,739	340,458	435,137	433,600
Other reserves	19	2,327	(199,926)	(253,108)	(232,497)
		<u>212,166</u>	<u>1,114,729</u>	<u>1,343,856</u>	<u>1,362,930</u>
Minority interests		<u>58,136</u>	<u>70,702</u>	<u>–</u>	<u>–</u>
Total equity		<u>270,302</u>	<u>1,185,431</u>	<u>1,343,856</u>	<u>1,362,930</u>
LIABILITIES					
Non-current liabilities					
Amount due to immediate holding company	16(c)	1,714,218	–	–	–
Provision for long service payments	20	2,109	4,218	6,986	6,485
Retirement benefit obligations	21	7,612	7,700	7,700	12,157
Other payables and accrued expenses	22	–	55,692	48,028	45,211
Deferred income tax liabilities	11	29,608	29,608	48,873	52,202
Borrowings	24	–	930,000	939,071	1,062,075
		<u>1,753,547</u>	<u>1,027,218</u>	<u>1,050,658</u>	<u>1,178,130</u>
Current liabilities					
Trade payables	23	16,579	73,330	68,067	45,410
Other payables and accrued expenses	22	239,363	192,283	209,640	180,841
Amounts due to related parties	16(c)	64,227	182,628	105,177	137,490
Current income tax liabilities		22,255	33,432	20,238	10,277
Borrowings	24	–	788,244	351,186	247,064
		<u>342,424</u>	<u>1,269,917</u>	<u>754,308</u>	<u>621,082</u>
Total liabilities		<u>2,095,971</u>	<u>2,297,135</u>	<u>1,804,966</u>	<u>1,799,212</u>
Total equity and liabilities		<u>2,366,273</u>	<u>3,482,566</u>	<u>3,148,822</u>	<u>3,162,142</u>
Net current assets		<u>352,064</u>	<u>331,684</u>	<u>354,399</u>	<u>524,597</u>
Total assets less current liabilities		<u>2,023,849</u>	<u>2,212,649</u>	<u>2,394,514</u>	<u>2,541,060</u>

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2. BALANCE SHEET OF THE COMPANY

	Note	As at 31 December			As at 30 June
		2006	2007	2008	2009
		HKS'000	HKS'000	HKS'000	HKS'000
ASSETS					
Non-current assets					
Investments in subsidiaries	8(a)	47,954	1,862,317	1,957,477	1,997,477
Current assets					
Prepayments		–	–	33,094	43,097
Amounts due from subsidiaries	8(b)	–	655,336	200,000	292,099
Cash and cash equivalents		–	–	9	14
		–	655,336	233,103	335,210
Total assets		<u>47,954</u>	<u>2,517,653</u>	<u>2,190,580</u>	<u>2,332,687</u>
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	18	100	114,920	120,517	120,517
Share premium	18	–	859,277	1,041,310	1,041,310
(Accumulated losses) / retained earnings	19	(200)	(78,847)	74,787	(1,206)
Total (deficiency of funds)/equity		<u>(100)</u>	<u>895,350</u>	<u>1,236,614</u>	<u>1,160,621</u>
LIABILITIES					
Non-current liabilities					
Borrowings	24	–	930,000	930,000	930,000
Current liabilities					
Other payables and accrued expenses	22	200	33,303	15,152	31,206
Amount due to a fellow subsidiary	16(c)	–	–	–	40,000
Amount due to immediate holding company	16(c)	47,854	–	–	–
Amount due to intermediate holding company	16(c)	–	–	–	92,099
Amount due to a subsidiary	8(b)	–	–	8,814	78,761
Borrowings	24	–	659,000	–	–
		48,054	692,303	23,966	242,066
Total liabilities		<u>48,054</u>	<u>1,622,303</u>	<u>953,966</u>	<u>1,172,066</u>
Total equity and liabilities		<u>47,954</u>	<u>2,517,653</u>	<u>2,190,580</u>	<u>2,332,687</u>
Net current (liabilities)/assets		<u>(48,054)</u>	<u>(36,967)</u>	<u>209,137</u>	<u>93,144</u>
Total assets less current liabilities		<u>(100)</u>	<u>1,825,350</u>	<u>2,166,614</u>	<u>2,090,621</u>

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3. CONSOLIDATED INCOME STATEMENTS

	Note	Year ended 31 December			Six months ended 30 June	
		2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2008 HK\$'000 (unaudited)	2009 HK\$'000
Revenue	25	918,562	1,460,794	1,866,080	917,643	927,526
Cost of sales	26	(266,156)	(387,061)	(531,877)	(219,537)	(264,060)
Gross profit		652,406	1,073,733	1,334,203	698,106	663,466
Other income	27	10,343	15,457	33,730	13,095	11,919
Selling and marketing expenses	26	(346,077)	(619,035)	(844,520)	(394,517)	(433,414)
Administrative expenses	26	(122,936)	(251,034)	(368,338)	(157,014)	(153,145)
Other gains — net	28	5,060	17,537	22,803	32,241	26
Operating profit		198,796	236,658	177,878	191,911	88,852
Finance income		1,944	5,977	3,514	2,796	324
Finance costs		—	(81,508)	(54,731)	(30,196)	(21,617)
Finance income/(costs) — net	30	1,944	(75,531)	(51,217)	(27,400)	(21,293)
Share of profit of jointly controlled entities ...	9	32,593	40,682	42,318	26,300	12,925
Profit before income tax		233,333	201,809	168,979	190,811	80,484
Income tax expenses	31	(42,248)	(56,457)	(65,178)	(43,885)	(24,173)
Profit for the year/period		191,085	145,352	103,801	146,926	56,311
Attributable to:						
Equity holders of the Company		173,931	130,719	98,035	141,160	56,311
Minority interests		17,154	14,633	5,766	5,766	—
		<u>191,085</u>	<u>145,352</u>	<u>103,801</u>	<u>146,926</u>	<u>56,311</u>
Earnings per share for profit attributable to the equity holders of the Company during the year/period (expressed in HK dollar per share)						
— basic and diluted	32	<u>173.93</u>	<u>0.52</u>	<u>0.08</u>	<u>0.12</u>	<u>0.05</u>
Dividends	39	<u>20,786</u>	<u>—</u>	<u>57,848</u>	<u>—</u>	<u>—</u>

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4. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December			Six months ended 30 June	
		2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2008 HK\$'000 (unaudited)	2009 HK\$'000
Profit for the year/period		191,085	145,352	103,801	146,926	56,311
Other comprehensive income						
Currency translation differences		10,221	15,308	(24,852)	15,714	5,847
Share of cash flow hedging reserve of jointly controlled entities: Fair value gains/(losses)		—	—	6,433	—	(6,922)
Total comprehensive income for the year/period		<u>201,306</u>	<u>160,660</u>	<u>85,382</u>	<u>162,640</u>	<u>55,236</u>
Total comprehensive income attributable to:						
— equity holders of the Company		183,794	144,173	79,120	156,378	55,236
— minority interest		17,512	16,487	6,262	6,262	—
		<u>201,306</u>	<u>160,660</u>	<u>85,382</u>	<u>162,640</u>	<u>55,236</u>

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5. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to equity holders of the Company				Total	Minority interests	Total equity
		Share capital	Share premium	Retained earnings	Other reserves			
		HKS'000	HKS'000	HKS'000	HKS'000			
Balance at 1 January 2006		100	–	56,594	35,837	92,531	–	92,531
Exchange differences		–	–	–	9,863	9,863	358	10,221
Profit for the year		–	–	173,931	–	173,931	17,154	191,085
Acquisition of subsidiaries	35	–	–	–	–	–	40,624	40,624
Reserve arising from reorganisation	19(b)	–	–	–	(93,690)	(93,690)	–	(93,690)
Merger reserve arising from common control business combination	19(c)	–	–	–	50,317	50,317	–	50,317
Dividends paid	39	–	–	(20,786)	–	(20,786)	–	(20,786)
		–	–	153,145	(33,510)	119,635	58,136	177,771
Balance at 31 December 2006		100	–	209,739	2,327	212,166	58,136	270,302
Exchange differences		–	–	–	13,454	13,454	1,854	15,308
Profit for the year		–	–	130,719	–	130,719	14,633	145,352
Reserve arising from reorganisation	19(e)	–	–	–	(152,283)	(152,283)	–	(152,283)
Deemed distribution to intermediate holding company	19(f)	–	–	–	(63,424)	(63,424)	–	(63,424)
Dividends paid to minority shareholders		–	–	–	–	–	(3,921)	(3,921)
		–	–	130,719	(202,253)	(71,534)	12,566	(58,968)
Issue of ordinary shares	18	114,820	859,277	–	–	974,097	–	974,097
Balance at 31 December 2007		114,920	859,277	340,458	(199,926)	1,114,729	70,702	1,185,431
Exchange differences		–	–	–	(25,348)	(25,348)	496	(24,852)
Profit for the year		–	–	98,035	–	98,035	5,766	103,801
Share of cash flow hedging reserve of jointly controlled entities: Fair value gains for the year		–	–	–	6,433	6,433	–	6,433
Transfer to reserve		–	–	(3,356)	3,356	–	–	–
Dividends paid to minority shareholders		–	–	–	–	–	(18,620)	(18,620)
Acquisition of minority interests	19(g), 35(c)	–	–	–	(37,623)	(37,623)	(58,344)	(95,967)
		–	–	94,679	(53,182)	41,497	(70,702)	(29,205)
Issue of ordinary shares	18	5,597	182,033	–	–	187,630	–	187,630
Balance at 31 December 2008		120,517	1,041,310	435,137	(253,108)	1,343,856	–	1,343,856
Exchange differences		–	–	–	5,847	5,847	–	5,847
Profit for the period		–	–	56,311	–	56,311	–	56,311
Share of cash flow hedging reserve of jointly controlled entities: Fair value losses for the period		–	–	–	(6,922)	(6,922)	–	(6,922)
Dividends paid	39	–	–	(57,848)	–	(57,848)	–	(57,848)
Deemed contribution from intermediate holding company	19(h)	–	–	–	21,686	21,686	–	21,686
		–	–	(1,537)	20,611	19,074	–	19,074
Balance at 30 June 2009		120,517	1,041,310	433,600	(232,497)	1,362,930	–	1,362,930
Six month ended 30 June 2008 <i>(unaudited)</i>								
Balance at 31 December 2007		114,920	859,277	340,458	(199,926)	1,114,729	70,702	1,185,431
Exchange differences		–	–	–	15,218	15,218	496	15,714
Profit for the period		–	–	141,160	–	141,160	5,766	146,926
Dividends paid to minority shareholders		–	–	–	–	–	(18,620)	(18,620)
Acquisition of minority interests		–	–	–	(37,623)	(37,623)	(58,344)	(95,967)
		–	–	141,160	(22,405)	118,755	(70,702)	48,053
Issue of ordinary shares	18	5,597	165,275	–	–	170,872	–	170,872
Balance at 30 June 2008		120,517	1,024,552	481,618	(222,331)	1,404,356	–	1,404,356

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6. CONSOLIDATED CASH FLOW STATEMENTS

	Note	Year ended 31 December			Six months ended 30 June	
		2006	2007	2008	2008	2009
		HKS'000	HKS'000	HKS'000	HKS'000 (unaudited)	HKS'000
Cash flows from operating activities						
Cash generated from operations	33(a)	104,016	109,924	91,747	47,050	287,930
Interest paid		–	(2,220)	(5,651)	(6,851)	(5,200)
Income tax paid		(46,847)	(76,122)	(91,459)	(40,532)	(24,936)
Net cash generated from/(used in) operating activities		<u>57,169</u>	<u>31,582</u>	<u>(5,363)</u>	<u>(333)</u>	<u>257,794</u>
Cash flows from investing activities						
Purchase of property, plant and equipment	6	(30,245)	(118,759)	(119,046)	(49,722)	(12,840)
Acquisition of intangible assets	7	–	–	(129,506)	(93,366)	–
Acquisition of subsidiaries	35	170,454	–	(2,165)	–	–
Proceeds from disposal of available-for-sale financial assets		18,074	–	–	–	–
Interest received	30	1,944	5,977	3,514	2,796	324
Dividend received from jointly controlled entities		–	–	–	–	11,942
Net cash generated from/(used in) investing activities		<u>160,227</u>	<u>(112,782)</u>	<u>(247,203)</u>	<u>(140,292)</u>	<u>(574)</u>
Cash flows from financing activities						
Interest paid		–	(45,504)	(68,544)	–	–
Proceeds from issuance of ordinary shares	18	100	739,097	92,471	92,471	–
Proceeds from borrowings		–	463,805	427,748	162,247	437,000
Repayment of borrowings		–	(230,581)	(855,735)	(709,715)	(418,125)
Dividends paid		(73,997)	(168,693)	(18,620)	–	(57,848)
Net cash (used in)/generated from financing activities		<u>(73,897)</u>	<u>758,124</u>	<u>(422,680)</u>	<u>(454,997)</u>	<u>(38,973)</u>
Net increase/(decrease) in cash, cash equivalents and bank overdrafts						
		<u>143,499</u>	<u>676,924</u>	<u>(675,246)</u>	<u>(595,622)</u>	<u>218,247</u>
Cash, cash equivalents and bank overdrafts at beginning of the year/period		–	143,499	820,423	820,423	145,177
Cash, cash equivalents and bank overdrafts at end of the year/period	17	<u>143,499</u>	<u>820,423</u>	<u>145,177</u>	<u>224,801</u>	<u>363,424</u>

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II. NOTES TO THE FINANCIAL INFORMATION

1 General information of the Group and Reorganisation

Trinity Limited (the "Company") was incorporated on 21 December 2006 in Bermuda as an exempted company with limited liability under Companies Act 1981 of Bermuda. The Company is an investment holding company and its subsidiaries and jointly controlled entities are principally engaged in the retailing of high to luxury end menswear in the Greater China Region and a retailer of luxury fashion and accessories in Korea and Southeast Asia (the "[●] Business" or "Core Business"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is at 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong.

The Financial Information is presented in Hong Kong dollars, unless otherwise stated. The immediate holding company of the Company is LiFung Trinity Limited, a company incorporated in the British Virgin Islands. The directors regard King Lun Holdings Limited ("King Lun"), a company incorporated in the British Virgin Islands, as being the ultimate holding company. King Lun is 50% owned by HSBC Trustee (C.I.) Limited, the trustee of a trust established for the benefit of the family members of Dr. Victor Fung Kwok King, and 50% owned by Dr. William Fung Kwok Lun.

Prior to the incorporation of the Company, LiFung Trinity Limited ("Parent Company"), a company ultimately wholly owned by King Lun, and its subsidiaries were engaged in the [●] Business, and retailing of medium end menswear and manufacturing of menswear ("Other Businesses").

The Company underwent a group reorganisation (the "Reorganisation"), pursuant to which the group companies engaged in the [●] Business owned by King Lun were transferred to the Company. The Reorganisation involved the following:

- (i) On 21 December 2006, the Company was established as a wholly owned subsidiary of Parent Company.
- (ii) On 31 December 2006, the retailing businesses of high to luxury end menswear in the Greater China Region owned by Parent Company were transferred to the Company at a cash consideration of HK\$1,681,600,500.
- (iii) On 31 March 2007, the Company acquired the entire equity interest in L&F Branded Lifestyle International Limited which held 50% interest of the Ferragamo Southeast Asia and Korea businesses from Li & Fung (Retailing) Limited, a company ultimately wholly owned by King Lun for a cash consideration of HK\$150,000,000.

Upon completion of the Reorganisation, the Company became the holding company of the Group. The Other Businesses are not related to the company and are managed separately from the [●] Business.

The results of the Other Businesses were excluded throughout the Relevant Periods except for the businesses ("Non-Core Business") owned by BLS (Private Labels) Holdings Limited ("BLS Private Label") which were acquired under common control from BLS Holdings, a fellow subsidiary of the Company, pursuant to a sale and purchase agreement dated 1 June 2009. The

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Non-Core Business represents mainly the retailing of menswear of owned brands, such as Leo, Gibo and Uffizi. Subsequently on 25 August 2009, the entire equity interests in BLS Private Label were reverted back from the Company to BLS Holdings. Accordingly, the Group is engaged in the Core Business only since 25 August 2009. However, as the results of the Non-Core Business formed part of the Group subsequently after the Reorganisation, it has been included in the Financial Information during the Relevant Periods. The consolidated income statements and the consolidated balance sheets of the Group divided by Core Business and Non-Core Business for the Relevant Periods are set out in Note 25.

The Reorganisation and the acquisition of the Non-Core Business have been prepared using the principles of merger accounting, as prescribed in AG 5.

The Financial Information includes the financial position, results and cash flows of the companies comprising the Group (including companies engaged in Core Business and Non-Core Business) as if the current group structure had been in existence throughout the Relevant Periods, or since the date when the companies first came under the common control of King Lun.

Accounting adjustments under common control combination are set out in Note 19.

2 Summary of principal accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years/periods presented, unless otherwise stated.

2.1 Basis of presentation

The Financial Information has been prepared in accordance with HKFRSs issued by HKICPA. The Financial Information has been prepared under the historical cost convention.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 4.

- (a) As at 30 June 2009, the following standards, amendments and interpretations to existing standards are not yet effective and have not been early adopted by the Group:

Amendment to HKAS 39, 'Financial instruments: Recognition and measurement' on eligible hedged items, effective for annual periods beginning on or after 1 July 2009. The Group will apply amendments to HKAS 39 from 1 January 2010.

HKFRS 3 (revised), 'Business combinations' and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and joint ventures on the Group. The Group does not have any associate.

The revised standard continues to apply the acquisition method to business combinations other than common control combination, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair value or at the minority interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (revised) to all business combinations from 1 January 2010.

HK(IFRIC) 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

HK(IFRIC) 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.

HKICPA's improvements to HKFRS published in May 2009:

Amendment to HKFRS 2 'Share-based payments', effective for periods beginning on or after 1 July 2009. This clarification confirms that HKFRS 3 (revised) does not change the scope of HKFRS 2. This is not currently relevant for the Group as it has not issued equity instruments for business combination under common control or for the formation of a joint venture.

Amendment to HKFRS 5 'Non-current assets held for sale and discontinued operations', effective for periods beginning on or after 1 January 2010. Disclosures in standards other than HKFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRSs specifically require disclosures for them. Additional disclosures about these assets or discontinued operations may be necessary to comply with the general requirements of HKAS 1 'Presentation of financial statements'. The Group will apply HKFRS 5 (amendment) from 1 January 2010.

Amendment to HKFRS 8 'Operating segments', effective for periods beginning on or after 1 January 2010. Disclosure of information about total assets and liabilities for each reportable segment is required only if such amounts are regularly provided to the chief operating decision maker. The Group will apply HKFRS 8 (amendment) from 1 January 2010.

Amendment to HKAS 1 'Presentation of financial statements', effective for periods beginning on or after 1 January 2010. Current / non-current classification of the liability component of convertible instruments is not affected by the holder's option which will result in the settlement by the issuance of equity instruments. The Group will apply HKAS 1 (amendment) from 1 January 2010.

Amendment to HKAS 7 'Statement of cash flows', effective for periods beginning on or after 1 January 2010. Only expenditures that result in a recognised asset are eligible for classification as investing activities. The Group will apply HKAS 7 (amendment) from 1 January 2010.

Amendment to HKAS 17 'Leases', effective for periods beginning on or after 1 January 2010. The amendment removes the specific guidance on the classification of long-term leases of land as operating leases. When classifying land leases, the general principles

applicable to the classification of leases should be applied. The classification of land leases has to be reassessed on adoption of the amendment on the basis of information existing at inception of the leases. The Group will apply HKAS 17 (amendment) from 1 January 2010.

Amendment to HKAS 36 'Impairment of assets', effective for periods beginning on or after 1 January 2010. This clarifies that the largest unit permitted for the goodwill impairment test is the lowest level of operating segment before any aggregation as defined in HKFRS 8. The Group will apply amendments to HKAS 36 from 1 January 2010.

Amendment to HKAS 38 'Intangible assets', effective for periods beginning on or after 1 July 2009. This clarifies the description of the valuation techniques commonly used to measure intangible assets acquired in a business combination when they are not traded in an active market. In addition, an intangible asset acquired in a business combination might be separable but only together with a related contract, identifiable asset or liability. In such cases, the intangible asset is recognised separately from goodwill but together with the related item. The Group will apply HKAS 38 (amendment) from 1 January 2010.

Amendment to HKAS 39 'Financial instruments: recognition and measurement', effective for periods beginning on or after 1 January 2010. Loan prepayment penalties are treated as closely related embedded derivatives, only if the penalties are payments that compensate the lender for loss of interest by reducing the economic loss from reinvestment risk. In addition, the scope exemption to business combination contracts only applies to forward contracts that are firmly committed to be completed between the acquirer and a selling shareholder to buy or sell an acquiree in a business combination at a future acquisition date. Therefore option contracts are not in this scope exemption. This amendment also clarifies that in a cash flow hedge of a forecast transaction that a reclassification of the gains or losses on the hedged item from equity to profit or loss is made during the period the hedged forecast cash flows affect profit or loss. The Group will apply HKAS 39 (amendment) from 1 January 2010.

Amendment to HK (IFRIC) 9 'Reassessment of embedded derivatives', effective for periods beginning on or after 1 July 2009. This amendment aligns the scope of HK (IFRIC) 9 to the scope of HKFRS 3 (revised): the interpretation does not apply to embedded derivatives in contracts acquired in a business combination, a common control combination or the formation of a joint venture. The Group will apply HK (IFRIC) 9 (amendment) from 1 January 2010.

Amendment to HK (IFRIC) 16 'Hedges of a net investment in a foreign operation', effective for periods beginning on or after 1 July 2009. This amendment removes the restriction on the entity that can hold hedging instruments in a net investment hedge. The hedging instruments can be held by the foreign operation that itself is being hedged. This is not currently relevant to the Group as it does not have such hedge.

2.2 Merger accounting for common control combination

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

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill

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or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

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

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

2.3 Consolidation

The Financial Information includes the financial statements of the Company and all of its subsidiaries.

(i) Subsidiaries

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

Except for the Reorganisation which has been accounted for as a combination of entities or businesses under common control using merger accounting as explained in Note 1 of this section, the purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Under the purchase method, the cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

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

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.8). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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(ii) Jointly controlled entities

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

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

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

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

(iii) Transactions with minority interests

The Group applies a policy of treating transactions in connection with equity interests in subsidiaries with minority interests as transactions with equity participants of the Company. Gains and losses for the Group resulting from disposals of equity interests in subsidiaries to minority interests are recorded in the Company's equity. Difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary resulting from purchases from minority interests are recorded in the Company's equity.

2.4 Segment reporting

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

2.5 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the

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settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except when deferred in equity as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within finance income/(cost), net. All other foreign exchange gains and losses are presented in the income statement within 'other gains-net'.

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

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

(iii) Group companies

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

- (1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (2) income and expenses for each consolidated income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (3) all resulting exchange differences are recognised in the consolidated statements of comprehensive income.

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

2.6 Property, plant and equipment

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

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

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

2.7 Intangible assets

(i) Goodwill

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

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

(ii) Trademarks and licences

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

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

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

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's

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carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Inventories

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

2.10 Financial assets

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

Loans and receivables

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

2.11 Trade and other receivables

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

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2.12 Cash and cash equivalents

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

2.13 Share capital

Ordinary shares are classified as equity.

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

2.14 Trade payables

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

2.15 Borrowings

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

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

2.16 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed as incurred.

2.17 Current and deferred income tax

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

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects

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neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

2.18 Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

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

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

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

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

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(iv) Profit-sharing and bonus plans

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

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

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

2.19 Revenue recognition

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

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

(i) Sales of goods-retail

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

(ii) Sales of goods-wholesale

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

(iii) Interest income

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

(iv) Administration and consultancy fee income

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

2.20 Leases

(a) As the lessee of operating leases

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

(b) As the lessor of operating leases

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

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

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

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2.21 Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Financial Information in the period in which the dividends are approved by the Company's equity holders or the Board of directors, where appropriate.

2.22 Contingent liabilities

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

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

2.23 Royalty expense

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

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

2.24 Subsidy income

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

2.25 Derivative financial instruments

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

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's risk management programme

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focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group has used derivative financial instruments to hedge certain risk exposures.

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

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign currency risk arising from various currencies, primarily with respect to "RMB", Euro and New Taiwan Dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

At 31 December 2006, 2007 and 2008 and 30 June 2009, if HK dollar had weakened or strengthened by 10% against the RMB with all other variables held constant, post-tax profit for the year/period would have been HK\$5,617,000, HK\$22,024,000, HK\$35,105,000 and HK\$21,572,000 respectively higher or lower, mainly as a result of foreign exchange gains or losses on translation of HKD-denominated trade payables recorded in the books of the Group's entities in Mainland China.

(ii) Interest rate risk

The Group's interest rate risk arises from short and long term borrowings. All of the Group's external borrowings are at variable exchange rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. During the Relevant Periods, the Group's borrowings at variable rates were denominated in USD, HKD and RMB.

The Group analyses its interest rate exposure on a dynamic basis. If interest rate had increased/decreased by a 10 basis-point and all other variables were held constant, the Group's net profit would have decreased/increased by nil, HK\$1,583,000 and HK\$1,536,000 and HK\$642,000 for the years ended 31 December 2006, 2007 and 2008 and six months ended 30 June 2009 respectively.

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

(b) Credit risk

The Group has no significant concentration of credit risk. The carrying amounts of cash and cash equivalents, amounts due from related parties, trade receivables and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. As at 31 December 2006, 2007 and 2008 and 30 June 2008 and 2009, cash and cash equivalents are deposited in financial institutions without significant credit risk.

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The Group manages its deposits with banks and financial institutions by monitoring credit ratings and limiting the aggregate risk to any individual counterparty. The table below shows the bank deposit balances of major banks as at 31 December 2006, 2007, 2008 and 30 June 2009. Management does not expect any losses from non-performance by these banks. The Group has no policy to limit the amount of credit exposure to any financial institution.

Counterparty	Rating (i)	As at 31 December			As at
		2006	2007	2008	30 June
		HK\$'000	HK\$'000	HK\$'000	2009
					HK\$'000
The Hongkong and Shanghai Banking Corporation Limited	AA	122,717	796,322	108,909	155,847
Standard Chartered Bank	A+	3,172	3,179	4,438	83,444
Hang Seng Bank	AA	–	–	–	30,000
Taiwan Business Bank	twA	3,701	4,151	7,300	14,590
Bank of China (Hong Kong) Limited	A-	–	42	56	73,046
Bank of China Limited	A-	4	35	1	515
China Construction Bank	A-	9	151	210	332
ICBC (Asia)	A-	11,357	4,955	9,170	2,815
China Merchants Bank	BBB-	350	9,971	6,738	595
The Bank of East Asia	A-	–	–	5,955	3
Others	N/A	2,084	492	964	1,004
Total		143,394	819,298	143,741	362,191

Note:

- (i) The source of current credit rating is from Standard and Poor's.

Rental deposits are placed with reputable landlords with no history of default.

Management does not expect any losses from the non-performance by these counterparties.

The majority of sales made by the Group are in the form of cash and credit cards. For those long term relationship customers, the Group offers credit terms up to 90 days. There is no recent history of material default in relation to those customers.

Also refer to note 16(d) for the credit risk of the Company.

(c) *Liquidity risk*

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

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

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The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

<u>As at 31 December 2006</u>	Repayment period			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	16,579	–	–	–
Other payables and accrued expenses	239,363	–	–	–
Amounts due to immediate holding company	–	1,714,218	–	–
Amounts due to related parties	64,227	–	–	–
	<u>320,169</u>	<u>1,714,218</u>	<u>–</u>	<u>–</u>

<u>As at 31 December 2007</u>	Repayment period			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	73,330	–	–	–
Other payables and accrued expenses	192,283	7,167	24,833	72,917
Amounts due to related parties	182,628	–	–	–
Borrowings	839,069	47,058	992,744	–
	<u>1,287,310</u>	<u>54,225</u>	<u>1,017,577</u>	<u>72,917</u>

<u>As at 31 December 2008</u>	Repayment period			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	68,067	–	–	–
Other payables and accrued expenses	209,640	7,667	27,500	62,583
Amounts due to related parties	105,177	–	–	–
Borrowings	386,775	42,392	940,763	–
	<u>769,659</u>	<u>50,059</u>	<u>968,263</u>	<u>62,583</u>

<u>As at 30 June 2009</u>	Repayment period			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	45,410	–	–	–
Other payables and accrued expenses	180,841	7,917	29,000	57,083
Amounts due to related companies	137,490	–	–	–
Borrowings	300,815	957,948	124,924	–
	<u>664,556</u>	<u>965,865</u>	<u>153,924</u>	<u>57,083</u>

3.2 Fair value estimation

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

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

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4 Capital risk management

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

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

5 Critical accounting estimates and judgments

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

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

(a) Estimated impairment of goodwill and other intangible assets

The Group tests annually whether goodwill and other intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of cash-generating units have been determined based on fair value less costs to sell calculations. These calculations require the use of estimates (Note 7).

(b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgments are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

(c) Useful life of intangibles

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

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(d) Net realisable value of inventories

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

(e) Estimated impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment. The recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of judgments and estimates.

(f) Trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other receivables and the current market conditions and requires the use of judgments and estimates. Management reassesses the provision at each balance sheet date.

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6 Property, plant and equipment - Group

	Buildings	Furniture and fixtures	Computers, equipment and air-conditioners	Plant and machinery	Motor vehicles	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Year ended 31 December 2006						
Opening net book amount	-	-	-	-	-	-
Exchange differences	-	399	54	-	-	453
Acquisition of subsidiaries (Note 35)	3,313	28,230	2,091	587	156	34,377
Additions	-	26,251	3,908	86	-	30,245
Disposals	-	(501)	-	-	-	(501)
Depreciation (Note 26)	(276)	(18,694)	(807)	(188)	(44)	(20,009)
Closing net book amount	<u>3,037</u>	<u>35,685</u>	<u>5,246</u>	<u>485</u>	<u>112</u>	<u>44,565</u>
At 31 December 2006						
Cost	3,870	69,919	7,666	697	156	82,308
Accumulated depreciation and impairment	(833)	(34,234)	(2,420)	(212)	(44)	(37,743)
Net book amount	<u>3,037</u>	<u>35,685</u>	<u>5,246</u>	<u>485</u>	<u>112</u>	<u>44,565</u>
Year ended 31 December 2007						
Opening net book amount	3,037	35,685	5,246	485	112	44,565
Exchange differences	-	3,157	353	-	69	3,579
Additions	-	99,851	15,747	540	2,621	118,759
Disposals	-	(164)	(1,056)	-	-	(1,220)
Other	-	46	-	-	-	46
Impairment charge (Note 26)	-	(706)	-	-	-	(706)
Depreciation (Note 26)	(413)	(33,094)	(3,866)	(211)	(398)	(37,982)
Closing net book amount	<u>2,624</u>	<u>104,775</u>	<u>16,424</u>	<u>814</u>	<u>2,404</u>	<u>127,041</u>
At 31 December 2007						
Cost	3,870	149,869	20,832	1,213	2,878	178,662
Accumulated depreciation and impairment	(1,246)	(45,094)	(4,408)	(399)	(474)	(51,621)
Net book amount	<u>2,624</u>	<u>104,775</u>	<u>16,424</u>	<u>814</u>	<u>2,404</u>	<u>127,041</u>
Year ended 31 December 2008						
Opening net book amount	2,624	104,775	16,424	814	2,404	127,041
Exchange differences	-	4,175	306	-	90	4,571
Additions	-	106,769	11,980	297	-	119,046
Disposals	-	(8,865)	(1,051)	-	-	(9,916)
Impairment charge (Note 26)	-	(28,456)	-	-	-	(28,456)
Depreciation (Note 26)	(413)	(59,781)	(6,829)	(224)	(561)	(67,808)
Closing net book amount	<u>2,211</u>	<u>118,617</u>	<u>20,830</u>	<u>887</u>	<u>1,933</u>	<u>144,478</u>
At 31 December 2008						
Cost	3,870	237,691	31,904	1,510	2,960	277,935
Accumulated depreciation and impairment	(1,659)	(119,074)	(11,074)	(623)	(1,027)	(133,457)
Net book amount	<u>2,211</u>	<u>118,617</u>	<u>20,830</u>	<u>887</u>	<u>1,933</u>	<u>144,478</u>
Six months ended 30 June 2009						
Opening net book amount	2,211	118,617	20,830	887	1,933	144,478
Exchange differences	-	(27)	(39)	-	33	(33)
Additions	-	22,194	1,562	42	20	23,818
Disposals	-	(4,822)	(12)	-	(536)	(5,370)
Impairment charge (Note 26)	-	(3,644)	-	-	-	(3,644)
Depreciation (Note 26)	(207)	(30,980)	(4,816)	(106)	(258)	(36,367)
Closing net book amount	<u>2,004</u>	<u>101,338</u>	<u>17,525</u>	<u>823</u>	<u>1,192</u>	<u>122,882</u>
At 30 June 2009						
Cost	3,870	246,865	32,270	1,451	2,347	286,803
Accumulated depreciation and impairment	(1,866)	(145,527)	(14,745)	(628)	(1,155)	(163,921)
Net book amount	<u>2,004</u>	<u>101,338</u>	<u>17,525</u>	<u>823</u>	<u>1,192</u>	<u>122,882</u>

The table below shows the amount of depreciation expenses included in cost of sales, selling and marketing expenses and administrative expenses for the year ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009.

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Cost of sales	306	454	462	256	181
Selling & marketing expenses	12,185	29,228	51,621	17,560	29,014
Administrative expenses	7,518	8,300	15,725	8,136	7,172
Total	<u>20,009</u>	<u>37,982</u>	<u>67,808</u>	<u>25,952</u>	<u>36,367</u>

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7 Intangible assets - Group

	Licences (with finite useful lives)	Trademark and Licences (with indefinite useful lives)	Goodwill	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2006				
Opening net book amount	–	–	–	–
Acquisition of subsidiaries (Note 35)	27,300	169,500	1,271,751	1,468,551
Amortisation charge (Note 26)	(5,595)	–	–	(5,595)
Closing net book amount	<u>21,705</u>	<u>169,500</u>	<u>1,271,751</u>	<u>1,462,956</u>
At 31 December 2006				
Cost	27,300	169,500	1,271,751	1,468,551
Accumulated amortisation	(5,595)	–	–	(5,595)
Net book amount	<u>21,705</u>	<u>169,500</u>	<u>1,271,751</u>	<u>1,462,956</u>
Year ended 31 December 2007				
Opening net book amount	21,705	169,500	1,271,751	1,462,956
Additions	60,192	–	–	60,192
Amortisation charge (Note 26)	(6,443)	–	–	(6,443)
Closing net book amount	<u>75,454</u>	<u>169,500</u>	<u>1,271,751</u>	<u>1,516,705</u>
At 31 December 2007				
Cost	87,492	169,500	1,271,751	1,528,743
Accumulated amortisation	(12,038)	–	–	(12,038)
Net book amount	<u>75,454</u>	<u>169,500</u>	<u>1,271,751</u>	<u>1,516,705</u>
Year ended 31 December 2008				
Opening net book amount	75,454	169,500	1,271,751	1,516,705
Additions	–	129,506	–	129,506
Amortisation charge (Note 26)	(8,973)	–	–	(8,973)
Closing net book amount	<u>66,481</u>	<u>299,006</u>	<u>1,271,751</u>	<u>1,637,238</u>
At 31 December 2008				
Cost	87,492	299,006	1,271,751	1,658,249
Accumulated amortisation	(21,011)	–	–	(21,011)
Net book amount	<u>66,481</u>	<u>299,006</u>	<u>1,271,751</u>	<u>1,637,238</u>
Six months ended 30 June 2009				
Opening net book amount	66,481	299,006	1,271,751	1,637,238
Amortisation charge (Note 26)	(4,164)	–	–	(4,164)
Closing net book amount	<u>62,317</u>	<u>299,006</u>	<u>1,271,751</u>	<u>1,633,074</u>
At 30 June 2009				
Cost	87,492	299,006	1,271,751	1,658,249
Accumulated amortisation	(25,175)	–	–	(25,175)
Net book amount	<u>62,317</u>	<u>299,006</u>	<u>1,271,751</u>	<u>1,633,074</u>

Amortisation charge of HK\$5,595,000, HK\$6,443,000, HK\$8,973,000, HK\$4,647,000 (unaudited) and HK\$4,164,000 for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009, respectively are included in administrative expenses.

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Impairment tests for goodwill and other intangible assets

Goodwill and other intangible assets are allocated to the Group's cash-generating units ("CGUs") identified according to the place of operations.

All of the Group's goodwill and other intangible assets are allocated to the retail business and the place of operations. An analysis of goodwill allocated to the place of operations as at 31 December 2006, 2007, 2008 and 30 June 2009 is presented below.

	HK\$'000
Goodwill	
Mainland China	724,898
Hong Kong	470,548
Taiwan	76,305
Total	<u>1,271,751</u>

Impairment test for goodwill

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

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

	Hong Kong	Mainland China	Taiwan
Gross margin (i)	73%	74%	70%
Growth rate (ii)	5%	5%	5%
Discount rate (iii)	10%	10%	10%

- (i) Budgeted gross margin
- (ii) Weighted average growth rate used to extrapolate cash flows beyond the budget period
- (iii) Pre-tax discount rate applied to the cash flow projections

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

Trademarks and licences

Some of the trademarks and licences acquired are deemed to have indefinite useful lives because either they do not have any term of expiry or their renewal would be probable and would not involve significant costs, taking into account the history of renewals and the relationship with the

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contracting parties. The carrying amount of these trademarks and licenses is not amortised as such rights will contribute cash flows for an indefinite period. The directors have performed an impairment review of the carrying amount of trademarks and licenses at 31 December 2006, 2007 and 2008 based on forecast operating performance, cash flows of the related businesses and the key assumptions as outlined above as they are in the same CGU and have concluded that no impairment is required. The directors have also assessed at 30 June 2008 and 2009 whether there is any impairment and have concluded that no impairment is required.

8 Investments in and amounts due from/(to) subsidiaries - Company

(a) Investments in subsidiaries

	As at 31 December			As at
	2006	2007	2008	30 June
	HK\$'000	HK\$'000	HK\$'000	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted investments, at cost	9,000	9,000	9,000	49,000
Advances to subsidiaries	38,954	1,853,317	1,948,477	1,948,477
	<u>47,954</u>	<u>1,862,317</u>	<u>1,957,477</u>	<u>1,997,477</u>

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

The details of the subsidiaries are included in Note 37.

(b) Amounts due from/(to) subsidiaries

The amounts due from/(to) subsidiaries are unsecured, interest free and repayable on demand. The fair value of amounts due from/(to) subsidiaries are approximately the same as their carrying amounts.

9 Investments in jointly controlled entities - Group

	As at 31 December			As at
	2006	2007	2008	30 June
	HK\$'000	HK\$'000	HK\$'000	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Beginning of the year	92,508	111,566	154,204	145,583
Share of profit of jointly controlled entities	32,593	40,682	42,318	12,925
Dividends received	(20,786)	–	(16,521)	–
Other equity movements: hedging reserves	–	–	6,433	(6,922)
Exchange differences	7,251	1,956	(40,851)	6,653
End of the year/period	<u>111,566</u>	<u>154,204</u>	<u>145,583</u>	<u>158,239</u>

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Summarised financial information of the Group's jointly controlled entities, all of which are unlisted, are as follows:

Name	Particulars of issued shares held	Country of incorporation	Assets		Liabilities		Revenues	Profit	% Interest held	Profit attributable to the Group
			current	non-current	current	non-current				
			HKS'000	HKS'000	HKS'000	HKS'000				
2006										
Ferragamo (Malaysia) Sdn Bhd	1,300,000 ordinary shares of RM 1 each	Malaysia	22,112	1,976	2,787	96	32,655	3,997	50%	1,999
Ferragamo (Thailand) Limited	122,500 ordinary shares of Baht 100 each 127,500 preference shares of Baht 100 each (10 preference shares for 1 vote)	Thailand	6,869	6,814	8,023	–	17,313	(984)	50%	(492)
Ferragamo (Singapore) Pte Ltd	4,600,000 ordinary shares of S\$1 each	Singapore	29,835	4,906	7,118	923	78,399	3,242	50%	1,621
Ferragamo Korea Ltd	658,240 ordinary shares of KRW 5,000 each	Korea	123,586	114,271	64,463	3,827	391,249	58,931	50%	29,465
			<u>182,402</u>	<u>127,967</u>	<u>82,391</u>	<u>4,846</u>	<u>519,616</u>	<u>65,186</u>		<u>32,593</u>

Name	Particulars of issued shares held	Country of incorporation	Assets		Liabilities		Revenues	Profit	% Interest held	Profit attributable to the Group
			current	non-current	current	non-current				
			HKS'000	HKS'000	HKS'000	HKS'000				
2007										
Ferragamo (Malaysia) Sdn Bhd	1,300,000 ordinary shares of RM 1 each	Malaysia	25,173	6,429	6,493	91	37,985	4,906	50%	2,453
Ferragamo (Thailand) Limited	122,500 ordinary shares of Baht 100 each 127,500 preference shares of Baht 100 each (10 preference shares for 1 vote)	Thailand	4,948	5,674	8,216	–	17,617	(3,015)	50%	(1,508)
Ferragamo (Singapore) Pte Ltd	4,600,000 ordinary shares of S\$1 each	Singapore	38,470	2,803	9,301	470	79,177	5,030	50%	2,515
Ferragamo Korea Ltd	658,240 ordinary shares of KRW 5,000 each	Korea	181,717	116,584	48,819	–	465,778	74,443	50%	37,222
			<u>250,308</u>	<u>131,490</u>	<u>72,829</u>	<u>561</u>	<u>600,557</u>	<u>81,364</u>		<u>40,682</u>

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Name	Particulars of issued shares held	Country of incorporation	Assets		Liabilities		Revenues	Profit	% Interest held	Profit attributable to the Group
			current	non-current	current	non-current				
			HK\$'000	HK\$'000	HK\$'000	HK\$'000				
2008										
Ferragamo (Malaysia) Sdn Bhd	1,300,000 ordinary shares of RM 1 each	Malaysia	30,879	5,406	4,409	308	46,576	4,333	50%	2,167
Ferragamo (Thailand) Limited	122,500 ordinary shares of Baht 100 each 127,500 preference shares of Baht 100 each (10 preference shares for 1 vote)	Thailand	12,382	4,328	16,971	–	19,207	(3,133)	50%	(1,567)
Ferragamo (Singapore) Pte Ltd	4,600,000 ordinary shares of S\$1 each	Singapore	50,571	1,876	11,599	439	88,495	5,808	50%	2,904
Ferragamo Korea Ltd	658,240 ordinary shares of KRW 5,000 each	Korea	211,613	96,564	88,727	–	495,352	77,628	50%	38,814
			<u>305,445</u>	<u>108,174</u>	<u>121,706</u>	<u>747</u>	<u>649,630</u>	<u>84,636</u>		<u>42,318</u>

Name	Particulars of issued shares held	Country of incorporation	Assets		Liabilities		Revenues	Profit	% Interest held	Profit attributable to the Group
			current	non-current	current	non-current				
			HK\$'000	HK\$'000	HK\$'000	HK\$'000				
June 2009										
Ferragamo (Malaysia) Sdn Bhd	1,300,000 ordinary shares of RM 1 each	Malaysia	30,727	4,484	4,408	–	16,903	335	50%	168
Ferragamo (Thailand) Limited	122,500 ordinary shares of Baht 100 each 127,500 preference shares of Baht 100 each (10 preference shares for 1 vote)	Thailand	13,795	4,427	20,398	–	10,212	(1,622)	50%	(811)
Ferragamo (Singapore) Pte Ltd	4,600,000 ordinary shares of S\$1 each	Singapore	55,034	892	14,723	–	45,193	1,724	50%	862
Ferragamo Korea Ltd	658,240 ordinary shares of KRW 5,000 each	Korea	208,016	98,707	60,074	–	194,198	25,413	50%	12,706
			<u>307,572</u>	<u>108,510</u>	<u>99,603</u>	<u>–</u>	<u>266,506</u>	<u>25,850</u>		<u>12,925</u>

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10 Deposit and prepayments - Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Rental deposits	14,413	19,239	22,123	19,369
Prepayments	32,610	27,175	21,740	19,022
	<u>47,023</u>	<u>46,414</u>	<u>43,863</u>	<u>38,391</u>
Current assets				
Rental deposits	7,303	10,480	12,731	15,258
Prepayments	51,249	51,982	78,704	91,064
	<u>58,552</u>	<u>62,462</u>	<u>91,435</u>	<u>106,322</u>
Total	<u>105,575</u>	<u>108,876</u>	<u>135,298</u>	<u>144,713</u>

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

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RMB	36,340	43,376	46,912	54,478
HKD	33,182	38,967	66,401	70,335
USD	15,288	14,051	10,920	9,828
NTD	19,987	12,476	10,267	8,514
AUD	402	—	—	—
EUR	—	6	—	—
GBP	—	—	386	—
SGD	—	—	235	1,558
MOP	376	—	177	—
	<u>105,575</u>	<u>108,876</u>	<u>135,298</u>	<u>144,713</u>

As at 31 December 2006, 2007 and 2008 and 30 June 2009, the carrying amounts of the Group's rental deposits and prepayments approximated their fair values.

11 Deferred income tax - Group

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

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred income tax assets:				
— Deferred income tax assets to be recovered after more than 12 months	5,675	36,601	68,953	63,877
Deferred income tax liabilities:				
— Deferred income tax liabilities to be settled after more than 12 months	(29,608)	(29,608)	(48,873)	(52,202)

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The gross movement in the deferred income tax asset and (liabilities) is as follows:

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Beginning of the year	–	(23,933)	6,993	20,080
Acquisition of subsidiaries (Note 35)	(24,579)	–	–	–
Credited/(charged) to consolidated income statement (Note 31)	646	30,926	13,087	(8,405)
End of the year/period	<u>(23,933)</u>	<u>6,993</u>	<u>20,080</u>	<u>11,675</u>

The movement of the deferred income tax liabilities during the year/period is as follows:

	Recognition of licence contracts	Accelerated tax depreciation allowances	Undistributed profits of subsidiaries and jointly controlled entities	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2006	–	–	–	–	–
Acquisition of subsidiaries (Note 35)	29,400	–	–	129	29,529
Charged to the consolidated income statement (Note 31)	–	–	–	79	79
At 31 December 2006 and 2007	29,400	–	–	208	29,608
(Credited)/charged to the consolidated income statement (Note 31)	(1,680)	4,103	16,900	(58)	19,265
At 31 December 2008	27,720	4,103	16,900	150	48,873
Charged/(credited) to the consolidated income statement (Note 31)	–	2,517	962	(150)	3,329
At 30 June 2009	<u>27,720</u>	<u>6,620</u>	<u>17,862</u>	<u>–</u>	<u>52,202</u>

The movement of the deferred income tax assets during the year/period is as follows:

	Impairment of assets	Decelerated tax depreciation allowances	Provisions & accruals	Unrealised profit on inventories	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2006	–	–	–	–	–	–
(Charged)/credited to the consolidated income statement (Note 31)	–	(394)	1,119	–	–	725
Acquisition of subsidiaries (Note 35)	–	2,381	–	–	2,569	4,950
At 31 December 2006	–	1,987	1,119	–	2,569	5,675
Credited to the consolidated income statement (Note 31)	351	–	3,430	23,284	3,861	30,926
At 31 December 2007	351	1,987	4,549	23,284	6,430	36,601
Credited/(charged) to the consolidated income statement (Note 31)	3,316	2	6,873	23,814	(1,653)	32,352
At 31 December 2008	3,667	1,989	11,422	47,098	4,777	68,953
(Charged)/credited to the consolidated income statement (Note 31)	(264)	363	1,610	(7,617)	832	(5,076)
At 30 June 2009	<u>3,403</u>	<u>2,352</u>	<u>13,032</u>	<u>39,481</u>	<u>5,609</u>	<u>63,877</u>

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12 Inventories - Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Core Business				
Finished goods				
Carried at cost	161,503	306,747	472,500	399,879
Carried at net realisable value	9,595	12,537	1,816	38,337
Raw materials				
Carried at cost	10,437	55,333	46,985	20,787
Carried at net realisable value	–	2,934	1,170	5,105
Work in progress				
Carried at cost	11,654	40,873	15,165	18,394
	193,189	418,424	537,636	482,502
Non-Core Business				
Finished goods				
Carried at cost	56,459	70,566	61,219	51,002
Carried at net realisable value	5,395	13,115	25,950	6,377
Raw materials				
Carried at cost	4,069	12,883	8,678	6,774
	65,923	96,564	95,847	64,153
Total	259,112	514,988	633,483	546,655

The cost of inventories recognised as expense and included in 'cost of sales' amounted to HK\$267,192,000, HK\$367,962,000, HK\$483,619,000, HK\$219,770,000 (unaudited) and 260,326,000 for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009 respectively (Note 26).

13 Trade receivables - Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	156,691	200,461	227,492	129,486
Less: provision for impairment of receivables	(1,436)	(469)	(4,240)	(1,788)
Trade receivables — net	155,255	199,992	223,252	127,698
Core Business	116,630	150,937	174,388	103,515
Non-Core Business	38,625	49,055	48,864	24,183
	155,255	199,992	223,252	127,698

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

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Trade receivables that are less than three months past due are not considered impaired. Trade receivables of HK\$1,266,000, HK\$19,274,000, HK\$13,755,000 and HK\$8,716,000 as at 31 December 2006, 2007 and 2008 and 30 June 2009, respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Past due				
Up to 3 months	1,228	10,841	12,736	6,112
4 to 12 months	38	8,284	981	2,199
Over 12 months	–	149	38	405
	<u>1,266</u>	<u>19,274</u>	<u>13,755</u>	<u>8,716</u>

Trade receivables of HK\$1,436,000, HK\$469,000, HK\$4,240,000 and HK\$1,788,000 as at 31 December 2006, 2007 and 2008 and 30 June 2009, respectively were impaired and fully provided for. The individually impaired receivables mainly relate to department store sales in Mainland China and uniform sales in Hong Kong. The ageing of these receivables is as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
4 to 12 months	–	–	2,655	221
Over 12 months	1,436	469	1,585	1,567
	<u>1,436</u>	<u>469</u>	<u>4,240</u>	<u>1,788</u>

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

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RMB	98,425	131,210	169,020	95,656
HKD	21,501	27,318	22,513	9,754
AUD	5,229	6,979	3,918	3,777
NTD	29,788	29,762	26,350	16,036
MOP	1,748	4,801	5,069	3,186
SGD	–	299	–	680
EUR	–	92	203	309
JPY	–	–	54	–
GBP	–	–	27	13
USD	–	–	338	75
	<u>156,691</u>	<u>200,461</u>	<u>227,492</u>	<u>129,486</u>

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

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	–	1,436	469	4,240
Provision for receivable impairment	1,436	–	4,240	–
Unused amounts reversed	–	(967)	(469)	(2,452)
At 31 December	<u>1,436</u>	<u>469</u>	<u>4,240</u>	<u>1,788</u>

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The creation and release of provision for impaired receivables have been included in 'administrative expenses' in the consolidated income statement (Note 26). Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

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

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

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1-30 days	101,101	143,794	163,904	88,975
31-60 days	51,062	38,469	48,948	33,467
61-90 days	2,782	8,225	6,572	2,948
Over 90 days	1,746	9,973	8,068	4,096
	<u>156,691</u>	<u>200,461</u>	<u>227,492</u>	<u>129,486</u>

14 Financial instruments by category

Except for loans and receivables summarised below, the Group has no other financial assets. The accounting policies for financial instruments have been applied to the line items as below:

	Loans and receivables
	HK\$'000
Group	
Assets as per consolidated balance sheet	
31 December 2006	
Trade receivables (Note 13)	155,255
Rental deposits (Note 10)	21,716
Receivables from related parties (Note 16(c))	1,872
Receivables from immediate holding company (Note 16(c))	76,198
Cash and cash equivalents (Note 17)	143,499
Total	<u>398,540</u>
31 December 2007	
Trade receivables (Note 13)	199,992
Rental deposits (Note 10)	29,719
Receivables from related parties (Note 16(c))	3,736
Cash and cash equivalents (Note 17)	820,423
Total	<u>1,053,870</u>
31 December 2008	
Trade receivables (Note 13)	223,252
Rental deposits (Note 10)	34,854
Receivables from related parties (Note 16(c))	15,360
Cash and cash equivalents (Note 17)	145,177
Total	<u>418,643</u>
30 June 2009	
Trade receivables (Note 13)	127,698
Rental deposits (Note 10)	34,627
Receivables from related parties (Note 16(c))	1,580
Cash and cash equivalents (Note 17)	363,424
Total	<u>527,329</u>

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	Other financial liabilities
	HK\$'000
Liabilities as per consolidated balance sheet	
31 December 2006	
Trade payables (Note 23)	16,579
Amount due to immediate holding company (Note 16(c))	1,714,218
Amounts due to related parties (Note 16(c))	64,227
Other payables and accrued expenses (Note 22)	239,363
Total	<u>2,034,387</u>
31 December 2007	
Trade payables (Note 23)	73,330
Amounts due to related parties (Note 16(c))	182,628
Borrowings (Note 24)	1,718,244
Other payables and accrued expenses (Note 22)	247,975
Total	<u>2,222,177</u>
31 December 2008	
Trade payables (Note 23)	68,067
Amounts due to related parties (Note 16(c))	105,177
Borrowings (Note 24)	1,290,257
Other payables and accrued expenses (Note 22)	257,668
Total	<u>1,721,169</u>
30 June 2009	
Trade payables (Note 23)	45,410
Amounts due to related parties (Note 16(c))	137,490
Borrowings (Note 24)	1,309,139
Other payables and accrued expenses (Note 22)	226,052
Total	<u>1,718,091</u>
	Loans and receivables
	HK\$'000
Company	
Assets as per balance sheet	
31 December 2006	
Receivables from subsidiaries (Note 8)	—
Total	<u>—</u>
31 December 2007	
Receivables from subsidiaries (Note 8)	655,336
Total	<u>655,336</u>
31 December 2008	
Receivables from subsidiaries (Note 8)	200,000
Cash and cash equivalents	9
Total	<u>200,009</u>
30 June 2009	
Receivables from subsidiaries (Note 8)	292,099
Cash and cash equivalents	14
Total	<u>292,113</u>

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	Other financial liabilities
	HK\$'000
Liabilities as per balance sheet	
31 December 2006	
Amount due to immediate holding company (Note 16(c))	47,854
Other payables and accrued expenses (Note 22)	200
Total	<u>48,054</u>
31 December 2007	
Borrowings (Note 24)	1,589,000
Other payables and accrued expenses (Note 22)	33,303
Total	<u>1,622,303</u>
31 December 2008	
Borrowings (Note 24)	930,000
Other payables and accrued expenses (Note 22)	15,152
Amount due to a subsidiary (Note 8(b))	8,814
Total	<u>953,966</u>
30 June 2009	
Borrowings (Note 24)	930,000
Other payables and accrued expenses (Note 22)	31,206
Amount due to a subsidiary (Note 8(b))	78,761
Amount due to a fellow subsidiary (Note 16(c))	40,000
Amount due to an intermediate holding company (Note 16(c))	92,099
Total	<u>1,172,066</u>

15 Credit quality of financial assets - Group

Trade receivables

The Group's trade receivables comprise mainly of credit card sales and amounts owing from reputable department stores with no recent history of defaults.

Receivables from related parties

The Group's receivables from related parties arise mainly from sales to related parties. The receivables are unsecured in nature and bear no interest. These related parties have no recent history of defaults.

Cash and cash equivalents

The Group's cash and cash equivalents are held in major reputable financial institutions with no history of defaults.

None of the financial assets that are fully performing has been renegotiated for the years ended 31 December 2006, 2007 and 2008 and for the six months ended 30 June 2008 and 2009.

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16 Related party transactions - Group

(a) Information on related parties and their relationships with the Company are as follows:

<u>Name of related party</u>	<u>Relationship</u>
LiFung Trinity Limited	Immediate holding company
Li & Fung (Retailing) Limited	Intermediate holding company
Trinity Textiles Limited	Associate of ultimate holding company
Enos Limited	Associate of ultimate holding company
Topsun Garment Limited	Associate of ultimate holding company
Jadestar Investments Limited	Associate of ultimate holding company
TTL Manufacturing Limited	Associate of ultimate holding company
漢精益服裝（惠州）有限公司	Associate of ultimate holding company
Trend Garment (Shenzhen) Company Limited	Associate of ultimate holding company
IDS Logistics (HK) Limited	Associate of ultimate holding company
IDS Logistics (Shanghai) Co. Limited	Associate of ultimate holding company
Li & Fung (Trading) Limited	Associate of ultimate holding company
Glad Garments (Shenzhen) Company Limited	Associate of ultimate holding company
Sonny Company Limited	Fellow subsidiary
J.P. Pacific Limited	Fellow subsidiary
Global Future Enterprises Limited	Fellow subsidiary
Global Future Enterprises (HK) Limited	Fellow subsidiary
Trinity Textiles Corporation	Fellow subsidiary
LF (1937) Management Limited	Fellow subsidiary
Fung Trinity Holdings Limited	Fellow subsidiary
BLS Holdings Limited	Fellow subsidiary
BLS (HK) Limited	Fellow subsidiary
Toys LiFung (Shanghai) Limited	Fellow subsidiary
Branded Lifestyle Hong Kong Limited	Fellow subsidiary
Branded Lifestyle Taiwan Holdings Limited	Fellow subsidiary
L&F Branded Lifestyle (Singapore) Pte Limited	Fellow subsidiary
Branded Lifestyle Retailing (Singapore) Pte Limited	Fellow subsidiary
Shanghai LiFung Property Management Company Limited	Fellow subsidiary
Li & Fung (Nanjing) Investment Enterprise Limited	Fellow subsidiary
Ferragamo Korea Limited	Jointly controlled entity
Ferragamo (Thailand) Limited	Jointly controlled entity
Renown Incorporated ("Renown")	Minority shareholder of a subsidiary (note)
I.D.D. Italia S.R.L. ("IDD Italia")	Company controlled by minority shareholder of a subsidiary (note)

Note: Renown Incorporated and IDD Italia ceased to be a related party since 2008.

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(b) Significant related party transactions

All related party transactions were determined on basis agreed by both parties.

Other than the related party transactions disclosed elsewhere, significant related party transactions of the Group during the Relevant Periods are as follows:

<u>Continuing transactions</u>	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
(1) Sales of raw materials to related parties:					
Trinity Textiles Limited	63	75	17	16	–
Glad Garments (Shenzhen) Company Limited	–	1,785	–	–	–
	<u>63</u>	<u>1,860</u>	<u>17</u>	<u>16</u>	<u>–</u>
(2) Purchases of raw materials from related parties:					
Trinity Textiles Limited	145,473	180,684	26,256	3,227	135
Topsun Garment Limited	–	–	260	–	28
Branded Lifestyle Taiwan Holdings Limited	–	–	75	–	31
Glad Garments (Shenzhen) Company Limited	–	8,877	–	2,404	–
Branded Lifestyle Hong Kong Limited	–	–	–	–	74
漢精益服裝（惠州）有限公司	–	–	–	–	1,762
	<u>145,473</u>	<u>189,561</u>	<u>26,591</u>	<u>5,631</u>	<u>2,030</u>
(3) Purchases of finished goods from related parties:					
Renown Incorporated	4,327	15,436	–	–	–
I.D.D. Italia S.R.L.	–	24,610	–	–	–
	<u>4,327</u>	<u>40,046</u>	<u>–</u>	<u>–</u>	<u>–</u>
(4) Sales of finished goods to a related party:					
Trinity Textiles Limited	<u>78,916</u>	<u>10,207</u>	<u>1,260</u>	<u>630</u>	<u>315</u>
(5) Rental income received from related parties:					
Branded Lifestyle Hong Kong Limited	–	–	732	183	457
Trinity Textiles Limited	348	646	648	373	81
Topsun Garment Limited	–	362	–	–	–
Branded Lifestyle Retailing (Singapore) Pte Limited	–	–	–	–	127
	<u>348</u>	<u>1,008</u>	<u>1,380</u>	<u>556</u>	<u>665</u>
(6) Rental paid to a related party:					
Shanghai LiFung Property Management Company Limited	–	659	5,820	2,846	2,647
(7) Sub-contracting fee paid to related parties:					
Trinity Textiles Limited	9,801	–	7,824	3,340	4,039
Topsun Garment Limited	15,324	253	88	286	225
Glad Garments (Shenzhen) Company Limited	14,770	6,604	676	–	–
Enos Limited	7,918	12,618	12,446	6,460	5,699
	<u>47,813</u>	<u>19,475</u>	<u>21,034</u>	<u>10,086</u>	<u>9,963</u>

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	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Continuing transactions					
(8) Service fee paid to related parties:					
Li & Fung (Nanjing) Investment Enterprise Limited	–	54	57	–	–
Li & Fung (Retailing) Limited	–	522	–	–	60
LF (1937) Management Limited	–	2,180	3,420	1,710	2,636
IDS Logistics (Shanghai) Co. Limited	–	–	–	–	3,656
IDS Logistics (HK) Limited	–	–	717	–	300
	<u>–</u>	<u>2,756</u>	<u>4,194</u>	<u>1,710</u>	<u>6,652</u>
(9) Consultancy fee and administrative fee income from related parties:					
Trinity Textiles Limited	–	1,778	–	–	–
LF (1937) Management Limited	–	–	–	–	330
L&F Branded Lifestyle (Singapore) Pte Limited	–	4,089	5,482	2,722	2,722
	<u>–</u>	<u>5,867</u>	<u>5,482</u>	<u>2,722</u>	<u>3,052</u>
Discontinued transactions					
(1) Administrative fee paid to related parties:					
Trinity Textiles Limited	17,303	–	–	–	–
Topsun Garment Limited	1	–	–	–	–
Enos Limited	1	–	–	–	–
	<u>17,305</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
(2) Royalty expenses paid to a related party:					
Renown Incorporated	<u>12,516</u>	<u>14,706</u>	<u>2,317</u>	<u>2,317</u>	<u>–</u>
(3) Service fee paid to related party:					
LF (1937) Management Limited	<u>–</u>	<u>–</u>	<u>1,476</u>	<u>821</u>	<u>538</u>
(4) Loan Interest Income from a related party:					
Toys LiFung (Shanghai) Limited	<u>–</u>	<u>–</u>	<u>159</u>	<u>–</u>	<u>–</u>
(5) Sales of motor vehicles:					
LF (1937) Management Limited	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>508</u>

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(c) Year/period end balances with related parties

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(1) Due from related parties				
Other receivables:				
— Trinity Textiles Limited	—	1,137	214	13
— Enos Limited	—	63	—	—
— Toy LiFung (Shanghai) Limited	—	—	80	3
— Shanghai LiFung Property Management Company Limited	—	352	328	328
— Topsun Garment Limited	—	196	—	—
— Jadestar Investments Limited	—	1,877	—	—
— Sonny Company Limited	—	10	—	—
— J.P. Pacific Limited	—	10	—	—
— BLS (HK) Limited	—	—	500	—
— Global Future Enterprises Limited	—	11	—	—
— Global Future Enterprises (HK) Limited	—	15	—	—
— TTL Manufacturing Limited	—	55	55	—
— Trinity Textiles Corporation	—	10	—	—
— Branded Lifestyle Hong Kong Limited	—	—	388	154
— Ferragamo Korea Limited	—	—	12,391	—
— Ferragamo (Thailand) Limited	—	—	—	1,082
— Fung Trinity Holdings Limited	1,872	—	—	—
— Branded Lifestyle Retailing (Singapore) Pte Limited	—	—	1,404	—
	<u>1,872</u>	<u>3,736</u>	<u>15,360</u>	<u>1,580</u>
(2) Due to related parties				
Group				
Trade payables:				
— Trinity Textiles Limited	1,901	6,138	5,133	1,295
— Enos Limited	—	2,434	3,171	1,817
— Topsun Garment Limited	—	386	242	9
— Jadestar Investments Limited	—	1,509	—	—
— Renown Incorporated	1,502	—	—	—
— 漢精益服裝（惠州）有限公司	—	—	—	345
Other payables:				
— Trend Garment (Shenzhen) Company Limited	29,352	—	—	—
— Glad Garment (Shenzhen) Company Limited	15,421	—	—	—
— Fung Trinity Holdings Limited	16,051	—	—	—
— Brand Lifestyle Hong Kong Limited	—	23,639	14,503	128
— LF (1937) Management Limited	—	—	1,206	2
— Li & Fung (Retailing) Limited	—	68,522	847	93,882
— Branded Lifestyle Taiwan Holdings Limited	—	—	75	—
— BLS Holdings Limited	—	80,000	80,000	40,000
— Li & Fung (Trading) Limited	—	—	—	12
	<u>64,227</u>	<u>182,628</u>	<u>105,177</u>	<u>137,490</u>
Company				
— BLS Holdings Limited	—	—	—	40,000
— Li & Fung (Retailing) Limited	—	—	—	92,099
	<u>—</u>	<u>—</u>	<u>—</u>	<u>132,099</u>
(3) Due from immediate holding company				
— LiFung Trinity Limited	76,198	—	—	—
(4) Due to immediate holding company				
Group				
— LiFung Trinity Limited	1,714,218	—	—	—
Company				
— LiFung Trinity Limited	47,854	—	—	—

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Except for the amount due to immediate holding company which was unsecured, interest bearing at 5% per annum, repayable after one year from the balance sheet date and arose from the reorganisation of the Group on 31 December 2006, all others balances with related parties are unsecured, non-interest bearing and repayable on demand. The amount due to immediate holding company was settled in 2007 through novation of bank loans from immediate holding company and issue of shares as disclosed in Note 33(b).

The amounts due from related parties are operating in nature and no balances are older than 90 days from the date of invoice.

All other receivables due from related parties and all other payables due to related parties were fully settled by 11 October 2009.

(d) Corporate guarantee to a related party

The Company has provided a corporate guarantee in favour of a bank in Thailand to support the banking facilities of Ferragamo (Thailand) Limited. The maximum liability of the Company is the lower of (a) 50% of the borrowed sum; of (b) 50% of Baht 110 million and USD1.4 million (that is Baht 55 million and USD0.7 million). As at 31 December 2008 and 30 June 2009, the amount borrowed by Ferragamo (Thailand) Limited amounted to approximately Baht 65 million and USD0.6 million (approximately HK\$19.4 million in aggregate) and Baht 75.5 million and USD0.5 million (approximately HK\$21.2 million in aggregate), respectively.

(e) Refer to note 29 for details of key management compensation

17 Cash and cash equivalents - Group

	As at 31 December			As at
	2006	2007	2008	30 June
	HKS'000	HKS'000	HKS'000	2009
				HKS'000
Core Business				
Cash at bank and in hand	95,308	86,030	104,773	250,159
Short-term bank deposits	32,100	711,500	17,443	30,000
	<u>127,408</u>	<u>797,530</u>	<u>122,216</u>	<u>280,159</u>
Non-Core Business				
Cash at bank and in hand	16,091	22,893	17,291	83,265
Short-term bank deposits	—	—	5,670	—
	<u>16,091</u>	<u>22,893</u>	<u>22,961</u>	<u>83,265</u>
Total	<u>143,499</u>	<u>820,423</u>	<u>145,177</u>	<u>363,424</u>
Maximum exposure to credit risk	<u>143,394</u>	<u>819,298</u>	<u>143,741</u>	<u>362,191</u>

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

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

	As at 31 December			As at
	2006	2007	2008	30 June
	HKS'000	HKS'000	HKS'000	2009
				HKS'000
Effective interest rate	<u>4.43%</u>	<u>1.04%</u>	<u>0.64%</u>	<u>0.01%</u>
Average maturity days of deposits	<u>8</u>	<u>11</u>	<u>5</u>	<u>38</u>

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18 Share capital and share premium

	Number of authorised shares (Thousands)	Number of issued and fully paid shares (Thousands)	Amount		
			Ordinary shares	Share premium	Total
			HK\$'000	HK\$'000	HK\$'000
At 1 January 2006	–	–	–	–	–
Issue of shares on incorporation (Note (a))	1,000	1,000	100	–	100
At 31 December 2006	<u>1,000</u>	<u>1,000</u>	<u>100</u>	<u>–</u>	<u>100</u>
At 1 January 2007	1,000	1,000	100	–	100
Increase of authorised shares (Note (a))	1,999,000	–	–	–	–
Issue of ordinary shares (Note (b))	–	940,000	94,000	141,000	235,000
Issue of ordinary shares (Notes (c), (d), (e) & (f)) ...	–	208,196	20,820	718,277	739,097
At 31 December 2007	<u>2,000,000</u>	<u>1,149,196</u>	<u>114,920</u>	<u>859,277</u>	<u>974,197</u>
At 1 January 2008	2,000,000	1,149,196	114,920	859,277	974,197
Issue of ordinary shares (Note (g))	–	27,054	2,705	93,336	96,041
Issue of ordinary shares (Note (h))	–	2,117	212	7,304	7,516
Issue of ordinary shares (Note (i))	–	26,806	2,680	92,479	95,159
Cost related to issuance of new shares	–	–	–	(11,086)	(11,086)
At 31 December 2008 and 30 June 2009	<u>2,000,000</u>	<u>1,205,173</u>	<u>120,517</u>	<u>1,041,310</u>	<u>1,161,827</u>

(a) The Company was incorporated on 21 December 2006 with an initial authorised share capital of HK\$100,000 divided into 1,000,000 ordinary shares with par value of HK\$0.1 each. On 28 December 2006, 1,000,000 ordinary shares of HK\$0.1 was allotted, issued and credited as fully paid to its shareholder on 29 December 2006.

Pursuant to a resolution of shareholder passed on 1 September 2007, the authorised share capital of the Company was increased from HK\$100,000 divided into 1,000,000 shares of HK\$0.1 each to HK\$200,000,000 divided into 2,000,000,000 shares of HK\$0.10 each by the creation of 1,999,000,000 new shares of HK\$0.10 each in the capital of the Company, such shares to rank pari passu with all the existing shares of the Company.

(b) Pursuant to two separate directors' resolutions of the Company passed on 24 September 2007:

(i) a receivable of HK\$82 million was assigned by LiFung Trinity Limited to the Company in consideration for the issue of 328,000,000 shares of par value HK\$0.10 each in the share capital of the Company at a share premium of HK\$0.15 each.

(ii) a sum of HK\$153 million owing by the Company to LiFung Trinity Limited was applied as consideration for the issue by the Company of 612,000,000 shares of par value HK\$0.10 each in its share capital to LiFung Trinity Limited and its nominee at a share premium of HK\$0.15 each.

(c) Pursuant to an agreement entered into between the Company, LiFung Trinity Limited and SMALLCAP World Fund, Inc dated 14 November 2007, the Company agreed to issue 82,337,500 shares of HK\$0.1 each at subscription price of HK\$3.55 per share. The issuance of shares was completed on 7 December 2007.

(d) Pursuant to an agreement entered into between the Company, LiFung Trinity Limited and Janus Overseas Fund dated 14 November 2007, the Company agreed to issue 55,035,935 shares of HK\$0.1 each at subscription price of HK\$3.55 per share. The issuance of shares was completed on 8 December 2007.

Pursuant to an agreement entered into between the Company, LiFung Trinity Limited and Janus Adviser Long/Short Fund dated 14 November 2007, the Company agreed to issue 649,530 shares

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of HK\$0.1 each at subscription price of HK\$3.55 per share. The issuance of shares was completed on 8 December 2007.

Pursuant to an agreement entered into between the Company, LiFung Trinity Limited and Janus Aspen International Growth Portfolio dated 14 November 2007, the Company agreed to issue 15,198,335 shares HK\$0.1 each at subscription price of HK\$3.55 per share. The issuance of shares was completed on 8 December 2007.

Pursuant to an agreement entered into between the Company, LiFung Trinity Limited and Janus Adviser International Growth Fund dated 14 November 2007, the Company agreed to issue 11,453,700 shares of HK\$0.1 each at subscription price of HK\$3.55 per share. The issuance of shares was completed on 8 December 2007.

- (e) Pursuant to an agreement entered into between the Company, LiFung Trinity Limited and J.P. Morgan Securities Ltd. dated 19 December 2007, the Company agreed to issue 21,760,625 shares of HK\$0.1 each at subscription price of HK\$3.55 per share. The issuance of shares was completed on 21 December 2007.
- (f) Pursuant to an agreement entered into between the Company, LiFung Trinity Limited and Citigroup Global Markets Financial Products LLC dated 21 December 2007, the Company agreed to issue 21,760,625 shares of HK\$0.1 each at subscription price of HK\$3.55 per share. The transaction was completed on 27 December 2007.
- (g) Pursuant to an agreement entered into between the Company, LiFung Trinity Limited and Megacom Enterprises Limited dated 19 December 2007, the Company agreed to issue 10,351,000 shares of HK\$0.1 each at subscription price of HK\$3.55 per share. The issuance of shares was completed on 23 January 2008.

Pursuant to an agreement entered into between the Company, LiFung Trinity Limited and EMP-Daiwa Capital Asia Limited dated 19 December 2007, the Company agreed to issue 10,351,000 shares of HK\$0.1 each at subscription price of HK\$3.55 per share. The issuance of shares was completed on 23 January 2008.

Pursuant to an agreement entered into between the Company, LiFung Trinity Limited and Wong Yat Ming dated 7 January 2008, the Company agreed to issue 2,117,250 shares of HK\$0.1 each at subscription price of HK\$3.55 per share. The issuance of shares was completed on 23 January 2008.

Pursuant to an agreement entered into between the Company, LiFung Trinity Limited and Jeremy Paul Egerton Hobbins dated 7 January 2008, the Company agreed to issue 4,234,500 shares of HK\$0.1 each at subscription price of HK\$3.55 per share. The issuance of shares was completed on 23 January 2008.

- (h) Pursuant to an agreement entered into between the Company, LiFung Trinity Limited and Leong Kwok Yee dated 7 January 2008, the Company agreed to issue 2,117,250 shares of HK\$0.1 each at subscription price of HK\$3.55 per share. The issuance of shares was completed on 28 January 2008.
- (i) Pursuant to a sale and purchase agreement dated 29 January 2008 entered into between the Company and Renown, the Company agreed to purchase from Renown 2,450,490 shares in Trinity China Distributions (B.V.I.) Limited (formerly known as D'urban China Distributions (B.V.I.) Limited), representing 49% of the issued share capital thereof, at a consideration of HK\$95,160,000 which was satisfied by the issue of 26,805,633 shares to Renown.

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19 Retained earnings and other reserves

	Group						
	Retained earnings HK\$'000	Merger reserves HK\$'000 (Note a)	Other reserves HK\$'000	Hedging reserve HK\$'000	Statutory reserves HK\$'000 (Note d)	Translation reserve HK\$'000	Total HK\$'000
Balance at 1 January 2006	56,594	31,698	–	–	6,361	(2,222)	92,431
Reserve arising from reorganisation (note (b))	–	(93,690)	–	–	–	–	(93,690)
Deemed contributions arising from common control business combination (note (c))	–	50,317	–	–	–	–	50,317
Profit for the year	173,931	–	–	–	–	–	173,931
Dividends (Note 39)	(20,786)	–	–	–	–	–	(20,786)
Exchange differences	–	–	–	–	–	9,863	9,863
Balance at 31 December 2006	209,739	(11,675)	–	–	6,361	7,641	212,066
Reserve arising from reorganisation (note (e))	–	(152,283)	–	–	–	–	(152,283)
Deemed distribution to intermediate holding company (note (f))	–	(63,424)	–	–	–	–	(63,424)
Profit for the year	130,719	–	–	–	–	–	130,719
Exchange differences	–	–	–	–	–	13,454	13,454
Balance at 31 December 2007	340,458	(227,382)	–	–	6,361	21,095	140,532
Acquisition of minority interest (note (g), 35(c))	–	–	(37,623)	–	–	–	(37,623)
Profit for the year	98,035	–	–	–	–	–	98,035
Transfer	(3,356)	–	–	–	3,356	–	–
Exchange differences	–	–	–	–	–	(25,348)	(25,348)
Share of cash flow hedging reserve of jointly controlled entities: Fair value gains for the year	–	–	–	6,433	–	–	6,433
Balance at 31 December 2008	435,137	(227,382)	(37,623)	6,433	9,717	(4,253)	182,029
Deemed contributions from intermediate holding company (note (h))	–	21,686	–	–	–	–	21,686
Profit for the period	56,311	–	–	–	–	–	56,311
Dividends (Note 39)	(57,848)	–	–	–	–	–	(57,848)
Exchange differences	–	–	–	–	–	5,847	5,847
Share of cash flow hedging reserve of jointly controlled entities: Fair value gains for the period	–	–	–	(6,922)	–	–	(6,922)
Balance at 30 June 2009	433,600	(205,696)	(37,623)	(489)	9,717	1,594	201,103
Six months ended 30 June 2008 (Unaudited)							
Balance at 31 December 2007	340,458	(227,382)	–	–	6,361	21,095	140,532
Acquisition of minority interests (note (g), 35(c))	–	–	(37,623)	–	–	–	(37,623)
Profit for the period	141,160	–	–	–	–	–	141,160
Exchange differences	–	–	–	–	–	15,218	15,218
Balance at 30 June 2008	481,618	(227,382)	(37,623)	–	6,361	36,313	259,287

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	Company Retained earnings/ (accumulated losses) HK\$'000
Balance at 1 January 2006	
Loss for the year	(200)
Balance 31 December 2006	(200)
Loss for the year	(78,647)
Balance 31 December 2007	(78,847)
Profit for the year	153,634
Balance at 31 December 2008	74,787
Loss for the period	(18,145)
Dividends	(57,848)
Balance at 30 June 2009	<u>(1,206)</u>

The following is a reconciliation of the effect arising from the common control combination on the consolidated balance sheets.

The consolidated balance sheet as at 31 December 2006:

	The Company	Core operating companies	Non-core operating companies	Adjustments	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Investment in the operating companies	9,000	–	–	(9,000)	–
Other assets — net	(9,100)	311,085	53,007	(84,690)	270,302
Net assets	<u>(100)</u>	<u>311,085</u>	<u>53,007</u>	<u>(93,690)</u>	<u>270,302</u>
Share capital	100	–	1,097	(1,097)	100
Statutory reserves	–	6,361	–	–	6,361
Share premium	–	–	–	–	–
Other reserves	–	6,939	702	–	7,641
Merger reserves	–	31,698	49,220	(92,593)	(11,675)
(Accumulated losses)/retained earnings	(200)	207,951	1,988	–	209,739
Minority interests	–	58,136	–	–	58,136
	<u>(100)</u>	<u>311,085</u>	<u>53,007</u>	<u>(93,690)</u>	<u>270,302</u>

The consolidated balance sheet as at 31 December 2007:

	The Company	Core operating companies	Non-core operating companies	Adjustments	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Investment in the operating companies	9,000	–	–	(9,000)	–
Other assets — net	886,350	534,389	1,665	(236,973)	1,185,431
Net assets	<u>895,350</u>	<u>534,389</u>	<u>1,665</u>	<u>(245,973)</u>	<u>1,185,431</u>
Share capital	114,920	–	–	–	114,920
Statutory reserves	–	6,361	–	–	6,361
Share premium	859,277	–	–	–	859,277
Other reserves	–	18,519	2,576	–	21,095
Merger reserves	–	31,698	(13,107)	(245,973)	(227,382)
(Accumulated losses)/retained earnings	(78,847)	407,109	12,196	–	340,458
Minority interests	–	70,702	–	–	70,702
	<u>895,350</u>	<u>534,389</u>	<u>1,665</u>	<u>(245,973)</u>	<u>1,185,431</u>

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The consolidated balance sheet as at 31 December 2008:

	<u>The Company</u>	<u>Core operating companies</u>	<u>Non-core operating companies</u>	<u>Adjustments</u>	<u>Consolidated</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Investment in the operating companies	9,000	–	–	(9,000)	–
Other assets — net	1,227,614	367,315	(14,100)	(236,973)	1,343,856
Net assets	<u>1,236,614</u>	<u>367,315</u>	<u>(14,100)</u>	<u>(245,973)</u>	<u>1,343,856</u>
Share capital	120,517	–	–	–	120,517
Statutory reserves	–	9,717	–	–	9,717
Share premium	1,041,310	–	–	–	1,041,310
Other reserves	–	(40,019)	4,576	–	(35,443)
Merger reserves	–	31,698	(13,107)	(245,973)	(227,382)
(Accumulated losses)/retained earnings	74,787	365,919	(5,569)	–	435,137
	<u>1,236,614</u>	<u>367,315</u>	<u>(14,100)</u>	<u>(245,973)</u>	<u>1,343,856</u>

The consolidated balance sheet as at 30 June 2009:

	<u>The Company</u>	<u>Core operating companies</u>	<u>Non-core operating companies</u>	<u>Adjustments</u>	<u>Consolidated</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Investment in the operating companies	49,000	–	–	(49,000)	–
Other assets — net	1,111,621	451,874	(25,278)	(175,287)	1,362,930
Net assets	<u>1,160,621</u>	<u>451,874</u>	<u>(25,278)</u>	<u>(224,287)</u>	<u>1,362,930</u>
Share capital	120,517	–	–	–	120,517
Statutory reserves	–	9,717	–	–	9,717
Share premium	1,041,310	–	–	–	1,041,310
Other reserves	–	(41,385)	4,867	–	(36,518)
Merger reserves	–	31,698	(13,107)	(224,287)	(205,696)
(Accumulated losses)/retained earnings	(1,206)	451,844	(17,038)	–	433,600
	<u>1,160,621</u>	<u>451,874</u>	<u>(25,278)</u>	<u>(224,287)</u>	<u>1,362,930</u>

The above adjustments represent the difference between consideration and the net assets acquired as a result of the Reorganisation as described in Note 1 to the Financial Information.

- Note a: The opening balance of merger reserves represents the predecessor investment cost of 50% interest in the Ferragamo Southeast Asia and Korea businesses which was held through L&F Branded Lifestyle International Limited.
- Note b: The amount represents the difference between the consideration of HK\$1,681,600,500 and the net assets of the retailing businesses as described in Note 1(a)(ii) transferred from the Parent Company to the Company.
- Note c: The amount represents the difference between consideration paid and the net assets acquired in respect of the acquisition of Non-Core Business under common control as described in Note 1.
- Note d: Pursuant to relevant rules and regulations in the PRC, these Mainland China subsidiaries are required to transfer at least 10% of their profit after tax, as determined under the PRC accounting rules and regulations, to statutory general reserve until the reserve balance reaches 50% of the registered capital of the respective Mainland China subsidiaries. This general reserve fund can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the equity holders' existing equity holdings, provided that the balance after such conversion is not less than 25% of the registered capital.

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

- Note e: The amount represents the consideration paid by the Company to acquire 100% equity interests in L&F Branded Lifestyle International Limited from Li & Fung (Retailing) Limited, a company ultimately wholly owned by King Lun. Such amount is regarded as deemed distributions to the equity holders and debited directly to the merger reserve.
- Note f: Pursuant to an internal restructuring of the Non-Core Business, an amount of HK\$63,424,000, was paid to Fung Trinity Holdings Limited, an intermediate holding company of the Company. Such amount is regarded as deemed distribution to equity holders and debited directly to the merger reserve.
- Note g: On 29 January 2008, the Group acquired the remaining 49% equity interest in D'urban China Distributions (B.V.I.) Limited (now known as "Trinity China Distributions (B.V.I.) Limited") from Renown Incorporated.
- Note h: The amount represents the waiver of loan due by Non-Core Business to Li & Fung (Retailing) Limited, an intermediate holding company of the Group. Such amount is treated as a deemed contribution from the equity holders and credited directly to the merger reserve.

20 Provision for long service payments - Group

The movement of provision for long service payments is as follows:

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	–	2,109	4,218	6,986
Acquisition of subsidiaries (Note 35)	1,957	–	–	–
Charged/(credited) to the income statement:				
— Additional/(Write-back of) provision	1,017	2,493	2,705	(649)
Receipts/(payments) made during the year/period	(865)	(384)	63	148
At 31 December/30 June	<u>2,109</u>	<u>4,218</u>	<u>6,986</u>	<u>6,485</u>

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

21 Retirement benefit obligations - Group

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance sheet obligations for:				
— Pension benefits	<u>7,612</u>	<u>7,700</u>	<u>7,700</u>	<u>12,157</u>
	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Income statement charge for:				
— Pension benefits (included in administrative expenses)	<u>60</u>	<u>88</u>	<u>188</u>	<u>4,457</u>

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The Group has defined contribution and defined benefit plans. The assets of the funded plans are held independently of the Group's assets in separate trustee administered funds. The Group only has defined benefit plan in Taiwan which is valued by Mercer (Taiwan) Limited using projected unit credit method.

Pension benefits

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

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Present value of funded obligations	10,960	11,555	11,648	16,031
Fair value of plan assets	(3,348)	(3,855)	(3,948)	(3,874)
Present value of unfunded obligations and liability in the consolidated balance sheet	<u>7,612</u>	<u>7,700</u>	<u>7,700</u>	<u>12,157</u>

The movement in the defined benefit obligations over the year/period is as follows:

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Beginning of year	–	10,960	11,555	11,648
Acquisition of subsidiaries (Note 35)	10,563	–	–	–
Current service cost	195	293	327	151
Interest cost	202	302	409	145
Additional Contribution	–	–	–	4,369
Distributions during the year/period	–	–	(643)	(282)
End of year/period	<u>10,960</u>	<u>11,555</u>	<u>11,648</u>	<u>16,031</u>

The movement in the fair value of plan assets of the year/period is as follows:

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Beginning of year	–	3,348	3,855	3,948
Acquisition of subsidiaries (Note 35)	3,011	–	–	–
Expected return on plan assets	51	77	111	50
Actuarial gains/(losses)	13	20	225	(37)
Contributions during the year/period	273	410	400	195
Distributions during the year/period	–	–	(643)	(282)
End of year/period	<u>3,348</u>	<u>3,855</u>	<u>3,948</u>	<u>3,874</u>

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

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current service cost	195	293	327	151
Interest cost	202	302	409	145
Expected return on plan assets	(51)	(77)	(111)	(50)
Past service cost	(286)	(430)	(437)	(158)
Additional Contribution	—	—	—	4,369
Total, included in employee benefit expenses (Note 36)	<u>60</u>	<u>88</u>	<u>188</u>	<u>4,457</u>

The principal actuarial assumptions used were as follows:

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	Discount rate	2.38%	2.38%	1.85%
Expected return on plan assets	2.25%	2.25%	2.50%	2.50%
Future salary increases	2.38%	2.38%	2.25%	2.25%

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

22 Other payables and accrued expenses

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group				
<i>Non-current</i>				
Royalties payable	—	55,692	48,028	45,211
<i>Current</i>				
Royalties payable	11,697	17,389	14,076	12,338
Value-added-tax payable	10,484	8,364	19,158	23,513
Sales deposits received	—	6,322	8,713	7,841
Accrued expenses	52,410	160,208	167,693	137,149
Dividends payable	164,772	—	—	—
	<u>239,363</u>	<u>192,283</u>	<u>209,640</u>	<u>180,841</u>
Total	<u>239,363</u>	<u>247,975</u>	<u>257,668</u>	<u>226,052</u>

As at 31 December 2006, 2007 and 2008 and 30 June 2009, the carrying amounts of the Group's other payables and accrued expenses approximated their fair values.

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Company				
Accrued expenses	<u>200</u>	<u>33,303</u>	<u>15,152</u>	<u>31,206</u>

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23 Trade payables - Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	HKS'000	HKS'000	HKS'000	HKS'000
Trade payables	16,579	73,330	68,067	45,410
Core Business	12,127	58,637	50,891	37,691
Non-Core Business	4,452	14,693	17,176	7,719
	<u>16,579</u>	<u>73,330</u>	<u>68,067</u>	<u>45,410</u>

As at 31 December 2006, 2007 and 2008 and 30 June 2009, the carrying amounts of the Group's trade payables approximated their fair values.

The credit period granted by creditors generally ranged from 30 to 90 days. Ageing analysis by invoice date of trade payables at respective balance sheet dates are as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	HKS'000	HKS'000	HKS'000	HKS'000
1-30 days	14,146	33,645	44,600	34,704
31-60 days	1,357	12,979	13,278	1,650
61-90 days	441	12,458	4,315	4,124
Over 90 days	635	14,248	5,874	4,932
	<u>16,579</u>	<u>73,330</u>	<u>68,067</u>	<u>45,410</u>

24 Borrowings

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	HKS'000	HKS'000	HKS'000	HKS'000
Core Business				
Non-current				
Bank borrowings, secured	–	930,000	939,071	1,062,075
Current				
Bank borrowings, secured	–	734,744	267,277	186,941
	–	<u>1,664,744</u>	<u>1,206,348</u>	<u>1,249,016</u>
Non-Core Business				
Non-current				
Bank borrowings, secured	–	–	–	–
Current				
Bank borrowings, secured	–	53,500	83,909	60,123
	–	<u>53,500</u>	<u>83,909</u>	<u>60,123</u>
Total borrowings	–	<u>1,718,244</u>	<u>1,290,257</u>	<u>1,309,139</u>

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

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	HKS'000	HKS'000	HKS'000	HKS'000
Group				
Within 1 year	–	788,244	351,186	247,064
Between 2 and 5 years	–	930,000	939,071	1,062,075
	–	1,718,244	1,290,257	1,309,139
	As at 31 December			As at 30 June
	2006	2007	2008	2009
	HKS'000	HKS'000	HKS'000	HKS'000
Company				
Within 1 year	–	659,000	–	–
Between 2 and 5 years	–	930,000	930,000	930,000
	–	1,589,000	930,000	930,000

(b) The effective interest rates at the balance sheet date were as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	Group			
HKD	N/A	5.02%	3.72%	2.87%
RMB	N/A	6.10%	5.51%	5.06%
	As at 31 December			As at 30 June
	2006	2007	2008	2009
	Company			
HKD	N/A	5.06%	2.84%	3.56%

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

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

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	HKS'000	HKS'000	HKS'000	HKS'000
Group				
RMB	–	93,090	112,257	77,139
HKD	–	1,625,154	1,178,000	1,232,000
	–	1,718,244	1,290,257	1,309,139
	As at 31 December			As at 30 June
	2006	2007	2008	2009
	HKS'000	HKS'000	HKS'000	HKS'000
Company				
HKD	–	1,589,000	930,000	930,000

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

	Group				Company			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2006	2007	2008	2009	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months or less . . .	–	788,244	343,248	1,300,064	–	659,000	–	930,000
Between six to twelve months	–	930,000	947,009	9,075	–	930,000	930,000	–
	–	1,718,244	1,290,257	1,309,139	–	1,589,000	930,000	930,000

- (f) Bank borrowing of HK\$930,000,000 (2008: HK\$930,000,000, 2007: HK\$1,589,000,000, 2006: Nil) was secured by a corporate guarantee from the Parent Company and the remaining borrowings were secured by cross guarantees amongst group companies.

25 Segmental information

The Group is principally engaged in the retail and wholesale distribution of menswear under self-owned brands and licensed brands in the Greater China Region and a retailer of luxury fashion and accessories in Korea and Southeast Asia. The Financial Information consists of Core-Business and Non-Core Business.

Management has determined the operating segments based on reports reviewed by the senior executive management that are used to make strategic decisions. The management considers the business from both geographic and products perspective. Geographically, management considers the performance of retail business in Mainland China, HK and Taiwan. HK is further segregated into retail and wholesale as all of the wholesale business is located in HK.

Segment assets consist primarily of property, plant and equipment, licences, goodwill, trademark, inventories, receivables, deposits, prepayments and operating cash.

Segment liabilities consist primarily of trade payables, other payables and accruals, amounts due to related parties, employee entitlement provisions and borrowings.

Segment results represent profit before income tax.

Capital expenditure consists primarily of additions to property, plant and equipment (Note 6) and intangible assets (Note 7).

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(a) Segment results

The segment information provided to the management for the reportable segments for the year ended 31 December 2006 is as follows:

	Core Business						Unallocated	Sub-total	Non-Core Business	Elimination	Total	
	Hong Kong		Mainland China	Taiwan	Southeast Asia							Overseas
	Retail	Wholesale	Retail	Retail	Retail	Wholesale						
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	
Total segment												
revenue . . .	430,472	163,059	285,266	118,360	–	29,220	–	1,026,377	169,170	(5,858)	1,189,689	
Inter-segment												
revenue . . .	(185,727)	(85,400)	–	–	–	–	–	(271,127)	–	–	(271,127)	
Revenue from												
external												
customers . .	244,745	77,659	285,266	118,360	–	29,220	–	755,250	169,170	(5,858)	918,562	
Gross												
profit	200,551	9,691	218,041	99,119	–	5,704	–	533,106	119,300	–	652,406	
Profit/(loss)												
before												
income												
tax	95,345	(4,365)	108,744	34,408	32,593	703	(36,439)	230,989	2,344	–	233,333	
Profit/(loss)												
before												
income tax												
includes:												
Depreciation												
and												
amortisation	(9,545)	(306)	(6,633)	(1,934)	–	(86)	(63)	(18,567)	(7,037)	–	(25,604)	
Interest												
income/												
(expense) . .	195	–	1,143	534	–	–	–	1,872	72	–	1,944	
Share of profit												
from jointly												
controlled												
entities	–	–	–	–	32,593	–	–	32,593	–	–	32,593	
Total												
assets	695,963	32,700	1,173,036	185,072	111,566	19,593	10,871	2,228,801	142,566	(5,094)	2,366,273	
Total assets												
include:												
Investments in												
jointly												
controlled												
entities	–	–	–	–	111,566	–	–	111,566	–	–	111,566	
Capital												
expenditure	4,220	1,150	11,398	3,248	–	–	764	20,780	9,465	–	30,245	
Total												
liabilities . .	731,995	14,247	830,977	365,670	–	2,141	66,476	2,011,506	89,559	(5,094)	2,095,971	

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(a) Segment results (Continued)

The segment results for the year ended 31 December 2007 are as follows:

	Core Business						Unallocated	Sub-total	Non-Core Business	Elimination	Total
	Hong Kong		Mainland China	Taiwan	Southeast Asia	Overseas					
	Retail	Wholesale	Retail	Retail	Retail	Wholesale					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Total segment											
revenue	748,631	328,468	518,466	164,646	–	15,975	–	1,776,186	283,367	(247)	2,059,306
Inter-segment											
revenue	(322,650)	(275,862)	–	–	–	–	–	(598,512)	–	–	(598,512)
Revenue from											
external											
customers	425,981	52,606	518,466	164,646	–	15,975	–	1,177,674	283,367	(247)	1,460,794
Gross profit	332,953	16,678	409,525	116,371	–	7,968	–	883,495	190,238	–	1,073,733
Profit/(loss)											
before income											
tax	166,302	3,211	86,257	7,324	40,682	3,477	(119,182)	188,071	13,738	–	201,809
Profit/(loss)											
before income											
tax includes:											
Depreciation and											
amortisation	(13,346)	(454)	(14,015)	(4,574)	–	(115)	(4,567)	(37,071)	(7,354)	–	(44,425)
Interest income/											
(expense)	(36,182)	–	(27,840)	(12,506)	–	–	2,848	(73,680)	(1,851)	–	(75,531)
Impairment of											
property, plant											
and											
equipment	–	–	(1,064)	–	–	–	–	(1,064)	358	–	(706)
Share of profit											
from jointly											
controlled											
entities	–	–	–	–	40,682	–	–	40,682	–	–	40,682
Total assets	840,846	111,322	1,363,131	183,283	154,204	4,593	619,861	3,277,240	210,468	(5,142)	3,482,566
Total assets											
include:											
Investments in											
jointly											
controlled											
entities	–	–	–	–	154,204	–	–	154,204	–	–	154,204
Capital											
expenditure	11,764	967	65,848	4,906	–	–	20,691	104,176	14,583	–	118,759
Total											
liabilities	823,493	58,948	924,599	266,066	4,136	598	15,634	2,093,474	208,803	(5,142)	2,297,135

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(a) Segment results (Continued)

The segment results for the year ended 31 December 2008 are as follows:

	Core Business					Unallocated	Sub-total	Non-Core Business	Elimination	Total
	Hong Kong		Mainland China	Taiwan	Southeast Asia and Overseas					
	Retail	Wholesale	Retail	Retail	Retail					
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000					
Total segment revenue	908,635	472,928	835,896	166,929	2,581	–	2,386,969	337,728	–	2,724,697
Inter-segment revenue	(427,439)	(431,178)	–	–	–	–	(858,617)	–	–	(858,617)
Revenue from external customers	481,196	41,750	835,896	166,929	2,581	–	1,528,352	337,728	–	1,866,080
Gross profit	373,436	3,075	617,055	116,302	(102)	–	1,109,766	224,437	–	1,334,203
Profit/(loss) before income tax	128,178	(20,265)	212,528	6,114	38,903	(176,378)	189,080	(20,101)	–	168,979
Profit/(loss) before income tax includes:										
Depreciation and amortisation	(13,842)	(518)	(41,110)	(5,109)	–	(7,326)	(67,905)	(8,876)	–	(76,781)
Interest income/(expense)	(17,346)	–	(27,299)	(5,204)	32	2,285	(47,532)	(3,685)	–	(51,217)
Impairment of property, plant and equipment	(5,454)	–	(10,004)	(1,094)	–	–	(16,552)	(11,904)	–	(28,456)
Share of profit from jointly controlled entities	–	–	–	–	42,318	–	42,318	–	–	42,318
Total assets	774,604	62,873	1,680,688	202,725	147,236	64,359	2,932,485	216,491	(154)	3,148,822
Total assets include:										
Investments in jointly controlled entities	–	–	–	–	145,583	–	145,583	–	–	145,583
Capital expenditure	19,058	392	51,105	5,425	–	8,075	84,055	34,991	–	119,046
Total liabilities	480,874	97,902	793,203	139,865	16,973	45,712	1,574,529	230,591	(154)	1,804,966

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APPENDIX I

ACCOUNTANT'S REPORT

(a) Segment results (Continued)

The segment results for the six months ended 30 June 2008 (unaudited) are as follows:

	Core Business					Unallocated	Sub-total	Non-Core Business	Elimination	Total
	Hong Kong		Mainland China	Taiwan	Southeast Asia					
	Retail	Wholesale	Retail	Retail	Retail					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Total segment revenue	445,808	273,485	413,149	87,905	–	–	1,220,347	158,192	–	1,378,539
Inter-segment revenue	(207,366)	(253,530)	–	–	–	–	(460,896)	–	–	(460,896)
Revenue from external customers	238,442	19,955	413,149	87,905	–	–	759,451	158,192	–	917,643
Gross profit	189,354	7,529	321,832	62,522	–	–	581,237	116,869	–	698,106
Profit/(loss) before income tax	82,284	(3,575)	155,197	12,771	26,300	(102,380)	170,597	20,214	–	190,811
Profit/(loss) before income tax includes:										
Depreciation and amortisation	(6,412)	(285)	(13,478)	(2,525)	–	(2,508)	(25,208)	(5,391)	–	(30,599)
Interest income/ (expense)	(9,006)	–	(15,761)	(3,207)	–	2,182	(25,792)	(1,608)	–	(27,400)
Share of profit from jointly controlled entities	–	–	–	–	26,300	–	26,300	–	–	26,300
Total assets	798,013	97,769	1,600,218	197,898	181,983	61,007	2,936,888	227,668	(460)	3,164,096
Total assets include:										
Investments in jointly controlled entities	–	–	–	–	178,802	–	178,802	–	–	178,802
Capital expenditure	3,292	272	21,956	100	–	6,352	31,972	14,526	–	46,498
Total liabilities	539,510	32,835	782,493	156,039	17,527	26,980	1,555,384	204,817	(460)	1,759,741

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APPENDIX I

ACCOUNTANT'S REPORT

(a) Segment results (Continued)

The segment results for the six months ended 30 June 2009 are as follows:

	Core Business					Unallocated	Sub-total	Non-Core Business	Elimination	Total
	Hong Kong		Mainland China	Taiwan	Southeast Asia					
	Retail	Wholesale	Retail	Retail	Retail					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Total segment revenue	389,760	169,820	456,969	69,879	–	–	1,086,428	159,124	–	1,245,552
Inter-segment revenue	(155,246)	(162,780)	–	–	–	–	(318,026)	–	–	(318,026)
Revenue from external customers	234,514	7,040	456,969	69,879	–	–	768,402	159,124	–	927,526
Gross profit	171,906	(1,596)	341,005	46,827	–	–	558,142	105,324	–	663,466
Profit/(loss) before income tax	43,906	(7,282)	96,872	(7,560)	12,925	(45,527)	93,334	(12,850)	–	80,484
Profit/(loss) before income tax includes:										
Depreciation and amortisation	(7,490)	(191)	(18,980)	(2,552)	–	(3,207)	(32,420)	(8,111)	–	(40,531)
Interest income/(expense)	(6,776)	–	(11,186)	(1,634)	–	–	(19,596)	(1,697)	–	(21,293)
Impairment of property, plant and equipment	(2,315)	–	–	(1,329)	–	–	(3,644)	–	–	(3,644)
Share of profit from jointly controlled entities	–	–	–	–	12,925	–	12,925	–	–	12,925
Total assets	822,674	45,652	1,472,178	194,332	169,442	373,241	3,077,519	216,956	(132,333)	3,162,142
Total assets include:										
Investments in jointly controlled entities	–	–	–	–	158,239	–	158,239	–	–	158,239
Capital expenditure	2,886	42	5,046	865	–	552	9,391	3,445	–	12,836
Total liabilities	596,787	28,109	789,489	117,561	15,246	163,805	1,710,997	180,548	(92,333)	1,799,212

APPENDIX I

ACCOUNTANT'S REPORT

(b) Financial information of the Group divided by Core and Non-Core Business
Consolidated Income Statements of the Group divided by Core and Non-Core Business

	Year ended 31 December											
	2006			2007			2008					
	Core Business	Non-Core Business	Elimination	Total	Core Business	Non-Core Business	Elimination	Total	Core Business	Non-Core Business	Elimination	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	755,250	169,170	(5,858)	918,562	1,177,674	283,367	(247)	1,460,794	1,528,352	337,728	—	1,866,080
Cost of sales	(222,144)	(49,870)	5,858	(266,156)	(294,179)	(93,129)	247	(387,061)	(418,586)	(113,291)	—	(531,877)
Gross profit	533,106	119,300	—	652,406	883,495	190,238	—	1,073,733	1,109,766	224,437	—	1,334,203
Other income	10,113	838	(608)	10,343	17,876	625	(3,044)	15,457	32,754	2,497	(1,521)	33,730
Selling and marketing expenses	(252,884)	(93,193)	—	(346,077)	(468,498)	(150,537)	—	(619,035)	(644,146)	(200,374)	—	(844,520)
Administrative expenses	(97,202)	(26,342)	608	(122,936)	(227,855)	(26,223)	3,044	(251,034)	(323,083)	(46,776)	1,521	(368,338)
Other gains / (losses) - net	3,391	1,669	—	5,060	16,051	1,486	—	17,537	19,003	3,800	—	22,803
Operating profit / (loss)	196,524	2,272	—	198,796	221,069	15,589	—	236,658	194,294	(16,416)	—	177,878
Finance income	1,872	72	—	1,944	5,802	175	—	5,977	3,363	151	—	3,514
Finance costs	—	—	—	—	(79,482)	(2,026)	—	(81,508)	(50,895)	(3,836)	—	(54,731)
Finance income/(costs) - net	1,872	72	—	1,944	(73,680)	(1,851)	—	(75,531)	(47,532)	(3,685)	—	(51,217)
Share of profit of jointly controlled entities	—	—	—	—	32,593	40,682	—	40,682	42,318	—	—	42,318
Profit / (loss) before income tax	230,989	2,344	—	233,333	188,071	13,738	—	201,809	189,080	(20,101)	—	168,979
Income tax expenses	(41,892)	(356)	—	(42,248)	(52,927)	(3,530)	—	(56,457)	(67,514)	2,336	—	(65,178)
Profit / (loss) for the year/period	189,097	1,988	—	191,085	135,144	10,208	—	145,352	121,566	(17,765)	—	103,801
Attributable to:												
Equity holders of the Company	171,943	1,988	—	173,931	120,511	10,208	—	130,719	115,800	(17,765)	—	98,035
Minority interests	17,154	—	—	17,154	14,633	—	—	14,633	5,766	—	—	5,766
	189,097	1,988	—	191,085	135,144	10,208	—	145,352	121,566	(17,765)	—	103,801

APPENDIX I

ACCOUNTANT'S REPORT

(b) Financial information of the Group divided by Core and Non-Core Business — (Continued)
 Consolidated Income Statements of the Group divided by Core and Non-Core Business — (Continued)

	Six months ended 30 June							
	2008			2009				
	Core Business	Non-Core Business	Elimination	Total	Core Business	Non-Core Business	Elimination	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue	759,451	158,192	—	917,643	768,402	159,124	—	927,526
Cost of sales	(178,214)	(41,323)	—	(219,537)	(210,260)	(53,800)	—	(264,060)
Gross profit	581,237	116,869	—	698,106	558,142	105,324	—	663,466
Other income	13,465	562	(932)	13,095	11,863	739	(683)	11,919
Selling and marketing expenses	(307,958)	(86,559)	—	(394,517)	(329,345)	(104,069)	—	(433,414)
Administrative expenses	(145,136)	(12,810)	932	(157,014)	(140,816)	(13,012)	683	(153,145)
Other gains / (losses) - net	28,481	3,760	—	32,241	161	(135)	—	26
Operating profit / (loss)	170,089	21,822	—	191,911	100,005	(11,153)	—	88,852
Finance income	2,697	99	—	2,796	170	154	—	324
Finance costs	(28,489)	(1,707)	—	(30,196)	(19,766)	(1,851)	—	(21,617)
Finance income/(costs) - net	(25,792)	(1,608)	—	(27,400)	(19,596)	(1,697)	—	(21,293)
Share of profit of jointly controlled entities	26,300	—	—	26,300	12,925	—	—	12,925
Profit / (loss) before income tax	170,597	20,214	—	190,811	93,334	(12,850)	—	80,484
Income tax expenses	(41,914)	(1,971)	—	(43,885)	(25,554)	1,381	—	(24,173)
Profit / (loss) for the year/period	128,683	18,243	—	146,926	67,780	(11,469)	—	56,311
Attributable to:								
Equity holders of the Company	122,917	18,243	—	141,160	67,780	(11,469)	—	56,311
Minority interests	5,766	—	—	5,766	—	—	—	—
	128,683	18,243	—	146,926	67,780	(11,469)	—	56,311

APPENDIX I

ACCOUNTANT'S REPORT

(b) Financial information of the Group divided by Core and Non-Core Business — (Continued)
Consolidated Balance Sheets of the Group divided by Core and Non-Core Business — (Continued)

	As at 31 December						As at 30 June					
	2006		2007		2008		2009		2009		2009	
	Core Business	Non-Core Business	Core Business	Non-Core Business	Core Business	Non-Core Business	Core Business	Non-Core Business	Core Business	Non-Core Business	Core Business	Non-Core Business
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
LIABILITIES												
Non-current liabilities												
Amount due to immediate holding company	-	-	-	-	-	-	-	-	-	-	-	-
Provision for long service payments	-	-	2,109	-	4,218	-	6,986	-	6,986	-	-	6,485
Retirement benefit obligations	-	-	7,612	-	7,700	-	7,700	-	7,700	-	-	12,157
Other payables and accrued expenses	-	-	-	-	55,692	-	48,028	-	48,028	-	-	45,211
Deferred income tax liabilities	29,608	-	29,608	-	29,608	-	48,873	-	48,873	-	-	52,202
Borrowings	-	-	-	-	930,000	-	939,071	-	939,071	-	-	1,062,075
	1,753,547	-	1,753,547	1,027,218	1,027,218	1,050,658	1,050,658	1,178,130	1,050,658	1,178,130	-	1,178,130
Current liabilities												
Trade payables	12,127	4,452	16,579	58,637	14,693	73,330	50,891	17,176	68,067	37,691	7,719	45,410
Other payables and accrued expenses	222,839	16,524	239,363	169,743	22,540	192,283	181,672	27,968	209,640	163,249	17,592	180,841
Amounts due to related parties	1,502	67,819	64,227	74,233	113,537	(5,142)	182,628	5,443	99,888	105,177	135,234	94,589
Current income tax liabilities	21,491	764	22,255	28,899	4,533	-	33,432	18,588	1,650	20,238	9,752	525
Borrowings	-	-	-	734,744	53,500	-	788,244	267,277	83,909	351,186	186,941	60,123
	257,959	89,559	342,424	1,066,256	208,803	(5,142)	1,269,917	523,871	754,308	532,867	180,548	621,082
	2,011,506	89,559	2,095,971	2,093,474	208,803	(5,142)	2,297,135	1,574,529	1,804,966	1,710,997	180,548	1,799,212
Total liabilities												
	2,228,801	142,566	2,366,273	3,277,240	210,468	(5,142)	3,482,566	2,932,485	3,148,822	3,077,519	216,956	3,162,142
Total equity and liabilities												
Net current assets/ (liabilities)												
	313,772	38,292	352,064	353,384	(21,700)	-	331,684	406,406	354,399	519,614	4,983	524,597
Total assets less current liabilities												
	1,970,842	53,007	2,023,849	2,210,984	1,665	-	2,212,649	2,408,614	2,394,514	2,544,652	36,408	2,541,060

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APPENDIX I

ACCOUNTANT'S REPORT

26 Expenses by nature

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HKS'000	HKS'000	HKS'000	HKS'000 (unaudited)	HKS'000
Core Business					
Cost of inventories recognised as expenses included in cost of sales (Note 12)	222,144	284,782	392,410	186,574	206,538
Provision for impairment/write-down of inventories	–	9,397	26,176	(8,360)	3,722
Depreciation of property, plant and equipment (Note 6)	12,972	30,628	58,932	20,561	28,256
Impairment of property, plant and equipment (Note 6)	–	1,064	16,552	–	3,644
Amortisation of intangible assets (Note 7)	5,595	6,443	8,973	4,647	4,164
Loss on disposal of property, plant and equipment	95	1,066	7,419	7,912	4,544
Operating lease rental expense-minimum lease payment	65,798	121,766	184,434	84,099	90,583
Operating lease rental expense-contingent rents	96,022	134,101	144,450	74,405	81,955
Provision for/(reversal of) impairment of trade receivables (Note 13)	1,436	(967)	3,771	(469)	(2,452)
Employee benefit expenses (Note 36)	108,838	278,052	369,378	154,320	176,702
Auditor's remuneration	1,854	2,846	2,305	1,787	1,883
Promotion and advertising expenses	12,532	22,033	33,921	17,523	15,317
Royalties expense	18,534	28,816	24,821	17,907	8,118
Other expenses	26,410	70,505	112,273	70,402	57,447
	<u>572,230</u>	<u>990,532</u>	<u>1,385,815</u>	<u>631,308</u>	<u>680,421</u>
Non-Core Business					
Cost of inventories recognised as expenses included in cost of sales (Note 12)	50,906	83,427	91,209	41,556	53,788
Provision for impairment/write-down of inventories	(1,036)	9,702	22,082	(233)	12
Depreciation of property, plant and equipment (Note 6)	7,037	7,354	8,876	5,391	8,111
Impairment of property, plant and equipment (Note 6)	–	(358)	11,904	–	–
Loss on disposal of property, plant and equipment	406	154	2,497	–	826
Operating lease rental expense-minimum lease payment	21,165	22,565	19,699	9,745	9,564
Operating lease rental expense-contingent rents	34,780	72,142	90,153	33,748	42,328
Employee benefit expenses (Note 36)	21,988	51,311	70,076	35,353	40,147
Auditor's remuneration	270	576	393	202	277
Marketing and promotion expenses	3,065	7,717	12,316	4,774	3,986
Other expenses	30,824	15,299	31,236	10,156	11,842
	<u>169,405</u>	<u>269,889</u>	<u>360,441</u>	<u>140,692</u>	<u>170,881</u>
Elimination of costs of goods sold between Core and Non-Core Business, rental and service income from Non-Core Business	(6,466)	(3,291)	(1,521)	(932)	(683)
Total cost of sales, selling and marketing expenses and administrative expenses	<u>735,169</u>	<u>1,257,130</u>	<u>1,744,735</u>	<u>771,068</u>	<u>850,619</u>
Representing					
Cost of sales	266,156	387,061	531,877	219,537	264,060
Selling and marketing expenses	346,077	619,035	844,520	394,517	433,414
Administrative expenses	122,936	251,034	368,338	157,014	153,145
	<u>735,169</u>	<u>1,257,130</u>	<u>1,744,735</u>	<u>771,068</u>	<u>850,619</u>

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APPENDIX I

ACCOUNTANT'S REPORT

27 Other income

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Core Business					
Subsidy income	3,584	–	15,369	4,736	1,321
Gain on disposal of available-for-sale financial asset	275	–	–	–	–
Rental income	956	2,477	2,901	1,488	1,348
Management fee income	–	4,089	5,482	2,722	2,722
Administrative fee income	–	4,928	–	–	330
Claims received	2,029	2,370	3,985	1,588	478
Sales commission	365	1,358	1,909	958	1,016
Alteration income	507	565	680	290	280
Other income	2,397	2,089	2,428	1,683	4,368
	<u>10,113</u>	<u>17,876</u>	<u>32,754</u>	<u>13,465</u>	<u>11,863</u>
Non-Core Business					
Subsidy income	–	–	1,839	333	192
Claim received	52	–	47	58	90
Alteration income	140	168	281	118	169
Other income	646	457	330	53	288
	<u>838</u>	<u>625</u>	<u>2,497</u>	<u>562</u>	<u>739</u>
Elimination of rental and service income from Non-Core Business	(608)	(3,044)	(1,521)	(932)	(683)
Total	<u>10,343</u>	<u>15,457</u>	<u>33,730</u>	<u>13,095</u>	<u>11,919</u>

28 Other gains - net

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Core Business					
Net foreign exchange gains	3,391	16,051	19,003	28,481	161
Non-Core Business					
Net foreign exchange gains/(losses)	1,669	1,486	3,800	3,760	(135)
	<u>5,060</u>	<u>17,537</u>	<u>22,803</u>	<u>32,241</u>	<u>26</u>

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APPENDIX I

ACCOUNTANT'S REPORT

29 Directors' and senior management emoluments

(a) Directors' and senior management emoluments

The emoluments of every Director for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 (unaudited) & 2009 are set out below:

(i) For the year ended 31 December 2006:

<u>Name of Director</u>	<u>Director fee</u>	<u>Salary</u>	<u>Employer's contribution to pension scheme</u>	<u>Discretionary bonuses</u>	<u>Other benefits</u>	<u>Total</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
— Jeremy Paul Egerton Hobbins	—	—	—	—	—	—
— Wong Yat Ming	—	1,263	7	1,884	552	3,706
— Victor Fung Kwok King	—	—	—	—	—	—
— William Fung Kwok Lun	—	—	—	—	—	—
— Jose Hosea Cheng Hor Yin	—	—	—	—	—	—
— Tan Yong Nang	—	—	—	—	—	—
— Lau Butt Farn	—	—	—	—	—	—
	<u>—</u>	<u>1,263</u>	<u>7</u>	<u>1,884</u>	<u>552</u>	<u>3,706</u>

(ii) For the year ended 31 December 2007:

<u>Name of Director</u>	<u>Director fee</u>	<u>Salary</u>	<u>Employer's contribution to pension scheme</u>	<u>Discretionary bonuses</u>	<u>Other benefits</u>	<u>Total</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
— Jeremy Paul Egerton Hobbins	—	2,215	10	3,594	1,058	6,877
— Wong Yat Ming	—	2,097	12	2,679	917	5,705
— Leong Kwok Yee	—	892	4	642	22	1,560
— Victor Fung Kwok King	—	—	—	—	—	—
— William Fung Kwok Lun	—	—	—	—	—	—
— Jose Hosea Cheng Hor Yin	—	—	—	—	—	—
— Tan Yong Nang	—	—	—	—	—	—
— Lau Butt Farn	—	—	—	—	—	—
— Sabrina Fung Wing Yee	—	—	—	—	—	—
	<u>—</u>	<u>5,204</u>	<u>26</u>	<u>6,915</u>	<u>1,997</u>	<u>14,142</u>

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(iii) For the year ended 31 December 2008:

Name of Director	Director fee	Salary	Employer's contribution to pension scheme	Discretionary bonuses	Other benefits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
— Jeremy Paul Egerton Hobbins	120	3,266	12	2,958	1,277	7,633
— Wong Yat Ming	120	2,560	12	2,366	900	5,958
— Leong Kwok Yee	120	3,000	12	1,893	332	5,357
— Sabrina Fung Wing Yee	120	1,703	12	946	34	2,815
— Victor Fung Kwok King	150	—	—	—	—	150
— William Fung Kwok Lun	120	—	—	—	—	120
— Jose Hosea Cheng Hor Yin	120	—	—	—	—	120
— Cassian Cheung Ka Sing	120	—	—	—	—	120
— Evan Mervyn Davies	120	—	—	—	—	120
— Michael Lee Tze Hau	120	—	—	—	—	120
— Patrick Sun	120	—	—	—	—	120
— Lau Butt Farn	—	—	—	—	—	—
	<u>1,350</u>	<u>10,529</u>	<u>48</u>	<u>8,163</u>	<u>2,543</u>	<u>22,633</u>

(iv) For the six months ended 30 June 2008 (unaudited):

Name of Director	Director fee	Salary	Employer's contribution to pension scheme	Discretionary bonuses	Other benefits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
— Jeremy Paul Egerton Hobbins	—	1,633	6	—	638	2,277
— Wong Yat Ming	—	1,280	6	—	461	1,747
— Leong Kwok Yee	—	1,500	6	—	177	1,683
— Sabrina Fung Wing Yee	—	803	6	—	23	832
— Victor Fung Kwok King	—	—	—	—	—	—
— William Fung Kwok Lun	—	—	—	—	—	—
— Jose Hosea Cheng Hor Yin	—	—	—	—	—	—
— Lau Butt Farn	—	—	—	—	—	—
	<u>—</u>	<u>5,216</u>	<u>24</u>	<u>—</u>	<u>1,299</u>	<u>6,539</u>

(v) For the six months ended 30 June 2009:

Name of Director	Director fee	Salary	Employer's contribution to pension scheme	Discretionary bonuses	Other benefits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
— Jeremy Paul Egerton Hobbins	60	1,361	5	—	521	1,947
— Wong Yat Ming	60	1,280	6	—	452	1,798
— Leong Kwok Yee	60	250	1	—	27	338
— Sabrina Fung Wing Yee	60	865	6	—	18	949
— Victor Fung Kwok King	100	—	—	—	—	100
— William Fung Kwok Lun	60	—	—	—	—	60
— Jose Hosea Cheng Hor Yin	60	—	—	—	—	60
— Cassian Cheung Ka Sing	115	—	—	—	—	115
— Evan Mervyn Davies	8	—	—	—	—	8
— Michael Lee Tze Hau	140	—	—	—	—	140
— Patrick Sun	125	—	—	—	—	125
— Jean-Marc Loubier	19	—	—	—	—	19
	<u>867</u>	<u>3,756</u>	<u>18</u>	<u>—</u>	<u>1,018</u>	<u>5,659</u>

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During the Relevant Periods, no directors, supervisors or senior management of the Company waived any emoluments and no emolument were paid by the Company to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009 includes one, two, three, three and three, respectively directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining highest paid individuals during the year/period are as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Basic salaries, housing allowances, other allowances	3,635	3,981	3,970	1,985	1,918
Bonuses	2,756	5,998	4,064	—	—
Employer's contribution to pension scheme	240	249	228	122	119
Other benefits	107	183	219	114	110
	<u>6,738</u>	<u>10,411</u>	<u>8,481</u>	<u>2,221</u>	<u>2,147</u>

No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Periods.

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

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Emolument bands					
— HK\$900,001 to HK\$1,000,000	—	—	—	—	1
— HK\$1,000,001 to HK\$1,500,000	2	—	—	2	1
— HK\$1,500,001 to HK\$2,000,000	1	—	—	—	—
— HK\$2,000,001 to HK\$2,500,000	1	—	—	—	—
— HK\$2,500,001 to HK\$3,000,000	—	—	—	—	—
— HK\$3,000,001 to HK\$3,500,000	—	2	—	—	—
— HK\$3,500,001 to HK\$4,000,000	—	—	1	—	—
— HK\$4,000,001 to HK\$4,500,000	—	1	—	—	—
— HK\$4,500,001 to HK\$5,000,000	—	—	1	—	—
	<u>4</u>	<u>3</u>	<u>2</u>	<u>2</u>	<u>2</u>

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30 Finance costs

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Core Business					
Finance costs — Interest expenses on bank borrowings wholly repayable within five years	—	(79,482)	(50,895)	(28,489)	(19,766)
Finance income — Interest income on short-term bank deposits	1,872	5,802	3,363	2,697	170
Finance income/(costs) — net	1,872	(73,680)	(47,532)	(25,792)	(19,596)
Non-Core Business					
Finance costs — Interest expenses on bank borrowings wholly repayable within five years	—	(2,026)	(3,836)	(1,707)	(1,851)
Finance income — Interest income on short-term bank deposits	72	175	151	99	154
Finance income/(costs) — net	72	(1,851)	(3,685)	(1,608)	(1,697)
Total	1,944	(75,531)	(51,217)	(27,400)	(21,293)

31 Taxation

Income tax expense

Hong Kong profits tax has been provided for at the rate of 17.5% on the estimated assessable profit for the years ended 31 December 2006 and 2007 and the six months ended 30 June 2008 and 16.5% on the estimated assessable profit for the year ended 31 December 2008 and six months ended 30 June 2009. Taxation on overseas profits has been calculated on the estimated assessable profit for the year/period at the rates of taxation prevailing in the countries or regions in which the Group operates.

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Core Business					
Current income tax					
— Hong Kong profits tax	24,440	23,550	20,298	16,757	4,803
— Overseas taxation	18,098	58,417	57,033	35,309	12,311
Deferred income tax (Note 11)	(646)	(29,040)	(9,817)	(10,152)	8,440
	41,892	52,927	67,514	41,914	25,554
Non-Core Business					
Current income tax					
— Hong Kong profits tax	47	—	—	—	—
— Overseas taxation	309	5,416	934	1,971	(1,346)
Deferred income tax (Note 11)	—	(1,886)	(3,270)	—	(35)
	356	3,530	(2,336)	1,971	(1,381)
Total	42,248	56,457	65,178	43,885	24,173

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

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Profit before income tax	233,333	201,809	168,979	190,811	80,484
Tax calculated at domestic tax rates applicable to profits in the respective areas	50,163	57,100	39,885	48,451	21,456
Effect of withholding tax on the distributable profits of the Group's overseas subsidiaries/jointly controlled entities	—	—	21,988	—	962
Income not subject to tax	(8,475)	(14,437)	(11,023)	(9,392)	(3,091)
Tax losses for which no deferred income tax asset was recognised	—	—	5,999	—	3,655
Expenses not deductible for tax purposes	560	13,794	8,329	4,826	1,191
Income tax expense	42,248	56,457	65,178	43,885	24,173

The weighted average applicable tax rates were 18%, 28% and 39% for the years ended 31 December 2006, 2007 and 2008 and 23% and 30% for the six months ended 30 June 2008 and 2009, respectively.

The subsidiaries incorporated in Mainland China are subject to income tax at applicable rates ranging from 15% to 33% during the Relevant Periods.

On 16 March 2007, the National People's Congress approved the new CIT Law, which reduces/(increases) the corporate income tax rate for domestic enterprises (foreign invested enterprises) from 33%/(15%) to 25% with effect from 1 January 2008. The new CIT Law has no significant impact on the carrying value of the deferred tax assets and deferred tax liabilities for the Relevant Periods.

On 28 February 2008, the Hong Kong Government proposed to change the Corporate Income Tax rate from 17.5% to 16.5%, with effect from 1 January 2008. The change in tax rate has no significant impact on the carrying value of the deferred tax balances for the Relevant Periods.

32 Earnings per share

Basic and diluted

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

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
				(unaudited)	
Profit attributable to equity holders of the Company (HK\$'000)	173,931	130,719	98,035	141,160	56,311
Weighted average number of ordinary shares in issue	1,000,000	252,514,000	1,201,187,000	1,197,157,000	1,205,173,000
Basic and diluted earnings per share (HK\$ per share)	173.93	0.52	0.08	0.12	0.05

Diluted earnings per share equals basic earnings per share as the Company does not have any dilutive potential ordinary shares.

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33 Cash generated from operations

(a) Reconciliation of profit before income tax to cash generated from operations

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Profit before income tax	233,333	201,809	168,979	190,811	80,484
Adjustments for:					
— Share of profit of jointly controlled entities (Note 9)	(32,593)	(40,682)	(42,318)	(26,300)	(12,925)
— Amortisation of intangible assets (Note 7)	5,595	6,443	8,973	4,647	4,164
— Interest income	(1,944)	(5,977)	(3,514)	(2,796)	(324)
— Interest expense	—	81,508	54,731	30,196	21,617
— Depreciation (Note 6)	20,009	37,982	67,808	25,952	36,367
— Impairment charge (Note 6)	—	706	28,456	—	3,644
— Loss on disposal of property, plant and equipment . . .	501	1,220	9,916	7,912	5,370
— Foreign exchange gains/(loss)	2,587	9,689	10,655	15,157	(1,558)
Changes in working capital					
— Inventories	(31,529)	(255,876)	(116,394)	(127,202)	86,828
— Trade and other receivables	(46,527)	(48,573)	(48,940)	(21,520)	86,138
— Trade and other payables	10,960	138,793	25,897	(38,659)	(77,577)
— Balances with related parties	(56,376)	(17,118)	(72,502)	(11,148)	55,702
Cash generated from operations	<u>104,016</u>	<u>109,924</u>	<u>91,747</u>	<u>47,050</u>	<u>287,930</u>

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

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Net book amount (Note 6)	501	1,220	9,916	7,912	5,370
Loss on disposal of property, plant and equipment	(501)	(1,220)	(9,916)	(7,912)	(5,370)
Proceeds from disposal of property, plant and equipment . .	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

(b) Non-cash transactions

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Novation of bank loan from immediate holding company	—	1,589,000	—	—	—
Issue of shares to immediate holding company	—	235,000	—	—	—
Issue of shares to Renown for acquisition of minority interest	<u>—</u>	<u>—</u>	<u>95,159</u>	<u>95,159</u>	<u>—</u>
Purchase consideration on acquisition of DDL Group and Green Group through current account with immediate holding company	<u>1,681,601</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

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34 Commitments

(a) Capital commitments for property, plant and equipment

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contracted but not provided for				
— Property, plant and equipment	4,072	10,842	500	121
— Computer software	—	2,900	585	585
	<u>4,072</u>	<u>13,742</u>	<u>1,085</u>	<u>706</u>

(b) Capital commitment for purchase of a subsidiary

On 30 January 2008, the Group entered into a conditional agreement with Branded Lifestyle International Ltd. to acquire 100% equity interest of L&F Branded Lifestyle (Singapore) Pte Ltd. at a consideration of SGD493,000 (approximately HK\$2,640,000). Completion of the transaction took place on [●] 2009.

(c) Commitments under operating leases

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

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
No later than 1 year	128,972	145,205	181,962	165,289
Later than 1 year and no later than 5 years	71,018	142,830	138,363	117,810
	<u>199,990</u>	<u>288,035</u>	<u>320,325</u>	<u>283,099</u>

35 Business combinations

(a) DDL Group

On 30 April 2006, the Parent Company acquired a group of companies comprising Trinity Retail (H.K.) Limited (formerly known as D'urban Distributions (H.K.) Limited), Trinity Retail Limited (formerly known as D'urban Distributions (Far East) Limited), DDL Advertising Company Limited and DDL (Macao) Limited (collectively referred to as "DDL Group").

Details of net assets acquired and goodwill are as follows:

Purchase consideration	HK\$'000
	710,000
Fair value of net assets acquired	(186,142)
Goodwill (Note 7)	<u>523,858</u>

The goodwill is attributable to the profitability of the acquired business and the significant synergies expected to arise from the acquired business.

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The assets and liabilities arising from the acquisition of DDL Group are as follows:

	<u>Fair value</u>	<u>Acquiree's</u>
	<u>HK\$'000</u>	<u>carrying amount</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Intangible assets (Note 7)	168,000	–
Property, plant and equipment (Note 6)	12,483	12,483
Available-for-sale financial assets	18,341	18,341
Deferred income tax assets (Note 11)	1,764	1,870
Trade receivables	11,357	11,357
Deposits and prepayments	10,521	10,521
Inventories	47,934	34,721
Cash and cash equivalents	31,108	31,108
Trade payables	(4,483)	(4,483)
Provision for long service payments	(1,271)	(1,271)
Other payables and accrued expenses	(73,592)	(41,784)
Deferred income tax liabilities (Note 11)	(29,400)	–
Current income tax liabilities	(6,620)	(6,347)
Net assets acquired	<u>186,142</u>	<u>66,516</u>

The following is the consolidated financial information of DDL Group for the four months ended 30 April 2006 (the "Pre-acquisition periods"):

Consolidated income statement

DDL Group

	<u>Note</u>	<u>Four months</u>
		<u>end 30</u>
		<u>April 2006</u>
		<u>HK\$'000</u>
Revenue	(i)	118,919
Cost of sales	(ii)	(37,905)
Gross profit		81,014
Other income		1,285
Selling and marketing expenses	(ii)	(39,596)
Administrative expenses	(ii)	(13,532)
Other gains — net	(iii)	4,740
Finance income — net	(iv)	1,307
Profit before income tax		35,218
Income tax expense	(v)	(6,136)
Profit for the period		<u>29,082</u>
Attributable to:		
Equity holders of DDL Group		29,031
Minority interests		51
		<u>29,082</u>

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Consolidated balance sheet

	Note	As at 30 April 2006 <u>HK\$'000</u>
ASSETS		
Non-current assets		
Property, plant and equipment	(vi)	12,483
Intangible assets	(vii)	37,729
Deferred income tax assets	(xiv)	<u>1,870</u>
		<u>52,082</u>
Current assets		
Inventories	(x)	34,721
Trade receivables	(viii)	11,357
Deposits and prepayments	(ix)	8,543
Amounts due from related parties		1,978
Available-for-sale financial assets	(xv)	18,341
Cash and cash equivalents	(xi)	<u>31,108</u>
		<u>106,048</u>
Total assets		<u><u>158,130</u></u>
EQUITY		
Capital and reserves attributable to DDL Group's equity holders		
Share capital		25,000
Other reserves		<u>38,738</u>
		63,738
Minority interests		<u>2,778</u>
Total equity		<u><u>66,516</u></u>
LIABILITIES		
Non-current liabilities		
Provision for long service payments		<u>1,271</u>
		<u>1,271</u>
Current liabilities		
Trade payables	(xii)	4,483
Other payables and accrued expenses	(xiii)	43,465
Dividends payable		25,000
Amounts due to related parties		11,048
Current income tax liabilities		<u>6,347</u>
		<u>90,343</u>
Total liabilities		<u>91,614</u>
Total equity and liabilities		<u><u>158,130</u></u>

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Consolidated statement of changes in equity

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Exchange reserves</u>	<u>Total equity</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2006	25,000	166,107	(1,400)	189,707
Profit for the period	–	29,031	–	29,031
Dividends paid	–	(155,000)	–	(155,000)
Balance at 30 April 2006	<u>25,000</u>	<u>40,138</u>	<u>(1,400)</u>	<u>63,738</u>

Consolidated cash flow statement

	<u>Four months ended 30 April 2006</u>
	HK\$'000
Cash flows from operating activities	
Cash generated from operations	60,381
Income tax refunded	67
Net cash generated from operating activities	60,448
Cash flows from investing activities	
Purchase of property, plant and equipment	(1,845)
Interest received	1,307
Net cash used in investing activities	(538)
Cash flows from financing activities	
Distribution of profit to previous shareholders	(130,000)
Net cash used in financing activities	(130,000)
Net decrease in cash and cash equivalents	(70,090)
Cash and cash equivalents at beginning of period	101,198
Cash and cash equivalents at end of the period	<u>31,108</u>

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Note to the consolidated cash flow statement

Reconciliation of profit before income tax to cash generated from operations:

	Four months ended 30 April 2006
	HK\$'000
Profit before income tax	35,218
Adjustments for:	
— Interest income	(1,307)
— Fair value gains on available-for-sale financial assets	(2,269)
— Depreciation	1,571
— Provision for slow — moving inventories	3,202
— Provision for employee benefits	40
Changes in working capital	
— Inventories	6,822
— Trade and other receivables	8,112
— Other financial assets at fair value through profit and loss	32,530
— Trade payables, other payables and accrued expenses	(15,154)
— Balances with inter — companies	(8,324)
— Employee benefits	(60)
Cash generated from operations	<u>60,381</u>

Note to the consolidated statement of comprehensive income

(i) Analysis of revenue during the period were as follows:

	Four months ended 30 April 2006
	HK\$'000
Retail	112,510
Wholesales	6,409
	<u>118,919</u>

	Four months ended 30 April 2006
	HK\$'000
Hong Kong	100,291
Taiwan	18,628
	<u>118,919</u>

(ii) Expenses by nature

	Four months ended 30 April 2006
	HK\$'000
Cost of inventories recognised as expenses included in cost of sales	37,905
Depreciation	1,571
Operating lease rental expenses	23,412
Employee benefit expenses	17,034
Auditor's remuneration	88
Royalties expense	2,428
Other expenses	8,595
Total cost of sales, selling and marketing expenses and administrative expenses	<u>91,033</u>

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(iii) Other gains — net

	Four months ended 30 April 2006
	HK\$'000
Fair value gains on available-for-sale financial assets	2,269
Net foreign exchange gains	2,471
	<u>4,740</u>

(iv) Finance income — net

	Four months ended 30 April 2006
	HK\$'000
Interest income on short-term bank deposits	<u>1,307</u>

(v) Income tax expense

Hong Kong profits tax has been provided for at the rate of 17.5% on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries or regions in which DDL Group operates.

	Four months ended 30 April 2006
	HK\$'000
Current income tax	
— Hong Kong profits tax	5,707
— Overseas taxation	535
Deferred income tax (Note (xiv))	<u>(106)</u>
	<u>6,136</u>

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

	Four months ended 30 April 2006
	HK\$'000
Profit before tax	35,218
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	6,510
Others	<u>(374)</u>
Income tax expense	<u>6,136</u>

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(vi) Property, plant and equipment

	<u>Land and buildings</u>	<u>Leasehold improvements</u>	<u>Furniture, fixtures, other equipment and motor vehicles</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2006				
Cost	1,980	25,286	1,386	28,652
Accumulated depreciation	(198)	(15,119)	(1,126)	(16,443)
Net book amount	<u>1,782</u>	<u>10,167</u>	<u>260</u>	<u>12,209</u>
Four months ended 30 April 2006				
Opening net book amount	1,782	10,167	260	12,209
Additions	–	1,845	–	1,845
Depreciation	(66)	(1,493)	(12)	(1,571)
Closing net book amount	<u>1,716</u>	<u>10,519</u>	<u>248</u>	<u>12,483</u>
At 30 April 2006				
Cost	1,980	27,131	1,386	30,497
Accumulated depreciation	(264)	(16,612)	(1,138)	(18,014)
Net book amount	<u>1,716</u>	<u>10,519</u>	<u>248</u>	<u>12,483</u>

(vii) Intangible assets

Intangible assets relate to the capitalisation of the guaranteed minimum payments of royalties based on a discount rate of 7%.

(viii) Trade receivables

	<u>As at 30 April 2006</u>
	HK\$'000
Trade receivables-net	<u>11,357</u>

As at 30 April 2006, the carrying amount of DDL Group's trade receivables approximated their fair values.

(ix) Deposits and prepayments

	<u>As at 30 April 2006</u>
	HK\$'000
Rental deposits and other deposits	8,181
Sundry receivables	362
	<u>8,543</u>

(x) Inventories

	<u>As at 30 April 2006</u>
	HK\$'000
Finished goods	32,185
Raw materials	2,536
	<u>34,721</u>

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(xi) Cash and cash equivalents

	As at 30 April 2006
	<u>HK\$'000</u>
Cash at bank and in hand	31,108

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

	As at 30 April 2006
	<u>HK\$'000</u>
HKD	12,450
USD	1,851
NTD	12,629
EUR	4,145
MOP	33
	<u>31,108</u>

(xii) Trade payables

	As at 30 April 2006
	<u>HK\$'000</u>
Trade payables	4,483

As at 30 April 2006, the carrying amount of DDL Group's trade payables approximated their fair values.

(xiii) Other payables and accrued expenses

	As at 30 April 2006
	<u>HK\$'000</u>
Other payables	37,729
Accrued expenses	5,736
	<u>43,465</u>

As at 30 April 2006, the carrying amount of DDL Group's other payables and accrued expenses approximated their fair values.

(xiv) Deferred income tax

	As at 30 April 2006
	<u>HK\$'000</u>
Deferred income tax assets:	
— Deferred income tax assets to be recovered after more than 12 months	1,870

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The movement in deferred income tax asset during the pre-acquisition periods was as follows:

	Decelerated tax depreciation
As at 1 January 2006	1,764
Charged to the income statement	<u>106</u>
As at 30 April 2006	<u>1,870</u>

(xv) Available-for-sale financial assets

	As at 30 April 2006
	HK\$'000
Listed investments	<u>18,341</u>

(xvi) Key management compensation

	Four months ended 30 April 2006
	HK\$'000
Directors and supervisors	
— Basic salaries, housing allowances, other allowances and benefits-in-kind	9,165
— Employer's contribution to pension schemes	<u>44</u>
	<u>9,209</u>

(b) Green Group

On 30 April 2006, the Parent Company acquired 100% equity interest of Concord Distributions Limited, Concord Fashion Distributions (Shanghai) Limited, A.T., Champion Distributions Limited, Champion Fashion Distributions (Shanghai) Limited, Trubest Limited, Golden Palace Global Inc., Golden Palace Global (H.K.) Limited, Golden Palace Global Trading (Shanghai) Co., Ltd, Million Venture Inc., Million Venture (H.K.) Limited, Million Venture Trading (Shanghai) Co., Ltd., Trinity China Distribution (B.V.I.) Limited (formerly known as D' urban China Distributions (B.V.I.) Limited), Trinity China Distribution (H.K.) Limited (formerly known as D' urban China Distributions (H.K.) Limited), Trinity China Distributions Trading (Shanghai) Co., Ltd. (formerly known as D'urban China Distributions Trading (Shanghai) Co., Ltd.), J.P. Pacific Limited, Sonny Company Limited, Global Future Enterprises Limited, Global Future Enterprises (H.K.) Limited and Global Future Trading (Shanghai) Co., Ltd. (collectively referred to as "Green Group").

Details of net assets acquired and goodwill are as follows:

	HK\$'000
Purchase consideration	889,787
Fair value of net assets acquired	<u>(141,894)</u>
Goodwill (Note 7)	<u>747,893</u>

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The goodwill is attributable to the profitability of the acquired business and the significant synergies expected to arise from the acquired business.

The combined assets and liabilities arising from the acquisition of Green Group are as follows:

	<u>Fair value</u>	<u>Acquiree's</u>
	<u>HKS'000</u>	<u>carrying</u>
	<u>HKS'000</u>	<u>amount</u>
	<u>HKS'000</u>	<u>HKS'000</u>
Intangible assets	27,300	–
Property, plant and equipment (Note 6)	16,441	16,441
Deferred income tax assets (Note 11)	617	617
Trade receivables	81,806	81,806
Deposits and prepayments	72,023	72,023
Inventories	118,725	118,725
Cash and cash equivalents	122,004	122,004
Trade payables	(1,267)	(1,267)
Provision for long service payments	(8,298)	(8,298)
Other payables and accrued expenses	(229,861)	(229,861)
Current income tax liabilities	(16,778)	(16,778)
Tax recoverable	(65)	(65)
Deferred income tax liabilities (Note 11)	(129)	(129)
Minority interests	(40,624)	(40,624)
Net assets acquired	<u>141,894</u>	<u>114,594</u>

The following is the combined financial information of Green Group for the four months ended 30 April 2006 (the "Pre-acquisition periods"):

Combined statement of comprehensive income

	<u>Note</u>	<u>Four months</u>
		<u>ended 30 April</u>
		<u>2006</u>
		<u>HKS'000</u>
Revenue	(i)	226,441
Cost of sales	(ii)	(56,395)
Gross profit:		170,046
Other income		7,683
Selling and marketing expenses	(ii)	(94,048)
Administrative expenses	(ii)	(30,329)
Other gains — net	(iii)	5,979
Finance income — net	(iv)	1,550
Profit before income tax		60,881
Share of profit of an associate		51
Income tax expense	(v)	(14,763)
Profit for the year/period		<u>46,169</u>
Attributable to:		
Equity holders of Green Group		39,867
Minority interests		6,302
		<u>46,169</u>

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Combined balance sheet

	Note	As at 30 April 2006 HK\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	(vi)	15,477
Intangible assets	(vii)	72,706
Investment in associates	(viii)	2,778
Deferred income tax assets	(xv)	135
		<u>91,096</u>
Current assets		
Inventories	(xi)	95,471
Trade receivables	(ix)	71,219
Deposits and prepayments	(x)	59,138
Amounts due from related parties		7,907
Cash and cash equivalents	(xii)	120,437
		<u>354,172</u>
Total assets		<u><u>445,268</u></u>
EQUITY		
Capital and reserves attributable to Green Group's equity holders		
Share capital		6,950
Other reserves		<u>132,684</u>
		139,634
Minority interests		<u>46,896</u>
Total equity		<u><u>186,530</u></u>
LIABILITIES		
Non-current liabilities		
Provision for long service payments		210
Deferred income tax liabilities	(xv)	13
		<u>223</u>
Current liabilities		
Trade payables	(xiii)	1,567
Other payables and accrued expenses	(xiv)	92,205
Dividends payable		135,000
Amounts due to related parties		13,221
Current income tax liabilities		16,522
		<u>258,515</u>
Total liabilities		<u>258,738</u>
Total equity and liabilities		<u><u>445,268</u></u>

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Combined statement of changes in equity

	Share capital	Retained earnings	Exchange reserves	Other reserves	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2006	6,950	277,271	2,177	3,869	290,267
Profit for the period	—	39,867	—	—	39,867
Dividends paid	—	(190,500)	—	—	(190,500)
Balance at 30 April 2006	<u>6,950</u>	<u>126,638</u>	<u>2,177</u>	<u>3,869</u>	<u>139,634</u>

Combined cash flow statement

	Four months ended 30 April 2006
	HK\$'000
Cash flows from operating activities	
Cash generated from operations	6,007
Income tax paid	(11,870)
Net cash used in operating activities	(5,863)
Cash flows from investing activities	
Purchase of property, plant and equipment	(4,363)
Interest received	1,550
Net cash used in investing activities	(2,813)
Cash flows from financing activities	
Distribution of profit to previous shareholders	(76,500)
Net cash used in financing activities	(76,500)
Net decrease in cash and cash equivalents	(85,176)
Cash and cash equivalents at beginning of period	205,741
Effect of foreign exchange rate changes, net	(128)
Cash and cash equivalents end of the period	<u>120,437</u>

Note to the combined cash flow statements

Reconciliation of profit before income tax to cash inflow generated from operations:

	Four months ended 30 April 2006
	HK\$'000
Profit before income tax	
Adjustments for:	60,881
— Interest income	(1,550)
— Depreciation	3,503
Changes in working capital	
— Inventories	10,348
— Trade and other receivables	25,324
— Trade and other payables	(13,948)
— Balances with inter-companies	(78,551)
Cash generated from operations	<u>6,007</u>

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Note to the combined statement of comprehensive income

(i) *Analysis of revenue during the period was as follows:*

	Four months ended 30 April 2006
	HK\$'000
Retail	222,619
Wholesales	3,822
	<u>226,441</u>

	Four months ended 30 April 2006
	HK\$'000
Mainland China	156,195
Hong Kong	33,487
Taiwan	36,759
	<u>226,441</u>

(ii) *Expenses by nature*

	Four months ended 30 April 2006
	HK\$'000
Cost of inventories recognised as expenses included in cost of sales	56,395
Depreciation	3,503
Operating lease rental expenses	53,236
Employee benefit expenses	31,009
Auditor's remuneration	217
Royalties expense	3,770
Other expenses	32,642
Total cost of sales, selling and marketing expenses and administrative expenses	<u>180,772</u>

(iii) *Other gains — net*

	Four months ended 30 April 2006
	HK\$'000
Government subsidies	—
Net foreign exchange gains	5,979
	<u>5,979</u>

(iv) *Finance income — net*

	Four months ended 30 April 2006
	HK\$'000
Interest income on short-term bank deposits	<u>1,550</u>

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(v) *Income tax expense*

Hong Kong profits tax has been provided for at the rate of 17.5% on the estimated assessable profit for the year/period. Taxation on overseas profits has been calculated on the estimated assessable profit for the year/period at the rates of taxation prevailing in the countries or regions in which Green Group operates.

	Four months ended 30 April 2006
	HK\$'000
Current income tax	
— Hong Kong profits tax	1,883
— Overseas taxation	12,880
	<u>14,763</u>

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

	Four months ended 30 April 2006
	HK\$'000
Profit before tax	60,881
Tax calculated at domestic tax rates applicable to profits in the respective areas	11,820
Others	2,943
Income tax expense	<u>14,763</u>

Note to the combined balance sheet

(vi) *Property, plant and equipment*

	Leasehold improvements	Furniture, fixtures, other equipment and motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2006			
Cost	51,006	3,208	54,214
Accumulated depreciation	(37,636)	(2,089)	(39,725)
Net book amount	<u>13,370</u>	<u>1,119</u>	<u>14,489</u>
Four months ended 30 April 2006			
Opening net book amount	13,370	1,119	14,489
Exchange differences	118	10	128
Additions	4,035	328	4,363
Depreciation	(3,386)	(117)	(3,503)
Closing net book amount	<u>14,137</u>	<u>1,340</u>	<u>15,477</u>
At 30 April 2006			
Cost	50,062	2,872	52,934
Accumulated depreciation	(35,925)	(1,532)	(37,457)
Net book amount	<u>14,137</u>	<u>1,340</u>	<u>15,477</u>

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(vii) Intangible assets

Intangible assets relate to the capitalisation of the guaranteed minimum payments of royalties based on a discount rate of 7%.

(viii) Investment in associates

	As at 30 April 2006
	<u>HK\$'000</u>
Share of net assets	<u>2,778</u>

(ix) Trade receivables

	As at 30 April 2006
	<u>HK\$'000</u>
Trade receivables-net	<u>71,219</u>

As at 30 April 2006, the carrying amount of Green Group's trade receivables approximated their fair values.

(x) Deposits and prepayments

	As at 30 April 2006
	<u>HK\$'000</u>
Rental deposits and other deposits	6,135
Sundry receivables	53,003
	<u>59,138</u>

(xi) Inventories

	As at 30 April 2006
	<u>HK\$'000</u>
Finished goods	<u>95,471</u>

(xii) Cash and cash equivalents

	As at 30 April 2006
	<u>HK\$'000</u>
Cash at bank and in hand	<u>120,437</u>

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

	As at 30 April 2006
	<u>HK\$'000</u>
RMB	40,081
HKD	2,637
AUD	65
NTD	45,174
USD	32,051
GBP	1
EUR	428
	<u>120,437</u>

(xiii) Trade payables

	As at 30 April 2006
	<u>HK\$'000</u>
Trade payables	<u>1,567</u>

As at 30 April 2006, the carrying amount of Green Group's trade payables approximated their fair values.

(xiv) Other payables and accrued expenses

	As at 30 April 2006
	<u>HK\$'000</u>
Other payables	72,715
Accrued expenses	19,490
	<u>92,205</u>

As at 30 April 2006, the carrying amount of Green Group's other payables and accrued expenses approximated their fair values.

(xv) Deferred income tax

	As at 30 April 2006
	<u>HK\$'000</u>
Deferred income tax assets:	
— Deferred income tax assets to be recovered after more than 12 months	<u>135</u>
Deferred income tax liabilities:	
— Deferred income tax liabilities to be recovered after more than 12 months	<u>13</u>

The movement in deferred income tax assets during the pre-acquisition periods was as follows:

	Accelerated accounting depreciation
	<u>HK\$'000</u>
As at 1 January 2006 and 30 April 2006	<u>135</u>

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The movement in deferred income tax liabilities during the pre-acquisition periods was as follows:

	Accelerated tax depreciation
	HK\$'000
As at 1 January 2006 and 30 April 2006	<u>13</u>

(xvi) Key management compensation

	Four months ended 30 April 2006
	HK\$'000
Directors and supervisors	
— Fees	—
— Basic salaries, housing allowances, other allowances and benefits-in-kind	11,006
— Employer's contribution to pension schemes	<u>93</u>
	<u>11,099</u>

(c) Trinity China Distributions (B.V.I.) Limited (formerly known as D'urban China Distributions (B.V.I.) Limited)

On 29 January 2008, the Group acquired the remaining 49% equity interests in Trinity China Distributions (B.V.I.) Limited from Renown for consideration of approximately HK\$95.2 million.

Details of the net assets acquired and amounts recognised in equity are as follows:

	HK\$'000
Purchase consideration (including transaction costs)	95,967
Fair value of net assets acquired	<u>(58,344)</u>
Amount recognised in equity (Note (19))	<u>37,623</u>

(d) Kent & Curwen Limited

On 30 June 2008, the Group acquired 100% equity interests in Kent & Curwen Limited from Renown at a consideration of HK\$2.4 million.

Details of the net assets of Kent & Curwen Limited acquired are as follows:

	Fair value	Acquiree's carrying amount
	HK\$'000	HK\$'000
Trade receivables	830	830
Inventories	2,100	2,100
Cash and cash equivalents	252	252
Trade payables	<u>(765)</u>	<u>(765)</u>
Net assets acquired	<u>2,417</u>	<u>2,417</u>
		HK\$'000
Purchase consideration		2,417
Cash and cash equivalents in subsidiary acquired		<u>(252)</u>
Cash outflow on acquisition		<u>2,165</u>

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The acquired business contributed revenue of HK\$2,582,000 and net profit of HK\$3,112,000 to the Group for the period from 30 June 2008 to 31 December 2008. If the acquisition had occurred on 1 January 2008, Group revenue would have been HK\$1,868,575,000; profit would have been HK\$100,289,000 for the year ended 31 December 2008.

36 Employee benefit expenses

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

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Core Business					
Wages, salaries and bonus	98,662	256,442	337,287	141,333	153,052
Pension costs — defined benefit and contribution plans . .	3,564	11,998	13,086	8,154	12,140
Social security and benefits for Mainland China employees	6,612	9,612	19,005	4,833	11,510
	<u>108,838</u>	<u>278,052</u>	<u>369,378</u>	<u>154,320</u>	<u>176,702</u>
Non-Core Business					
Wages, salaries and bonus	20,617	45,028	61,319	30,268	31,544
Pension costs — defined benefit and contribution plans . .	737	1,198	981	530	344
Social security and benefits for Mainland China employees	634	5,085	7,776	4,555	8,259
	<u>21,988</u>	<u>51,311</u>	<u>70,076</u>	<u>35,353</u>	<u>40,147</u>
Total	<u>130,826</u>	<u>329,363</u>	<u>439,454</u>	<u>189,673</u>	<u>216,849</u>

There were no forfeited contributions during the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009.

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37 Details of subsidiaries

As at 30 June 2009, the Company has direct and indirect interest in the following subsidiaries:

Company name	Place of incorporation	Kind of legal entity	Principal activities	Share capital or paid-in capital	Interest held (directly) (indirectly)	Auditors	Year of audit
LiFung Trinity International Brands Holdings Limited	British Virgin Islands	Limited liability company	Investment holding	US\$1	100%	PricewaterhouseCoopers	2006, 2007 and 2008
LiFung Trinity JV Brands Limited	British Virgin Islands	Limited liability company	Investment holding	US\$1	100%	PricewaterhouseCoopers	2006, 2007 and 2008
LiFung Trinity Services Limited	British Virgin Islands	Limited liability company	Investment holding	US\$1	100%	PricewaterhouseCoopers	2006, 2007 and 2008
BLS (Private Labels) Holdings Limited	British Virgin Islands	Limited liability company	Investment Holding	US\$1	100%	Note (a)	
A.T. Distributions Limited	Hong Kong	Limited liability company	Trading of garments	HK\$1,000,000	100%	PricewaterhouseCoopers	2006, 2007 and 2008
Champion Distributions Limited	Hong Kong	Limited liability company	Trading of garments	HK\$1,000,000	100%	PricewaterhouseCoopers	2006, 2007 and 2008
Ferrinch (L) Limited	Federal Territory of Labuan, Malaysia	Limited liability company	Provision of marketing consultancy services & investment holding	US\$3,001,500	100%	PricewaterhouseCoopers	2006, 2007 and 2008
卓韻(澳門)有限公司 COL (Macau) Limited	Macau	Limited liability company	Trading of garments	MOP100,000	100%	PricewaterhouseCoopers	2007 and 2008
逸貿服飾銷售(上海)有限公司 (Champion Fashion Distributions (Shanghai) Limited)	PRC	Limited liability company	Dormant	RMB3,000,000	100%	BDO	2006, 2007 and 2008
Concord Distributions Limited	Hong Kong	Limited liability company	Trading of garments	HK\$1,000,000	100%	PricewaterhouseCoopers	2006, 2007 and 2008
永盈服飾銷售(上海)有限公司 (Concord Fashion Distributions (Shanghai) Limited)	PRC	Limited liability company	Dormant	RMB3,000,000	100%	BDO	2006, 2007 and 2008
DDL (Macao) Limited	Macau	Limited liability company	Trading of garments	MOP10,000	100%	PricewaterhouseCoopers	2006, 2007 and 2008
Trinity (Casual Wear) Limited (formerly known as D'urban Casual Wear Limited)	Hong Kong	Limited liability company	Garment manufacturing	HK\$3,000,000	100%	PricewaterhouseCoopers	2006, 2007 and 2008
Trinity China Distributions (B.V.I.) Limited (formerly known as D'urban China Distributions (B.V.I.) Limited)	British Virgin Islands	Limited liability company	Investment holding	HK\$5,001,000	100%	PricewaterhouseCoopers	2006, 2007 and 2008
Trinity China Distributions (H.K.) Limited (formerly known as D'urban China Distributions (H.K.) Limited)	Hong Kong	Limited liability company	Investment holding	HK\$5,000,000	100%	PricewaterhouseCoopers	2006, 2007 and 2008

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Company name	Place of incorporation	Kind of legal entity	Principal activities	Share capital or paid-in capital	Interest held (directly) (indirectly)	Auditors	Year of audit
利永(上海)時裝商貿有限公司(Trinity China Distributions (Shanghai) Limited) (formerly known as 都本(上海)時裝商貿有限公司(D'urban China Distribution (Shanghai) Limited))	PRC	Limited liability company	Trading of garment products in the PRC	RMB3,000,000	100%	BDO	2007 and 2008
利宜貿易(上海)有限公司(Trinity China Distributions Trading (Shanghai) Co., Ltd.) (formerly known as 都本貿易(上海)有限公司(D'urban China Distribution Trading (Shanghai) Co., Ltd.))	PRC	Wholly-owned foreign enterprise	Dormant	US\$200,000	100%	BDO	2006, 2007 and 2008
Trinity Retail Limited (formerly known as D'urban Distributions (Far East) Limited)	Hong Kong	Limited liability company	Trading of garments	HK\$500,000	100%	PricewaterhouseCoopers	2006, 2007 and 2008
Trinity Retail (H.K.) Limited (formerly known as D'urban Distributions (H.K.) Limited)	Hong Kong	Limited liability company	Trading of garments	HK\$25,000,000	100%	PricewaterhouseCoopers	2006, 2007 and 2008
Trinity (Business Wear) Limited (formerly known as D'urban (Hong Kong) Limited)	Hong Kong	Limited liability company	Garment manufacturing	HK\$3,900,000	100%	PricewaterhouseCoopers	2006, 2007 and 2008
Golden Palace Global Inc.	British Virgin Islands	Limited liability company	Investment holding	US\$2	100%	Note (a)	
Golden Palace Global (H.K.) Limited	Hong Kong	Limited liability company	Investment holding	HK\$1,000,000	100%	PricewaterhouseCoopers	2006, 2007 and 2008
永圖貿易(上海)有限公司(Golden Palace Global Trading (Shanghai) Co., Ltd.)	PRC	Wholly-owned foreign enterprise	Dormant	US\$200,000	100%	BDO	2006, 2007 and 2008
利邦(上海)服裝貿易有限公司(LiFung Trinity China Distribution (Shanghai) Limited)	PRC	Limited liability company	Trading of garment products in the PRC	RMB3,000,000	100%	BDO	2007 and 2008
LiFung Trinity (Management) Limited	Hong Kong	Limited liability company	Provision of management services	HK\$1	100%	PricewaterhouseCoopers	2006, 2007 and 2008
Million Venture Inc.	British Virgin Islands	Limited liability company	Investment holding	US\$2	100%	Note (a)	
Million Venture (H.K.) Limited	Hong Kong	Limited liability company	Investment holding	HK\$1,000,000	100%	PricewaterhouseCoopers	2006, 2007 and 2008
逸倫貿易(上海)有限公司	PRC	Wholly-owned foreign enterprise	Dormant	US\$200,000	100%	BDO	2006, 2007 and 2008
Million Venture Trading (Shanghai) Co., Ltd.							
Trubest Limited	Hong Kong	Limited liability company	Trading of garments	HK\$200,000	100%	PricewaterhouseCoopers	2006, 2007 and 2008

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Company name	Place of incorporation	Kind of legal entity	Principal activities	Share capital or paid-in capital	Interest held (directly) (indirectly)	Auditors	Year of audit
LiFung Trinity International Brands Limited	Hong Kong	Limited liability company	Investment holding	HK\$1	100%	PricewaterhouseCoopers	2007 and 2008
I.D.D. Australia Pty, Limited (de-registered on 25 June 2009)	Australia	Limited Liability company	N/A	AU\$300,000	100%	Note (a)	
Kent & Curwen Limited	England and Wales	Limited liability company	Trading of garment products	GBP1,000,000	100%	Note (a)	
L&F Branded Lifestyle International Limited	British Virgin Islands	Limited liability company	Investment holding	US\$1	100%	Note (a)	
LiFung Trinity Management (Singapore) Pte. Ltd	Singapore	Limited liability company	Provision of business management & consultancy services	SGD100	100%	PricewaterhouseCoopers	2007 and 2008
LiFung Trinity Fashions Limited	Hong Kong	Limited liability company	Trading of garment products	HK\$5,000,000	100%	PricewaterhouseCoopers	2007 and 2008
BLS (Private Labels) HK Limited	Hong Kong	Limited liability company	Trading of garments	HK\$1,000,000	100%	PricewaterhouseCoopers	2006,2007 and 2008
利越 (澳門) 有限公司 (BLS (Macau) Limited)	Macau	Limited liability company	Trading of garments	MOP100,000	100%	PricewaterhouseCoopers	2006,2007 and 2008
領東時裝(上海)有限公司 (Rainbow Merit Fashion (Shanghai) Co. Limited)	PRC	Limited liability company	Dormant	US\$300,000	100%	BDO	2006,2007 and 2008
BLS PRC Holdings Limited	Hong Kong	Limited liability company	Investment holding	HK\$1	100%	PricewaterhouseCoopers	2006,2007 and 2008
利越(上海)服裝商貿有限公司 (BLS Shanghai Limited)	PRC	Limited liability company	Trading of garments	RMB3,000,000	100%	BDO	2007 and 2008
Branded Lifestyle Trademarks Limited	Hong Kong	Limited liability company	Trademark holding	HK\$1	100%	PricewaterhouseCoopers	2007 and 2008

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38 Details of jointly controlled entities

As at 30 June 2009, the Company has indirect interest in the following jointly controlled entities:

Company name	Place of incorporation	Kind of legal entity	Principal activities	Share capital or paid-in capital	Interest held (directly) (indirectly)	Auditors	Year of audit
Ferragamo (Malaysia) Sdn Bhd	Malaysia	Limited liability company	Distribution of branded lifestyle products in Malaysia	1,300,000 ordinary shares of MYR1 each	50%	PricewaterhouseCoopers	2006, 2007 & 2008
Ferragamo (Thailand) Limited	Thailand	Limited liability company	Distribution of branded lifestyle products in Thailand	122,500 ordinary shares of Baht 100 each; 127,500 preference shares of Baht 100 each (10 preference shares for 1 vote)	50%	PricewaterhouseCoopers	2006, 2007 & 2008
Ferragamo (Singapore) Pte. Ltd.	Singapore	Limited liability company	Distribution of branded lifestyle products in Singapore	4,600,000 ordinary shares of SGD1 each	50%	PricewaterhouseCoopers	2006, 2007 & 2008
Ferragamo Korea Ltd.	Korea	Limited liability company	Distribution of branded lifestyle products in Korea	658,240 ordinary shares of KRW5,000 each	50%	PricewaterhouseCoopers	2006, 2007 & 2008

Note:

(a) No audited financial statements were prepared for these companies as there is no local statutory requirements to issue audited financial statements.

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39 Dividends paid

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HKS'000	HKS'000	HKS'000	HKS'000 (unaudited)	HKS'000
Dividends paid	20,786	—	57,848	—	—
Dividend per share (in HK dollar)	20.786	—	0.048	—	—

40 Contingencies

Save as disclosed elsewhere in this report, the Group had no significant contingent liabilities as at 31 December 2006, 2007 and 2008 and 30 June 2009.

41 Events after the balance sheet date

Save as disclosed elsewhere in this report, the following significant subsequent events took place subsequent to 30 June 2009.

(i) As explained in Note 1, the entire equity interest in BLS Private Label, which engages in Non-Core Business, was reverted back to BLS Holdings on 25 August 2009 for the same consideration as the acquisition. The Non-Core Business represents mainly the retailing of menswear of owned brands, such as Leo, Gibo and Uffizi.

The Group intended to hold and revive the Non-Core Business at the time of acquisition. Having undertaken a thorough study of the business performance and risk profile of the Non-Core Business, the Directors considered that the revival may take several years and the risk profile of the Non-Core Business better fits private company. Under these circumstances, BLS Private Label was sold. The results of Non-Core Business during the Relevant Periods are set out in Note 25.

(ii) On 20 October 2009, the Group acquired the administrative support services agreements (the "Agreements") held by L&F Branded Lifestyle (Singapore) Pte Limited ("BLS Singapore") through acquisition of the entire issued share capital of BLS Singapore from Branded Lifestyle International Limited, a fellow subsidiary, at a consideration of SGD 493,000. Pursuant to the Agreements, BLS Singapore has been providing management, marketing consulting and administrative services at an aggregate annual fee of USD700,000 to the jointly controlled entities of the Group. BLS Singapore was originally engaged in the retailing of other brands in Singapore and its business had been transferred to a fellow subsidiary in September 2008. Save for being the party to the Agreements, BLS Singapore has no other business activity.

(iii) On 6 July 2009, the Group entered into an agreement with Fung Capital Limited ("FCL"), a fellow subsidiary, for the disposal of Kent & Curwen trade marks in the remaining jurisdictions excluding Greater China (the "Remaining Jurisdictions") and the entire equity interest in Kent & Curwen Limited, at a value approximate its net book value. On 30 September 2009, the Kent & Curwen trade marks in the Remaining Jurisdictions and the entire equity interest in Kent & Curwen Limited were repurchased by the Group from FCL at its original consideration.

(iv) At a special general meeting held on 16 October 2009, share option schemes were approved by the shareholders of the Company. On the same date, share options were granted by the board of directors to eligible persons (including Directors, employees, consultants and connected persons) to subscribe for a total of 45,194,000 shares in the Company.

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III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 30 June 2009. Save as disclosed in this report, no dividend has been declared, made or paid by the Company or any of its subsidiaries in respect of any period subsequent to 30 June 2009.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong