TRINITY

tailor-made for excellence

TRINITY LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 891

annual report 2009

GLOBAL OFFICES

United Kingdom
London

—

Hong Kong, SAR

—

China Mainland
Shanghai
Beijing
Guangzhou
Chengdu

—

Singapore

—

South Korea
Seoul

—

Taiwan
Taipei

利豐

Member of the Li & Fung Group

contents

Corporate Information

Executive Directors
WONG Yat Ming
(Group Managing Director)
Bruno LI Kwok Ho
(Chief Financial Officer)
Sabrina FUNG Wing Yee

Non-executive Directors
Dr Victor FUNG Kwok King *GBS, CBE*
(Chairman)
Dr William FUNG Kwok Lun *SBS, OBE, JP*
(Deputy Chairman)
Jeremy Paul Egerton HOBBINS
(Deputy Chairman)
Jose Hosea CHENG Hor Yin

Independent Non-executive Directors
Patrick SUN
Cassian CHEUNG Ka Sing
Michael LEE Tze Hau
Jean-Marc LOUBIER

Group Chief Compliance Officer
James SIU Kai Lau

Company Secretary
Christiana YIU Yuen Wah

Registered office
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business
11/F, 10 Shing Yip Street
Kwun Tong
Kowloon
Hong Kong

Website
www.trinity-limited.com

Principal Bankers
The Hongkong and Shanghai Banking Corporation Limited
The Bank of Tokyo-Mitsubishi UFJ, Limited
Standard Chartered Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited

Legal Advisers
JSM in association with Mayer Brown LLP and Mayer Brown International LLP

Auditor
PricewaterhouseCoopers
Certified Public Accountants

Compliance Adviser
Somerley Limited


KENT&CURWEN
KENT&CURWEN

Key Financial Highlights

Highlights of Results for the Year ended 31 December 2009

	2009	2008	% change
Continuing Operations:			
Revenue *(HK$ million)*	**1,645**	1,528	**7.6%**
Gross profit *(HK$ million)*	**1,211**	1,110	**9.1%**
Gross profit (%)	**73.6%**	72.6%	
Operating profit *(HK$ million)*	**262**	194	**35.0%**
Operating profit (%)	**15.9%**	12.7%	
Profit attributable to shareholders from Continuing Operations *(HK$ million)*	**188**	116	**62.3%**
Profit attributable to shareholders from Continuing Operations (%)	**11.4%**	7.6%	
Current ratio [1]	**3.0**	1.8	
Trade payable turnover days [2]	**45**	48	
Trade receivable turnover days [3]	**39**	39	
Inventory turnover days [4]	**388**	417	
Return on equity (%) [5]	**11.1%**	9.6%	
Net debt to equity ratio (%) [6]	**9.7%**	79.8%	
Discontinued Operations:			
Loss attributable to shareholders from Discontinued Operations *(HK$ million)*	**(8)**	(18)	
Profit attributable to shareholders *(HK$ million)*	**180**	98	**83.3%**
Basic earnings per share *(HK cents)* [7]	**14.2**	8.2	
Payout ratio (%) [8]	**61%**	59%	
Dividend per share *(HK cents)* – final and full year	**7.0**	4.8	

Key ratios:

Ratios 1 to 6 relate to Continuing Operations while ratios 7 and 8 relate to the Group (comprising Continuing and Discontinued Operations)

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

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

Trinity Group

Store numbers as at 31 December 2009

	The Mainland of China	HK & Macau	Taiwan	South Korea & SE Asia	Total
Kent & Curwen	78	13	10	N/A	101
Cerruti 1881	69	8	12	N/A	89
D'URBAN	47	7	12	N/A	66
Gieves & Hawkes	64	6	10	N/A	80
Intermezzo	11	2	N/A	N/A	13
Altea	3	2	N/A	N/A	5
Total for the Group	**272**	**38**	**44**	**0**	**354**
Salvatore Ferragamo joint ventures	N/A	N/A	N/A	38	38
Total for the Group and the joint ventures	**272**	**38**	**44**	**38**	**392**

Revenue

Revenue increased by 7.6%. Economic downturn during the first half of the year dragged down the revenue growth for the full year.

Gross Profit

GP% trended up from 72.6% to 73.6% following market turnaround during the second half of the year.

Profit attributable to shareholders

Profit attributable to shareholders increased by 83.3% to HK$179.7 million.

Dividend

Proposed a final dividend of 7.0 HK cents per share representing a payout ratio of 61%.

Listing

Main Board listing on 3 November 2009. Voted the Best Small-Cap Equity Deal of the Year in 2009 by the Asset Magazine.

Chairman's Statement

Chairman

Victor FUNG Kwok King

Financial Overview

I am pleased to report that Trinity Limited, together with its subsidiaries (the "Group"), achieved revenue growth of 7.6% for 2009 as compared with 2008 despite the economic downturn during the first half of the year. Gross profit percentage also increased from 72.6% to 73.6% following market turnaround during the second half of the year. Profit attributable to shareholders increased by 83.3% to HK$179.7 million. By the end of 2009, the Group operated 392 stores of which 354 are in Greater China.

+7.6%
Revenue growth in 2009

+9.1%
Growth in gross profit

+62.3%
Strong growth in profit from Continuing Operations

+83.3%
Strong growth in profit attributable to shareholders

Business Review of the Greater China Operations

2009 was a year of contrast in terms of operating environment, market sentiment, and business performance. While it was certainly a period of challenges, the year also provided positive confirmation of the Group's long-term strategic focus on expanding its retail network in the Mainland of China and growing same store sales.

During the first six months of 2009, the Group's business performance was impacted by weakened consumer confidence as a result of the global financial crisis. The Group's retail operations registered a slow down in same store sales growth and margin squeeze due to sluggish consumer demand and the need for prolonged discounts. As sales targets were missed, inventory levels rose.

The luxury product market in the Mainland of China, however, remained the most resilient. In order to capitalise on this unique market opportunity, the Group is continuing its strategic store network expansion plan for the Mainland of China, in place since 2006.

Consequently, the Group was able to increase the retail sales contribution from the Mainland of China market to 57.3% of the total retail sales mix in 2009. This strategic market penetration enabled the Group to take advantage of the market recovery when it occurred.

In the second half of 2009, signs of market recovery emerged. Bucking the global luxury market trend, Greater China's luxury products retail sector reported some of the most notable growth. According to a World Luxury Association Report, by the end of 2009 luxury product sales in the Mainland of China accounted for about 25% of the total global luxury product sales, replacing the United States as the number two-ranked luxury product market in the world.

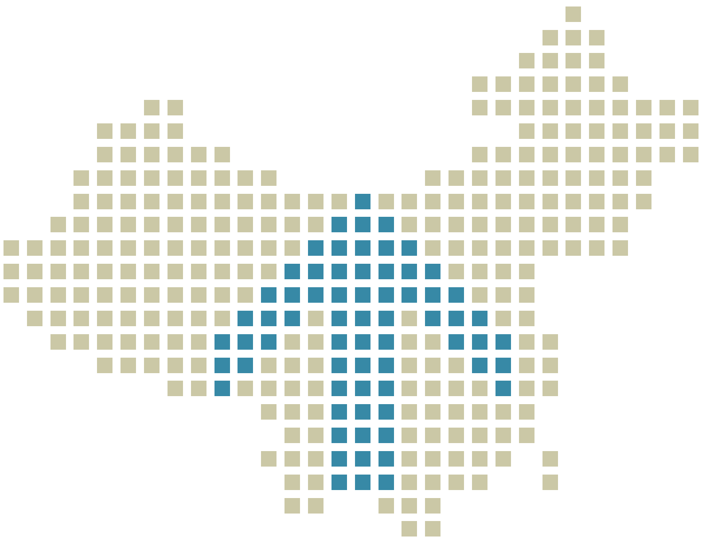
The Group was able to capitalise on such buoyant consumer sentiment because of its large portfolio of well-established international menswear brands including Kent & Curwen, Cerruti 1881, Gieves & Hawkes, D'URBAN, Intermezzo and Altea, as well as an extensive network of mono-brand retail stores in prime locations. The stores reported satisfactory improvements in overall sales performance in the second half of 2009.

In Hong Kong, the continued growth in the number of the Chinese Mainland visitors was the main driver of retail sales recovery. Starting with a positive growth in September 2009, the up-trend culminated in an 11.3%[1] year-on-year increase in sales volume in December 2009.

In contrast to the first six months of 2009, the Group was able to make improvement in overall profitability and reduced inventory levels in the second half of the year.

Successful Initial Public Offering ("IPO") on 3 November 2009 – Best Small-Cap Equity Deal of the Year

Despite the volatile market sentiment, the Company was successfully listed on the Main Board of the Hong Kong Stock Exchange on 3 November 2009. The issue was 18 times oversubscribed by institutional investors and 58 times by retail investors. With net proceeds of approximately HK$510.6 million, the Group's cash position was considerably strengthened.



44.0% > 57.3%

increase in the regional retail sales contribution from the Mainland of China market

from 2006 to 2009

On the first day of public trading, the Company's share price closed at HK$2.46 per share, representing a 49.1% increase on the offer price of HK$1.65 per share. The Asset Magazine named the Company's successful listing as the Best Small-Cap Equity Deal of the Year in 2009.

Strategic Focus on Brand Building

Throughout the year, the Group engaged in consistent marketing and promotional activities on a brand-by-brand basis to enhance brand equities, increase brand awareness and sustain customer loyalty. In addition to the seasonal launch campaigns for various new collections and the grand opening events of flagship stores, high-profile brand-building events were also organised to reinforce the prestige values of the respective luxury brands.

The Group resumed the pace of store network expansion in the second half of 2009 in order to enhance the market penetration of the core brands in the Group's portfolio.

Corporate Governance and Sustainability

The Group is committed to maintaining the highest standards of corporate governance and will continue to foster a company culture that upholds the unwavering principles of transparency, accountability and independence.

The Group recognises the risks posed by climate change and is therefore committed to operating in an environmentally responsible manner in all respects. Specifically, the Group has committed to measuring and managing its carbon emissions and energy consumption, and implemented waste-reduction measures in offices, stores, and other parts of its supply chain.

The Group will also launch initiatives to establish sustainability goals as an integral part of the corporate culture, which will be long-term and relevant, spanning different parts of its operations including retail, logistics and product development/sourcing, while contributing to sustained growth.

Best Small-Cap Equity Deal of the Year in 2009

Outlook for 2010

The Group will continue to remain steadily on track with the consistent implementation of well-defined strategies: namely, expanding the retail network in the Mainland of China, increasing same store sales growth, enhancing brand equities of its prestigious portfolio of brands, and consistently looking out for potential new acquisitions, licensing opportunities or strategic partnerships that will have good synergy with the current brand portfolio.

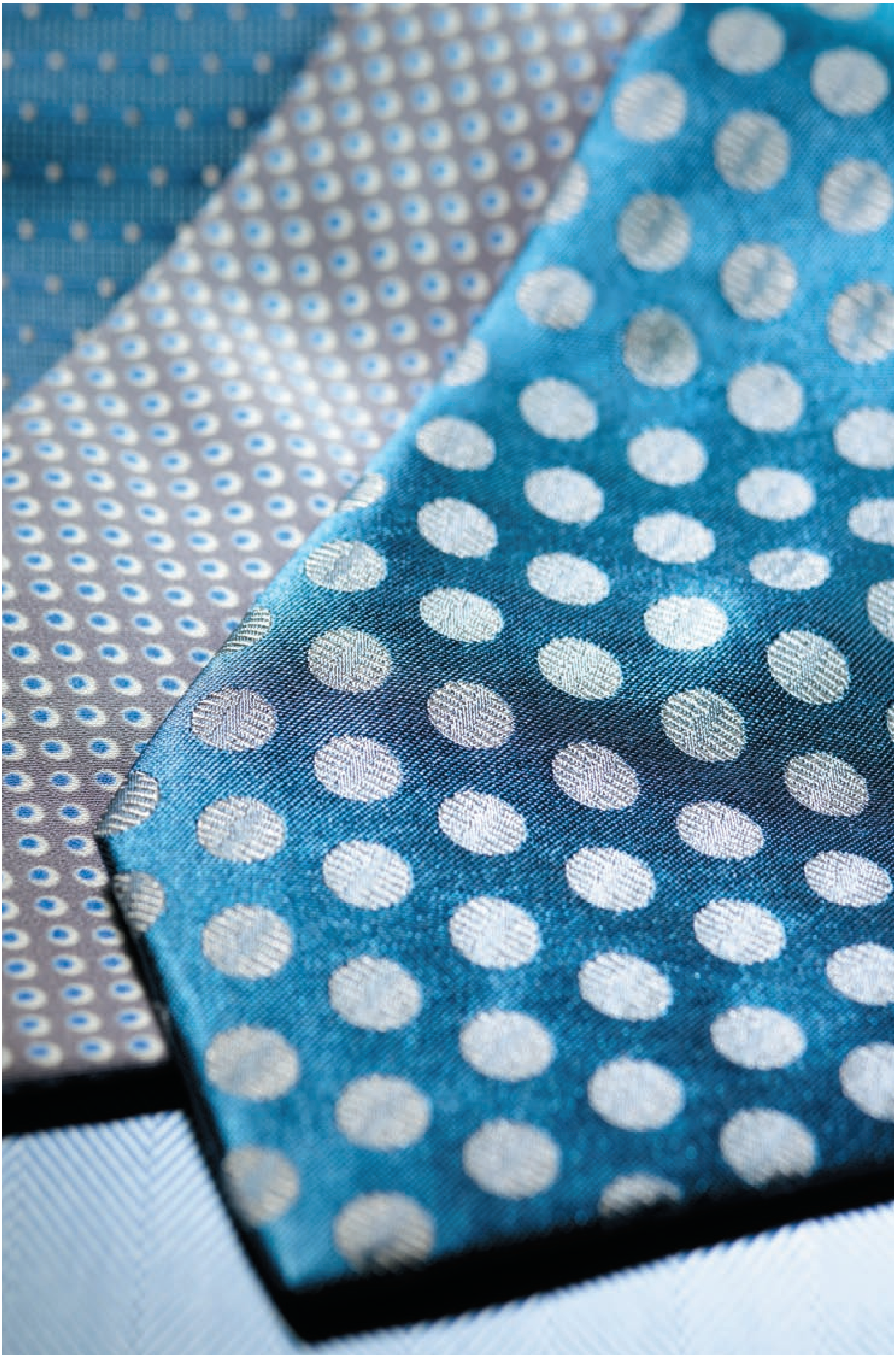
I would like to take this opportunity to express my sincere gratitude to the members of the Board for their advice and support. And on behalf of the Directors, I would also like to thank my colleagues at the Trinity Group for their hard work and dedication, which have made possible the noteworthy business performance in 2009 despite the challenging market environment.

Victor FUNG Kwok King
Chairman

Hong Kong, 31 March 2010

Note:
1. *Published by the Census and Statistics Department, the Government of the Hong Kong Special Administrative Region of the People's Republic of China on 1 February 2010*

Listing Ceremony on 3 November 2009



Management Discussion and Analysis
Financial Review

Group Managing Director
WONG Yat Ming

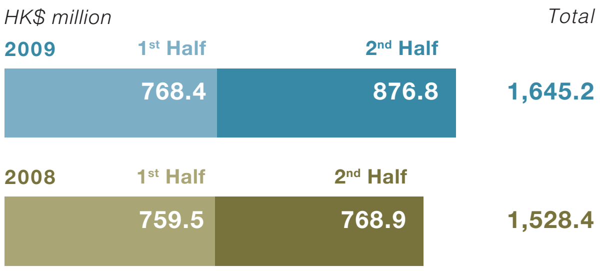
The successful listing of Trinity on 3 November 2009 marked a significant milestone in the development of the Group. We are thrilled with the strong response and keen interest from our investors who made Trinity one of the best performing stocks in the market.

It is with great pleasure that we announce the first annual results after the listing, which show a strong growth in profit attributable to shareholders from HK$98.0 million in 2008 to HK$179.7 million in 2009. Compared with the profit forecast of HK$125.9 million, as indicated in our prospectus, we are 42.7% above our forecast.

Revenue

Revenue increased by 7.6% to HK$1,645.2 million, of which 3.1% was from same store sales growth (stores that were opened prior to 1 January 2008) and the rest was from stores that were opened in 2008 and 2009. The increase in same store sales growth was entirely from the second half of 2009 where an 11.1% improvement was achieved against a 4.8% negative growth recorded in the first half of the year.

Revenue



Gross Profit

The overall gross profit margin improved to 73.6% in 2009. The retail gross profit margin suffered a substantial drop towards the end of 2008 as the global financial turmoil dampened consumer sentiment. This resulted in the need to offer more incentives to promote sales. The gross profit margin in 2009 recovered gradually as the economy improved.

Operating Profit

The full-year operating profit increased by 35.0% to HK$262.4 million and the operating margin improved from 12.7% to 15.9%. The financial turmoil in 2008 produced a negative impact in the second half of 2008, which lasted until the second quarter of 2009 and business began to pick up again from the third quarter.

The underlying reasons for the increase in operating profit were primarily from an increase in revenue and reduction of costs relating to rationalisation of operations and business risks. The increase was partly mitigated by a reduction in foreign exchange gain arisen from the appreciation of Renminbi.

Finance Costs

The drop in interest rates accounted for the majority of the 46.3% decrease in interest expenses to HK$27.3 million in 2009.

Share of Profit of Jointly Controlled Entities

The Group's share of profit decreased by 33.4% to HK$28.2 million. The primary reason for the decrease was that the negative exchange rate movement of Korean Won resulted in an adverse impact in translating the Korean joint venture results into Hong Kong dollars for Group reporting.

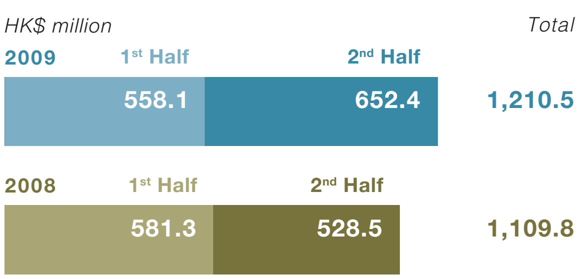
Effective Tax Rate

The effective tax rate of the Group reduced from 35.7% in 2008 to 28.7% in 2009. The improvement in the effective tax rate was mainly attributable to a reduction of withholding tax provided for distributable profits from subsidiaries in the Mainland of China and joint venture entity in South Korea for the year.

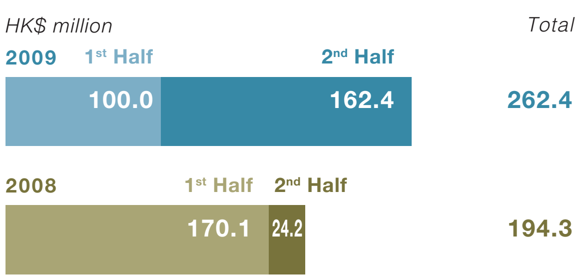
Discontinued Operations

The loss from Discontinued Operations is the net result of private label business which the Group acquired and subsequently disposed of during the year. The results for 2008 and 2009 are not directly comparable as the 2009 results covered an eight-month period, while 2008 was a full-year operation reported under merger accounting requirements.

Gross Profit



Operating Profit



Profit Attributable to Shareholders

Profit attributable to shareholders from Continuing Operations increased by 62.3% to HK$187.9 million and as a percentage to revenue increased from 7.6% achieved in 2008 to 11.4% in 2009. Basic earnings per share of the Group improved from 8.2 HK cents in 2008 to 14.2 HK cents in 2009.

Working Capital Management

Improved revenue, together with improvement in inventory control, resulted in a reduction of inventory turnover days of the Continuing Operations by 29 days to 388 days.

Trade receivable and payable turnover days of the Continuing Operations were maintained at 39 days and 45 days respectively.

Financial Position and Liquidity

In contrast to the outflow of HK$24.8 million in 2008, the Group generated a cash inflow from operating activities of HK$495.3 million. Higher profit and reduction of working capital through rationalisation of inventory levels largely attributed to the substantial improvement in the Group's cash flow in 2009. Meanwhile, the Continuing Operation's net debt were reduced by 81.9% to HK$196.6 million as a result of strong cash flow generated from operations and from additional funds raised through the initial public offering. Net debt is calculated as interest bearing borrowings less cash and cash equivalents. Net debt to equity ratio of the Continuing Operations has been dramatically reduced from 79.8% in 2008 to 9.7% in 2009.

Credit Risk Management

Credit risks comprised mainly trade receivables from department stores. The Group has established procedures to evaluate and monitor the credit risk of department stores in order to control its exposure in this area. Average settlement terms in respect to receivables from department stores are 39 days. At the end of December 2009, the Group's debtors ageing analysis showed that the percentage of debtors over three months old was 1.0% of total trade debt. The Group's cash and cash equivalents are deposited in major international banks.

Foreign Exchange Management

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

Interest Rate Management

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

Working Capital Management

Major working capital ratios	*2009*	*2008*
Inventory turnover days	388	417
Trade receivable turnover days	39	39
Trade payable turnover days	45	48
Current ratio	3.0	1.8

Banking Facilities

The Group has secured adequate bank lines for operational contingencies. A total of HK$1,450.5 million term and revolving loans have been obtained, of which HK$623.0 million are long-term loans. At the end of the year, the undrawn facilities amounted to HK$710.0 million.

Use of Proceeds from IPO

The Company raised HK$510.6 million net of expenses from the IPO. At the end of December 2009, HK$153.2 million of the proceeds have been utilised to repay bank borrowings while HK$20.0 million were spent on opening new stores. At the end of the year, unutilised IPO funds were deposited with international banks for future use.

Geographical Analysis for Retail Business

Revenue

The growth for Hong Kong & Macau, the Mainland of China and Taiwan was 13.0%, 12.1% and -8.1% respectively. Same store sales growth in Hong Kong & Macau recovered from a negative 7.3% in the first half of 2009 to a positive 18.2% in the second half of the year. Similar trend were reported in the Mainland of China and Taiwan, where the first-half rate was 2.2% and -21.9% respectively, and 7.5% and 3.6% for the second half.

Gross Profit Margin

The drop in gross profit margin in the first half of the year was compensated by a recovery in the margin in the second half of 2009. Hong Kong & Macau and the Mainland of China achieved an increase in the gross profit margin for the full year, while Taiwan was able to maintain a gross profit margin close to the 2008 level.

Geographical Analysis for Retail Business

Revenue

HK$ million	*2009*	*2008*
Hong Kong & Macau	**544**	**481**
The Mainland of China	**937**	**836**
Taiwan & others	**153**	**170**
Total	**1,634**	**1,487**

Gross Profit Margin

HK$ million	*2009*	*2008*
Hong Kong & Macau	**406**	**374**
The Mainland of China	**703**	**617**
Taiwan & others	**101**	**116**
Total	**1,210**	**1,107**

Use of Proceeds

	%	**Planned** *HK$ million*	**Utilised** *HK$ million*	**Unutilised** *HK$ million*
Brand portfolio expansion	40	204.2	0.0	204.2
Loan repayment	30	153.2	153.2	0.0
Retail network expansion	20	102.1	20.0	82.1
Working capital financing	10	51.1	0.0	51.1
Total	100	510.6	173.2	337.4

brands
networks
services

272
stores in 42 cities in the Mainland of China

38
stores in Hong Kong & Macau

44
stores in Taiwan

38
stores in South East Asia & South Korea

Store Network Expansion

The Group opened 51 new stores in 2009, of which 46 are in the Mainland of China, four in Hong Kong & Macau and one in Taiwan. The net increase in store numbers was 10 as 41 stores were closed during the year. As of 31 December 2009, the Group operated a total of 272 stores in 42 cities in the Mainland of China, 38 stores in Hong Kong & Macau, and 44 stores in Taiwan. The Group also operated 38 stores in South East Asia and South Korea under the Salvatore Ferragamo joint ventures.

In the second half of the year, the Group resumed its retail network expansion plan in the Mainland of China, with particular emphasis on the second- to fourth-tier cities such as Fuzhou, Yiwu, Shangyu, Huzhou, Tangshan and Yantai.

This market penetration strategy has proven to be effective, delivering improved margins with lower operating costs.

The combined effect of re-structuring the retail network and the opening of better-performing new stores in new markets enabled the Group to operate more productively and profitably at the end of the year.

The new stores opened by the Group in 2009 include seven outlet stores, five of which are in the Mainland of China and two are in Hong Kong. The opening of these outlet stores achieved the dual objectives of disposing of aged merchandise and reducing the inventory level of the Group.

New Store Opening and New Store Design Introduction

In September 2009 Gieves & Hawkes opened a 3,600 sq ft flagship triplex store at the Hangzhou Hubin International Boutique Compound, which is one of the most luxurious shopping arcades in the city. In order to strengthen the Group's presence in the Mainland of China's first-tier cities, the Group has also opened duplex stores for Cerruti 1881 and Gieves & Hawkes in Shanghai and a Gieves & Hawkes duplex store in Guangzhou.

Another of the Group's key initiatives in 2009 was the upgrade of store design across the various brands in order to further elevate the luxury image and enhance customer interface. New stores that completely incorporated new design formats were opened while the renovation of existing stores rejuvenated both the interiors and store frontages to reflect updated brand image.

Marketing and Promotions

The Group's overall marketing strategy is to devote resources building brand equity of each label. This involves targeting a specific segment of the market for each label according to its products, brand history, retail environment and customer base. Distinctive and differentiated market

Hangzhou

Gieves & Hawkes flagship store at a triplex premises located at Hangzhou positioning has been developed for each brand, supported by its own customised marketing programmes, promotion calendar and VIP programmes.

The Group firmly believes that all of its mono-brand stores serve as advertising billboards for the brand because of their premium locations and their role as the key area for customer interface. Therefore, the Group has been making consistent and substantial investments in upgrading the stores with new design formats, lighting design and impactful visual merchandising.

The Group's relationship with the press was well managed in 2009 with the organisation of a series of media functions. These included the Press Open House held each season, in the form of a media lunch to which journalists were invited to view the new collection. The media were also provided with detailed information about the press sample collection to ensure editorial coverage.

Rafael Nadal was honoured at the YongFoo Elite Club in Shanghai during the ATP 1000 Master Shanghai Open. One of the world's top-ranked tennis stars, Nadal has been appointed as the global ambassador for Cerruti 1881.

The milestone event in the Group's 2009 marketing calendar was the sponsorship of the "Kent & Curwen Centenary Sprint Cup". The sponsorship brought the brand widespread exposure through the Offcourse Betting Branches and on racetracks as well as via merchandising in the Club's membership stores and Club Houses.

Successful brand promotions, which generated incremental sales during the year, included the Kent & Curwen premium promotion featuring three gold lions in 24 karat gold (the well-recognised icon for the brand); and the "Father Knows Best" promotion featuring matching father and son polo shirts in celebration of Father's Day.

Sponsorship of the Centenary Sprint Cup by Kent & Curwen

In commemoration of the 100th Anniversary of the Hong Kong Jockey Club, the Centenary Sprint Cup was launched to celebrate horse-racing's rich heritage and sportsmanship. During the 2009 racing season, Kent & Curwen and the Hong Kong Jockey Club formed a prestigious alliance under which Kent & Curwen took up a sponsorship of the Centenary Sprint Cup.

Open House

Celebrity Chef, Daniel Boulud with models wearing the Kent & Curwen Cup Collection in Beijing

On 10 November 2009, Kent & Curwen staged a Paddock Fashion Show at the Happy Valley Racecourse to launch a new collection designed exclusively for the Kent & Curwen Centenary Sprint Cup Race Day, which was held on 31 January 2010 in Shatin, Hong Kong.

Customer Relationship Management

The Group has established a centralised VIP database covering the Mainland of China, Hong Kong and Macau. This database enables the Group to gain a better understanding of the profiles and shopping behaviour of customers. It also enables the sales and marketing teams to contact the customers directly for personal sales, or to approach them with digital media to generate sales opportunities.

After establishing the initial VIP customer database, the Group intends to devote more resources and support to this valuable platform for Customer Relationship Management in 2010. One of the key initiatives is to integrate the Taiwan VIP data with the existing central database.

Sourcing

The Group's sourcing needs are split between components and finished goods. Within the sourcing division, a specific development team has been appointed to be solely responsible for researching, contacting and introducing new suppliers and vendors to the brands for all product categories.

A new, centralised process was introduced, not only to bring in new suppliers, but also to ensure the brands are well supported by the centralised sourcing function. The objective of these initiatives is to ensure that the Group is able to source the best products for customers through a global network of suppliers.

Management Information System

The Warehouse Management System implemented in mid 2008 was in full operation in 2009.

Dr Victor Fung and Mr Wong Yat Ming presented the "Kent & Curwen Centenary Sprint Cup" to the winner on 31 January 2010

Implementation of an upgraded Supply Chain Management System further enhanced the information flow, which in turn facilitated the management of sourcing, garment ordering, production planning, inventory management, warehousing and distribution to stores.

Completion and implementation of the Enterprise Resources Planning models enabled the product development and product merchandising teams to manage product information and costing with better transparency. The system was able to support buying decisions and optimise margin opportunity more effectively.

Human Resources

As of 31 December 2009, the Group had a total workforce of 2,807, of whom 816 were based in Hong Kong and Macau, 1,980 in the Mainland of China and Taiwan, and 11 in other countries. The Group offers its staff competitive remuneration schemes, a safe and comfortable workplace, and training and development opportunities. In addition, bonuses and share options are also granted to eligible staff based on individual and Group performance as a means to reward and retain a high-calibre team.

The Group's total staff costs for the year 2009 were HK$370.1 million, compared with HK$355.9 million for the year 2008.

The Group believes that its continued success depends on the contribution of each and every individual in the organisation and it is committed to developing its human capital. The Group remains focused on people development, including sales and service coaching as well as management training.

Staff Development & Personal Growth

The Group is fully committed to investing in the growth and development of its people by implementing and sponsoring job-related training and self-improvement programmes. Management development programmes are also in place for senior employees. The Group is also committed to the health and well-being of its staff, providing seminars and workshops on stress management, health and related topics.

The Press Conference to announce Kent & Curwen's three year sponsorship of the Centenary Sprint Cup

In 2009, the Group successfully launched two staff development programs, namely, Executive Coaching and the Trinity Elite Lessons in Leadership (TELL).

Executive Coaching was provided to our senior management staff with an aim to deliver a comprehensive and tailored exercise adapted to the individual's learning pace and style. The Coaching sessions focused on long-term personal, leadership and management development, with the goal of achieving real and sustainable results.

The Group also launched TELL as a part of staff development and training plans. This is to ensure not only that management staff will have the necessary knowledge, skills and competencies today, but also that these are continuously developed for performance excellence in their current and future jobs.

Corporate Social Responsibility and Sustainability Initiatives

As a responsible corporate citizen, the Group is committed to engaging in charitable projects through two channels. The first supports community activities led by the Li & Fung (1906) Foundation, a Hong Kong registered charity whose purpose is to support the staff of the Li & Fung group of companies around the world and to contribute to the communities in which they work and live. The second is by direct staff involvement in activities organised by leading local charities.

Led by the Li & Fung (1906) Foundation, the Group participated in a fundraising campaign for the Taiwan typhoon disaster in August 2009. Donation from staff was matched by the Foundation, raising a total of HK$3.12 million; the donation went to the Red Cross to support recovery works and long-term rehabilitation projects in Taiwan. The Group also participated in the Hike for Hospice, a fundraising event organised by the Society for the Promotion of Hospice Care.

Other charity projects with direct staff involvement include blood donations to the Hong Kong Red Cross, a Charity Walk organised by Hong Kong's Chinese General Chamber of Commerce to raise funds for the Community Chest, and the Job Shadowing Programme for secondary school students in partnership with Junior Achievement Hong Kong.

The Group was nominated for the "Caring Company" award 2008/2009 by the Hong Kong Council of Social Service in recognition of its consistent efforts to contribute to the community as a responsible corporate citizen.

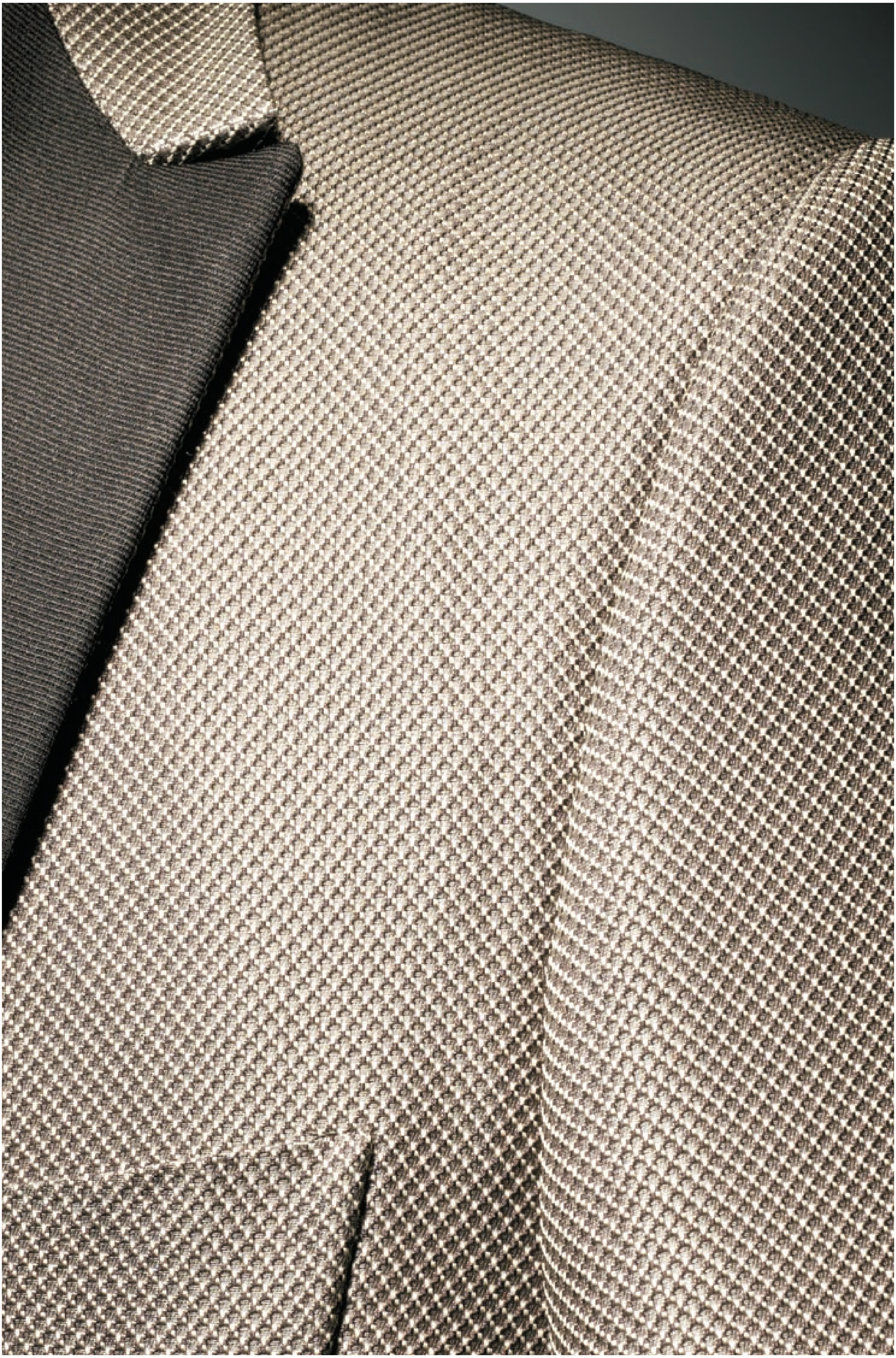
The Group strives to be environmentally responsible by adopting good environmental practices in office and store premises, and also in its use of equipment and consumption of resources. The Group has enrolled in the Wastewise Label Scheme and the Energywise Label Scheme under the Hong Kong Awards for Environmental Excellence, organised by the Environmental Campaign Committee. By joining these schemes, the Group encourages its Hong Kong operations to adopt constructive measures to reduce the amount of waste generated and to reduce energy consumption.

Future Prospects

In 2010, the Group will continue its store network expansion in the Mainland of China targeting a 20% net growth in the number of new stores with particular emphasis in the third- and fourth-tier cities. It will continue to build its existing brand equity targeting a double digit increase in same store sales. The Group regularly evaluates opportunities to acquire new brands and will introduce such acquisitions into the portfolio if they fit the Group's business model and the target market segment.

The Group remains cautious on the prospects of the joint venture entities, which will continue to operate in a challenging environment.

IPO Press Conference



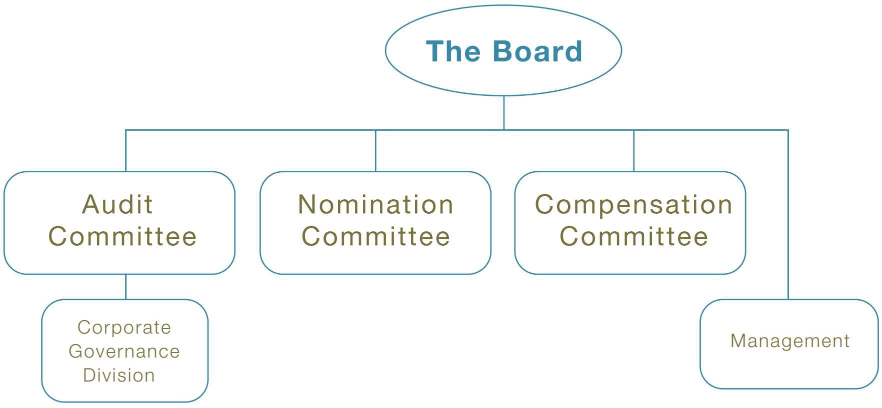
transparency accountability independence

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

The Board

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

The Board is composed of the Non-executive Chairman, three Executive Directors, three Non-executive Directors and four Independent Non-executive Directors, whose biographical details and relevant relationships are set out in the Directors and Senior Management section on pages 39 to 45.



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

The Non-executive Directors (half of whom are independent), who combine to offer diverse industry expertise but are not involved in the day-to-day management of the Group, serve the important function of advising the management on strategy and ensuring that the Board maintains high standards of financial and other mandatory reporting requirements as well as providing adequate checks and balances for safeguarding the interests of shareholders and the Company as a whole. All the Independent Non-executive Directors have experience as directors of listed companies and are able to provide impartial and professional advice to protect the interests of the minority shareholders of the Company. The Board has received from each Independent Non-executive Director written confirmation of their independence in accordance with the relevant requirements of the Listing Rules. The Company considers all of the Independent Non-executive Directors to be independent.

The Board makes decisions on major operational and financial matters as well as investments. The general management and day-to-day decisions and matters (including preparation of interim financial information and annual financial statements for board approval before public reporting, execution of business strategies and initiatives adopted by the Board, monitoring of operating budgets, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations) are delegated to the management team. The Board and management fully appreciate their respective roles and are supportive of the development of a healthy corporate governance culture.

The Board meets regularly throughout the year to discuss the Group's overall corporate strategic direction and objectives, operational and financial performance (including annual budget, annual and interim results), recommendations on Directors' appointment or re-appointment, approval of major capital transactions and other significant matters of the Group as well as major investment opportunities and fund raising. Regular board meetings are scheduled a year ahead to facilitate high attendance of Directors and notice of meeting is sent at least 14 days before the meeting. The meeting agenda is set by the Chairman in consultation with members of the Board. Agenda and accompanying board papers are sent to all Directors at least three days before the intended meeting so as to give the Directors sufficient time to prepare before the meeting. All Directors are kept informed on a periodic basis of major changes that may affect the Group's businesses, including relevant rules and regulations. Draft and final versions of minutes of board meetings are circulated to all Board members for comments and records respectively, within a reasonable time after each board meeting. The minutes of the board meetings are kept by the Company Secretary.

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

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

The Board also recognises the importance of the independent reporting of the corporate governance function. The Group Chief Compliance Officer, as appointed by the Board in 2007, attended substantially all Board and Board Committee meetings in 2009 to advise on corporate governance matters covering risk management, internal controls and relevant compliance issues relating to mergers and acquisitions, accounting and financial reporting.

The Directors have separate and independent access to the Chairman, Group Managing Director, Group Chief Compliance Officer and Company Secretary at all times to obtain relevant information for carrying out their duties as Directors of the Company. Procedures are in place for Directors and Board Committees to seek independent professional advice in performing their Directors' duties and at the Company's expense.

All Directors (including the Non-executive Directors) are appointed for a term of three years subject to retirement by rotation and re-election at annual general meeting. Under the Company's bye-laws, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) are required to retire from office by rotation, provided that every Director is subject to retirement by rotation at least once every three years, and shall be eligible for re-election. In addition to the retirement by rotation, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his appointment and shall retire and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then retire and be eligible for re-election.

The Company has appropriate directors' and officers' liability insurance in place and the insurance coverage is reviewed on an annual basis.

A summary of attendance of Board and Committee meetings in 2009 is detailed in the following table:

No. of meetings ■ attended □ held

	Board	Audit Committee	Nomination Committee	Compensation Committee
Non-executive Directors				
Dr Victor FUNG Kwok King	■■■■■■■■			■■■
Dr William FUNG Kwok Lun	□□■■■■■■			
Jose Hosea CHENG Hor Yin	■■■■■■■■			
Jeremy Paul Egerton HOBBINS [1]	■■■■■■■■		■ [6]	
LEONG Kwok Yee [2]	■■■			
Independent Non-executive Directors				
Patrick SUN	■■■■■■■■	■■■■	■■	
Jean-Marc LOUBIER [3]	■■■■■■	■■		■■
Michael LEE Tze Hau	■■■■■■■■	■■■■	■■	■■■
Cassian CHEUNG Ka Sing	■■■■■■■■	■■■■	■■	
Evan Mervyn DAVIES [4]				
Executive Directors				
WONG Yat Ming	■■■■■■■■	■ [7]	■ [7]	■ [7]
Bruno LI Kwok Ho [5]	■■■■■■	■■ [7]		
Sabrina FUNG Wing Yee	■■■■■■■■			
Group Chief Compliance Officer				
James SIU Kai Lau [6]	■■■■■■■■	■■■■	■	■■■
Dates of Meeting	19/3/2009 18/5/2009 12/8/2009 25/8/2009 25/8/2009 16/10/2009 16/10/2009 26/11/2009	19/3/2009 [8] 18/5/2009 12/8/2009 26/11/2009	20/1/2009 18/5/2009	18/5/2009 24/9/2009 26/11/2009
Average attendance rate	**97.9%**	**100%**	**100%**	**100%**

1. Re-designated from Executive Director to Non-executive Director on 1 June 2009.
2. Re-designated from Executive Director to Non-executive Director on 1 February 2009 and resigned as Director on 17 August 2009.
3. Appointed as Independent Non-executive Director and members of Audit Committee and Compensation Committee on 1 June 2009.
4. Resigned on 14 January 2009.
5. Appointed as Executive Director and Chief Financial Officer on 1 July 2009.
6. Attended Board and Committee meetings as a non-member.
7. Attended Committee meetings as a non-member.
8. The Group Finance Director attended the Audit Committee meeting on 19 March 2009 as a non-member and representative of senior management.

Board Committees

The Board has established the following committees (all chaired by Independent Non-executive Director or Non-executive Director) on 1 January 2009, even prior to the Company becoming a listed company, with defined terms of reference (available to shareholders upon request), which are of no less exacting terms than those set out in the Code on Corporate Governance Practices of the Listing Rules: the Nomination Committee, the Audit Committee and the Compensation Committee. To further reinforce independence, all the Committees have been structured to include a majority of Independent Non-executive Directors since their establishment. All Committees are provided with sufficient resources to discharge their duties and have access to professional advice if considered necessary at the Company's expense. Draft and final versions of minutes of Committees meetings are circulated to all Committees members for comments and records respectively, within a reasonable time after each meeting. Minutes of all Committees meetings are made available to all Board members. Details and reports of the Committees are set out below.

Audit Committee

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

The Audit Committee met four times in 2009 (with a 100% attendance rate) to review with senior management, the Company's Corporate Governance Division ("CGD") and external auditors, the Group's significant internal controls, risk management and financial matters as set out in the Audit Committee's written terms of reference. The CGD, under the supervision of the Group Chief Compliance Officer, is responsible for performing the internal audits of the Group. The Committee's review covers the audit plans and findings of the CGD and external auditors, external auditor's independence, the Group's accounting principles and practices, goodwill assessment, listing rules and statutory compliance, connected transactions, internal controls, risk management, financial reporting matters (including the annual and interim financial statements before recommending them to the Board's approval) and the adequacy of resources, qualification and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

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

Under the Group's Whistle Blowing Policy, employees can report any concerns, including misconduct, impropriety or fraud in financial reporting matters and accounting practices, to either senior management or the Audit Committee through the Group Chief Compliance Officer in confidence and without fear of recrimination. Any shareholders or stakeholders can also report similar concerns by writing in confidence to our Group Chief Compliance Officer at the Company's business address in Hong Kong. In 2009, no incident of fraud or misconduct was reported from employees or shareholders or stakeholders that have material effect on the Company's financial statements and overall operations.

External Auditor's Independence

In order to further enhance independent reporting by the external auditor, part of our Audit Committee meetings were attended only by the Committee members and external auditor. A policy on provision of non-audit services by the external auditor has been established since March 2009. Under this policy, certain specified non-audit services are prohibited. Other non-audit services (with a fee above a threshold) require prior approval of the Audit Committee. These permitted non-audit services may be engaged only if they are more effective or economical than those available from other service providers and will not constitute adverse impact on the independence of the external auditor. For the year ended 31 December 2009, the remuneration paid or payable to the external auditor, PricewaterhouseCoopers ("PwC"), for the provision of audit and non-audit services are as follows:

Services rendered	2009 | HK$'000
Audit services	
Annual audit	**2,000**
Non-audit services	
Reporting accountants for the initial public offering (note)	**4,279**
Taxation	**486**
Other services	**140**
Total	**6,905**

Note: This amount, plus amounts billed in prior years, represent a service fee in connection with the issuance of new shares during the Company's IPO, which was charged against the share premium account in the Group's consolidated financial statements.

The nature and ratio of annual fees to external auditor for non-audit services and for audit services are subject to scrutiny by the Audit Committee. Prior to the commencement of the audit of 2009 financial statements of the Company, the Committee received written confirmation from PwC on its independence and objectivity as required by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Audit Committee evaluates the performance of the external auditor annually by completing the Auditor Evaluation Questionnaire. Members of the Committee are satisfied with the findings of their evaluation of the audit fees, process and effectiveness of the audit process, and technical competence, professional ethics, independence and objectivity of PwC, and the Committee has recommended to the Board the re-appointment of PwC as the Company's external auditor for the financial year ending 31 December 2010 at the forthcoming annual general meeting.

Nomination Committee

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

The Committee met two times in 2009 (with a 100% attendance rate) to review the re-designations of Executive Directors as Non-executive Directors and appointment of Group Managing Director, and to recommend the appointments of an Executive Director and an Independent Non-executive Director.

Compensation Committee

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

The Committee met three times in 2009 (with a 100% attendance rate) to review and approve all Executive Directors' (including the Group Managing Director) remuneration packages and the granting and allocation of share options under the Pre-IPO and Post-IPO share option schemes.

Remuneration Policy for Executive Directors

The primary goal of the remuneration policy on executive remuneration packages is to enable the Company to motivate Executive Directors by linking their compensation to performance with reference to corporate and business streams' objectives. Under the policy, a Director is not allowed to approve his/her own remuneration. Remuneration of Executive Directors includes fee, basic salary, bonus based on performance and share options, which are designed to align Directors' interest with maximising the Company's long-term shareholder value. Details of the

Executive Directors' emoluments of the Company are set out in note 15 to the financial statements on pages 93 to 95.

Remuneration Policy for Non-executive Directors

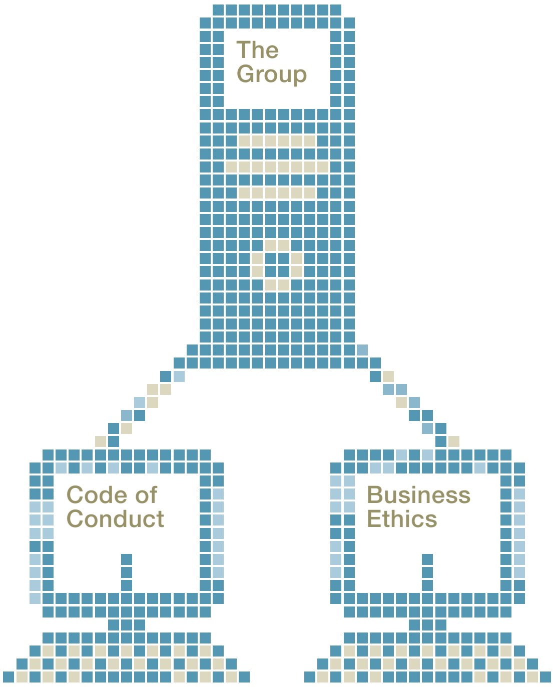
The remuneration, comprising Directors' fees, of Non-executive Directors is subject to assessment with reference to remuneration surveys conducted by independent external consultants and a recommendation for adjustment, if any, by the Committee will be submitted for shareholders' approval. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at Company meetings. Details of Non-executive Directors' emoluments of the Company are set out in note 15 to the financial statements on pages 93 to 95.

Code of Conduct and Business Ethics

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

Directors' Securities Transactions

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



All Directors and staff members are expected to share the same responsibilities and to comply with the code at all times.

Directors' and Senior Management Interests

Details of Directors' interests in the shares of the Company are set out in the Directors' Report section on pages 47 to 56. The shares held by each member of senior management are less than 2% of the issued share capital of the Company during the year ended 31 December 2009.

Directors' Responsibility and Auditor's Responsibility for Financial Statements

The Directors' responsibility for preparing the financial statements are set out on page 56, and the auditor's reporting responsibility is set out on page 57.

Internal Control and Risk Management

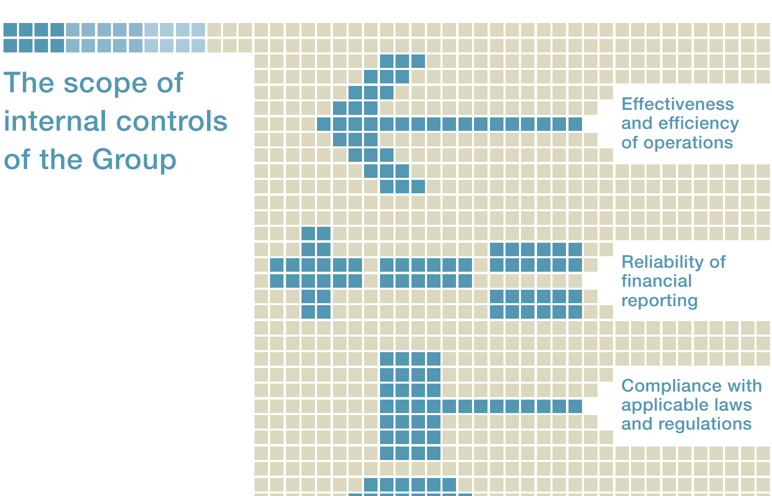
The Board recognises the importance of internal controls to safeguard shareholders' interests and investments and the Group's assets, as well as to manage business risks. The Board is responsible for ensuring that the Group maintains a sound and effective system of internal controls, and for reviewing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

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

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

Control Environment

The Group operates within an established control environment, which is consistent with the principles outlined in "Internal Control and Risk Management – A Basic Framework" issued by the HKICPA. The scope of internal controls of the Group relates to three major areas: effectiveness and efficiency of operations; reliability of financial



reporting; and compliance with applicable laws and regulations. The Group maintains a tailored governance framework with defined lines of responsibility and appropriate delegation of authority. An Operation Support Group ("OSG"), under the supervision of the Chief Financial Officer, was established to centralise the functions and controls exercised over treasury activities, financial and management reporting, human resources and information technology.

Financial Risk Management

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

Operational Control Management

A Brand Management Committee, which comprises of four members of the senior management and chaired by the Group Managing Director, was established in 2009 to upgrade, manage and control the operation procedures and risks as well as the professional standards of all aspects of the Group's business in the key areas of merchandise development, retail management and marketing. Policies and procedures covering key risks and control standards are periodically updated and implemented.

Regulatory Compliance Control Management

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

Internal and External Audits

The CGD independently reviews the internal controls and evaluates their adequacy, effectiveness and compliance. Our Group Chief Compliance Officer reports major findings and recommendations to the Audit Committee on a regular basis. The Audit Committee reviews and endorses the execution of the CGD Three-Year Audit Plan (2008-2010) that is strategically linked to the Group's Three-Year Plan. The CGD Audit Plan is prepared under a risk-based assessment methodology and covers the Group's significant operations over a three-year cycle period. The scope of work covers all material controls including financial, operational and compliance controls, and risk management policies and procedures. Major audit findings and recommendations are presented at the Audit Committee meetings. The implementation of all agreed recommendations is being followed up on a three-month basis and reported to the Audit Committee at each Committee meeting. In addition, the CGD visits the Group's local and overseas offices and selected stores, and meets with management and retail staffs on a regular basis to help embed the compliance culture in the Group's business practices when performing on-site reviews.

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

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

Overall Assessment

Based on the assessments made by the senior management, CGD and the external auditor for 2009, and up to the date of approval of this report, the Audit Committee is satisfied that:

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

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

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

Compliance with the Code on Corporate Governance Practices

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in compliance with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2009.

Investor Relations and Communication

The Company has pursued a policy of promoting investor relations and communication even before becoming a listed company by distributing and briefing the

Trinity was awarded the Best Small-Cap Equity Deal by The Asset Magazine in 2009

interim and annual results to the Company's then shareholders. Subsequent to the Company's listing in November 2009, the Company has participated in investor conferences during which it made corporate presentations, arranged company visits, and held regular meetings with institutional shareholders, fund managers and analysts. The Company also arranges analysts' briefing and non-deal road shows after its annual and interim results announcements. As a channel to further promote effective communication, the Company maintains a website (www.trinity-limited.com) to disseminate announcements, shareholder information and other relevant financial and non-financial information electronically on a timely basis.

Pursuant to the Company's listing on the Stock Exchange and to further improve the Company's corporate governance, the Company adopted a new bye-law which was effective from the listing date on 3 November 2009. The Board confirmed that there was no change in the Company's new bye-laws during 2009 which affected the Company's operations and reporting practices. Key calendar events for shareholders' attention and share information including market capitalisation as at 31 December 2009 are set out in the Information for Investors section on page 46.

In recognition of the Company's successful listing on the Stock Exchange, the Company was awarded the Best Small-Cap Equity Deal by The Asset Magazine in 2009.

Shareholders' Rights

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

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

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

Safeguarding the Interests of Independent Shareholders

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

1. Rights to acquire the Excluded Brands

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

2. Independence committee

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

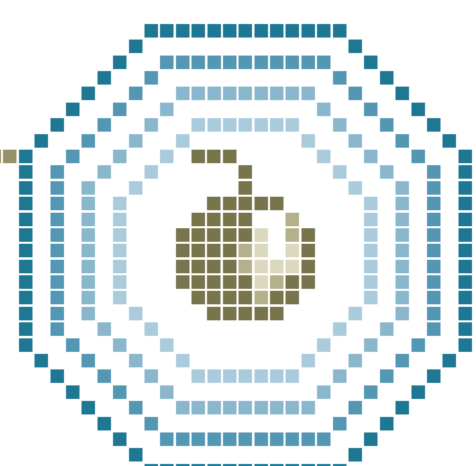
3. Abstention from voting and absent from meeting where a conflict of interest arises

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

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

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

Safeguarding the Interests of Independent Shareholders



5. Composition of the Board

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

6. Compliance with Listing Rules

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

7. Confirmation by the Company

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

The Board has reviewed the above corporate governance measures and confirmed that from the date of the Prospectus and up to the date of this report, the Parent Group has not communicated any plan to dispose of the Excluded Brands, there were no matter of material conflict of interest and the Board comprises sufficient number of Independent Non-executive Directors who have extensive experience and knowledge in corporate management and governance.

Corporate Communication

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

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

Corporate Social Responsibility and Sustainability

Being a socially responsible corporation, the Group is progressively integrating corporate social responsibility and sustainability practices throughout our business while incorporating broader social and environmental matters into our day-to-day decision making. Details of our corporate social responsibility and sustainability are set out in the Management Discussion and Analysis section on pages 22 to 23.

Staff

The Group recognises the importance of human capital to its growth and success, and in enhancing the good corporate governance culture of the Company. Details of our human resources and staff development & personal growth are set out in the Management Discussion and Analysis section on pages 21 to 22.

Directors and Senior Management

From Left To Right

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

DIRECTORS

WONG Yat Ming

Group Managing Director

Aged 59, has been the Group Managing Director since June 2009 and an Executive Director since December 2006. He is responsible for the overall business strategies and business operations of the Group. Prior to joining the Group, he was the Chief Executive, Consumer and Healthcare of Greater China of Inchcape Marketing Service and a director of Inchcape Pacific Limited. He joined Li & Fung group in 1999 as Regional Director of Li & Fung (Distribution) Limited. Mr Wong has over 30 years of experience in the distribution of consumer products and in particular, he has extensive experience in the distribution of fast moving consumer products in the Asia Pacific region. Mr Wong holds a Bachelor of Arts (Honours) degree in Economics and Philosophy from The University of Hong Kong.

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

Bruno LI Kwok Ho

Chief Financial Officer

Aged 60, is the Chief Financial Officer of the Group and an Executive Director since 1 July 2009. He is responsible for the finance and accounting, human resources and information technology functions of the Group. Prior to joining the Group, he was the Chief Financial Officer of Li & Fung (1937) Limited, a substantial shareholder of the Company, from January 2008 to June 2009. Mr Li joined the Li & Fung group in January 1991 as the Chief Financial Officer. From February 1993 to December 2007, he was appointed as the Retail Services Director of Li & Fung (Retailing) Limited (the retailing arm of the Li & Fung group) and took charge of all centralised supporting services, which comprised the areas of finance and accounting, human resources and administration, information technology and real estate. From January 2001 to August 2009, Mr Li was an executive director of Convenience Retail Asia Limited, a listed company in Hong Kong principally engaging in the operations of a chain of convenience stores and bakery shops in Hong Kong and the Chinese Mainland under the trade name of "Circle K" and "Saint Honore" respectively. Prior to joining the Li & Fung group, he gained extensive senior financial management experience with several multi-national trading and retailing groups such as Dairy Farm and Rhone Poulenc.

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

Sabrina FUNG Wing Yee

Executive Director

Aged 38, daughter of Dr Victor Fung Kwok King and niece of Dr William Fung Kwok Lun, is an Executive Director and was appointed to the Board in September 2007. She is responsible for corporate and marketing projects of the Group.

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

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

Dr Victor FUNG Kwok King, *GBS, CBE*

Non-executive Chairman
Chairman of Compensation Committee

Aged 64, brother of Dr William Fung Kwok Lun and father of Ms Sabrina Fung Wing Yee, has been the Chairman of the Company and a Non-executive Director since December 2006. Dr Fung is the Group Chairman of the Li & Fung group of companies including publicly listed Li & Fung Limited, Integrated Distribution Services Group Limited, Convenience Retail Asia Limited and the Company. In addition, he is a director of King Lun Holdings Limited, Li & Fung (1937) Limited, Li & Fung (Retailing) Limited and LiFung Trinity Limited (substantial shareholders of the Company). He is also a director of the Company's subsidiary. Dr Fung holds Bachelor and Master degrees in Electrical Engineering from the Massachusetts Institute of Technology, and a Doctorate in Business Economics from Harvard University.

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

Dr William FUNG Kwok Lun, *SBS, OBE, JP*

Non-executive Deputy Chairman

Aged 61, brother of Dr Victor Fung Kwok King and uncle of Ms Sabrina Fung Wing Yee, has been a Deputy Chairman of the Company and a Non-executive Director since December 2006. Dr Fung is the Group Managing Director of Li & Fung Limited and a non-executive director of other listed Li & Fung group companies, including Convenience Retail Asia Limited and Integrated Distribution Services Group Limited. He is also a director of the substantial shareholders of the Company, King Lun Holdings Limited, Li & Fung (1937) Limited, Li & Fung (Retailing) Limited and LiFung Trinity Limited. Dr Fung has held key positions in major trade associations. He is past Chairman of the Hong Kong General Chamber of Commerce, the Hong Kong Exporters' Association and the Pacific Economic Cooperation Committee. In 2008, the Hong Kong Government awarded Dr Fung the Silver Bauhinia Star for distinguished service to the community. He graduated from Princeton University with a Bachelor of Science degree in Engineering and holds a Master of Business Administration degree from the Harvard Graduate School of Business. He was conferred the degrees of Doctor of Business Administration, *honoris causa*, by the Hong Kong University of Science & Technology and by Hong Kong Polytechnic University. Dr Fung is a non-executive director of HSBC Holdings plc and an independent non-executive director of VTech Holdings Limited and Shui On Land Limited. He is also an independent non-executive director of Sun Hung Kai Properties Limited since 1 February 2010 and an independent director of Singapore Airlines Limited since 1 December 2009.

Jeremy Paul Egerton HOBBINS

Non-executive Deputy Chairman

Aged 62, is a Deputy Chairman of the Company and a Non-executive Director. He was appointed to the Board in December 2006 and was the Group Managing Director of the Company appointed in March 2007. In June 2009, he was appointed as a Deputy Chairman of the Company and was re-designated as a Non-executive Director. Mr Hobbins is responsible for overseeing the business of the Salvatore Ferragamo joint ventures. He is also a director of various companies within the Li & Fung group including Li & Fung (1937) Limited, a substantial shareholder of the Company and the publicly listed Integrated Distribution Services Group Limited and Convenience Retail Asia Limited. Mr Hobbins joined the Li & Fung group in 1999 and was the Group Managing Director of Li & Fung (Retailing) Limited and the previous Deputy Chairman of Li & Fung (Distribution) Limited. Prior to joining Li & Fung group, Mr Hobbins was the Chief Executive of Inchcape Marketing Services-Asia Pacific and the Chief Executive Officer of Inchcape Marketing Services Limited, which was listed in Singapore, from 1997 to 1998. In addition, he served as a member of the Group Management Board of Inchcape plc and a director of Inchcape NRG, a business machines joint-venture with Ricoh. Previously, he was the Chief Executive Officer of Inchcape Berhad, prior to which he was the Chief Executive Officer of Inchcape Buying Services from 1993 to 1996. Before joining the Inchcape group in 1993, he was the President and Chief Executive Officer of the Campbell Soup Company, United Kingdom and Ireland, and previously was President of the Dairy Division of Ault Foods, Canada. He has also held senior positions at Procter & Gamble, Hutchison Whampoa and Cadbury Schweppes.

Jose Hosea CHENG Hor Yin

Non-executive Director

Aged 43, is a Non-executive Director appointed in December 2006. Prior to joining the Li & Fung group in 2004, he held senior management positions in several multi-national investment firms. He started his career at Prudential Insurance Company of America in 1993 and later held the post of an Assistant Director at Prudential Asset Management Asia Hong Kong Limited till 1998. He was a Director at EM Warburg, Pincus & Co, Asia, Limited between 1998 and 2001 and also the Vice President at Investor Asia Limited between 2002 and 2003. He was instrumental in making investments in various companies engaged in consumer related businesses including Memorex International Inc, Summerine Media Inc, Cosmetic Group Holdings Limited, Eagle Brand Holdings Limited, Gilman Industrial Limited, and Kanematsu Textile Corporation. He holds a Bachelor of Arts degree in Philosophy from Queen's University in Canada.

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

Patrick SUN

Independent Non-executive Director
Chairman of Audit Committee

Aged 51, was appointed an Independent Non-executive Director on 1 October 2008. He is currently an independent non-executive director and non-executive chairman of Solomon Systech (International) Limited, an independent non-executive director of China Railway Group Limited (both are companies listed on the Stock Exchange) and a Vice-Chairman of The Chamber of Hong Kong Listed Companies. Mr Sun was a director of Value Convergence Holdings Limited and SW Kingsway Capital Holdings Limited (both of which are listed on the Stock Exchange), the Senior Country Officer and Head of Investment Banking for Hong Kong of JP Morgan, group executive director and Head of Investment Banking for Greater China of Jardine Fleming Holdings Limited, and independent non-executive director of The Link Management Limited. He was a member of the Takeovers & Mergers Panel and the Takeovers Appeal Committee, Deputy Convenor of the Listing Committee of the Stock Exchange and a council member of the Stock Exchange. He also served as Honorary Chief Executive Officer of The Chamber of Hong Kong Listed Companies.

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

Cassian CHEUNG Ka Sing

Independent Non-executive Director

Aged 54, was appointed an Independent Non-executive Director on 1 October 2008. Mr Cheung was the President of Wal-Mart China Co Ltd from 2002 to 2005, where he led the expansion of Wal-Mart retail stores in Mainland China and managed a team of over 20,000 associates. Prior to joining Wal-Mart, he was the President of Quaker Oats Asia, Inc, which managed amongst other brands, the Gatorade Sports Drinks and Quaker Cereals brands. Mr Cheung also worked in The Nestle Company from 1978 until 1994, and was the Chief Operating Officer-PRC for Nestle (China) Ltd from 1992 to 1994. Currently Mr Cheung is an executive director and Group Co-CEO of Next Media Ltd, a company listed on the Main Board of the Stock Exchange. Mr Cheung received a Master of Business Administration degree from the Kellogg School of Management, Northwestern University. He is the President of the Hong Kong Kellogg Alumni Club, and a member of the Kellogg Alumni Council of Asia. Mr Cheung is an advisory board member of the Business School of the Hong Kong University of Science and Technology ("HKUST"). Since 2005, Mr Cheung has also been an adjunct professor at the Business and Management School of the HKUST, where he teaches management courses in both the Master of Business Administration program and the undergraduate Global Business program.

Michael LEE Tze Hau

Independent Non-executive Director
Chairman of Nomination Committee

Aged 48, was appointed an Independent Non-executive Director on 1 October 2008. Mr Lee is the managing director of MAP Capital Limited, an investment management company. Prior to co-founding MAP Capital Limited, he was a director of Hysan Development Company Limited, a company listed on the Main Board of the Stock Exchange, from March 1990 to May 2007 (acting as managing director from June 2003 to May 2007) and later in January 2010, Mr Lee was appointed as its non-executive director. Mr Lee was a member of the Main Board and Growth Enterprise Market Listing Committee of the Stock Exchange and the Securities and Futures Commission (HKEC Listing) Committee. He is also an independent non-executive director of Tai Ping Carpets International Limited, Chen Hsong Holdings Limited and Hong Kong Exchanges and Clearing Limited (all of these companies are listed on the Main Board of the Stock Exchange) and a Steward of Hong Kong Jockey Club. Mr Lee started his career in the investment industry in 1987 and has since held senior management positions in multi-national investment companies including Indosuez Asia Investment Services Limited and Lloyd George Management. He also co-founded Asia Strategic Investment Management Limited in 1995. Educated in the United States, Mr Lee holds a Bachelor of Arts degree from Bowdoin College and a Master of Business Administration degree from Boston University.

Jean-Marc LOUBIER

Independent Non-executive Director

Aged 54, was appointed an Independent Non-executive Director on 1 June 2009. Prior to joining the Group, Mr Loubier was the Chief Executive Officer of ESCADA AG, a company listed on the Frankfurt Stock Exchange, from 1 June 2007 to 30 June 2008 and was a member of its supervisory board, and chairman of its strategy committee since November 2006. He had held managing positions for 16 years in the LVMH Group. Mr Loubier joined Louis Vuitton Malletier in 1990 as Director of Communications, and was later the Executive Vice President until 2000. He was the President and Chief Executive Officer of Celine and a board member of Comite Colbert, French Association of Luxury Companies from 2000 to 2006. Mr Loubier has an extensive and profound international experience in the luxury, fashion and retail industries. He is currently Chief Executive Officer of HKL Holding in Paris, France.

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

GROUP CHIEF COMPLIANCE OFFICER

James SIU Kai Lau

Group Chief Compliance Officer

Aged 65, joined the Group in 2007 as the Group Chief Compliance Officer. He first joined Li & Fung Limited group in 1993 as Chief Financial Officer until 1996 when he became its Chief Compliance Officer. He is an executive director of Li & Fung (1937) Limited, a substantial shareholder of the Li & Fung group of companies including publicly listed Li & Fung Limited, Integrated Distribution Services Group Limited and Convenience Retail Asia Limited of which he is also their respective Group Chief Compliance Officer. Prior to joining Li & Fung group, Mr Siu was the partner-in-charge (1981-1989) of the Hong Kong audit practice of Coopers & Lybrand (currently PricewaterhouseCoopers) specialising in advising corporate clients on mergers, acquisitions, finance and on public listings. His community work includes currently serving as member of the Supervisory Board of the Hong Kong Housing Society and Chairman of its Audit Committee (2001 to 2006) and a member of the Professional Accountants in Business Committee of the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (2002-2006). Mr Siu is a member of the Securities and Futures Commission Dual Filing Advisory Group and was the Deputy Chairman of the Corporate Governance Committee of the HKICPA (2007). He is also a Fellow of both the Institute of Chartered Accountants in Australia and the HKICPA. He is also a fellow member of the Hong Kong Institute of Directors. Mr Siu holds a Bachelor of Economics degree from University of Tasmania, Australia.

SENIOR MANAGEMENT

Godwin LAM Kin Ping

Managing Director – China

Aged 61, has been the Managing Director – China of the Group since May 2006 and is in charge of the overall operation supports for six international brands in the Chinese Mainland. Mr Lam joined Li & Fung group in January 2000 and was appointed as Managing Director for Land Ocean IDS Logistics Co, Ltd, a logistics joint venture company in Shanghai under Li & Fung (Distribution) Limited. From 1984 to 1999, Mr Lam held various senior management positions in certain Asian countries with Genstar Container Corp, the world's largest marine container leasing company, which was a part of GE Capital Company. In 1997 Mr Lam was appointed as Vice President – Asia Pacific of Genstar/GE SeaCo. Between 1978 and 1984, Mr Lam worked with OOCL in Osaka, Japan and was responsible for the overall sales and marketing activities covering west Japan. Mr Lam graduated from Keio University of Tokyo, Japan, with a Bachelor of Arts degree in Business & Commerce.

Michelle NG Keng Chu

Regional Managing Director

Aged 50, joined the Group on 1 April 2007 as Regional Managing Director primarily responsible for managing Salvatore Ferragamo. Ms Ng formed Branded Lifestyle, the fashion retailing arm of the Li & Fung group. Ms Ng has over 23 years experience in the retail business of luxury and fashion labels. Her previous portfolio of world-renowned brands includes Mango, Calvin Klein Jeans, Country Road and GANT in various markets in South East Asia and South Korea. Ms Ng joined Inchcape Berhad in 1986 handling personal care products, sports footwear and luxury goods, including Sheaffer pens, Vacheron Constantin, Nina Ricci and Givenchy watches as well as premium fashion labels including Ermenegildo Zegna and Karl Lagerfeld. Over the years at Inchcape Berhad, she played a key role in the expansion of the Salvatore Ferragamo franchise from Singapore to Indonesia, Malaysia and Thailand. In 1995, she struck a joint venture deal with Salvatore Ferragamo in Italy to expand the brand to South Korea covering both the domestic and duty free businesses. This joint venture was subsequently extended to South East Asia. Prior to joining Inchcape Berhad, she worked in Export Credit Insurance Corporation of Singapore in finance, Mulpha Sdn Bhd (Malaysia) in sales and IBM (United Kingdom) in marketing. Ms Ng holds a Bachelor of Arts (Honours) degree from Brighton University, United Kingdom.

Agnes SHEN

Brand Managing Director – Cerruti 1881 and Altea

Aged 55, is the Brand Managing Director of Cerruti 1881 and Altea. She is also a director of three retail subsidiaries of the Company. Ms Shen joined Trinity Retail (H.K.) Limited in 1978 where she was a Director of Merchandising responsible for product development, merchandising and retail operations between 1987 and 1996. She has extensive experience in product development and retail business of premium men's apparel. Ms Shen holds a Bachelor of Science degree in Business Administration (Economics) from the University of San Francisco, United States.

Raymond Mark CLACHER

Brand Managing Director – Gieves & Hawkes

Aged 46, is the Brand Managing Director of Gieves & Hawkes. He joined the Group on 1 October 2009. Mr Clacher joined Gieves UK Limited in September 2002, and was further appointed as the Retail Director in 2005 and took responsibility for the brand globally in 2006 when appointed as the Commercial Director. He has over 25 years retail operations experience in the United Kingdom. He was previously the Retail Operations Director for United Colors of Benetton from November 2000 to July 2002 and held senior management positions with Matalan, BHS, House of Fraser and Littlewoods Stores. Mr Clacher holds a national business diploma from Business Education Council in the United Kingdom.

David AU Wong Gay

Group Chief Marketing Officer

Aged 50, is the Group Chief Marketing Officer since January 2010. Mr Au is responsible for providing strategic corporate and functional marketing services to the Group. Mr Au has been the Marketing Consultant of the Group since February 2009. Prior to joining the Group, Mr Au held senior positions with global luxury brands and was Chief Marketing Officer at Ermenegildo Zegna Group in Milan, Italy and International Communication Director at Celine in Paris, France. He has extensive luxury, retail and menswear marketing experience.

Information for Investors

Listing Information

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

Key Dates

31 March 2010

Announcement of 2009 Final Results

25 May to 1 June 2010 (both days inclusive)

Closure of Register of Members

1 June 2010

Annual General Meeting

2 June 2010

Despatch of 2009 Final Dividend warrants

Share Information

Board lot size

2,000 shares

Shares outstanding as at 31 December 2009

1,574,254,883 shares

Market capitalisation as at 31 December 2009

HK$5,021,873,076

Dividend per share for 2009

Interim	–
Final	**7.0 HK cents**
Full Year	**7.0 HK cents**

Share Registrar and Transfer Offices

Principal:

Butterfield Fulcrum Group (Bermuda) Limited

Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

Hong Kong Branch:

Tricor Investor Services Limited

26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Enquiries Contact

Mr Bruno LI Kwok Ho

Executive Director/Chief Financial Officer
Telephone number: (852) 2342 1151
Facsimile number: (852) 2343 4708
e-mail: info@lftrinity.com

Trinity Limited

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

Website

www.trinity-limited.com

Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 31 December 2009.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 43 to the financial statements.

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

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 59.

The directors recommend the payment of a final dividend of 7.0 HK cents per ordinary share.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 29 to the financial statements.

Distributable Reserves

As at 31 December 2009, the Company's distributable reserves available for distribution to shareholders under the Companies Act 1981 of Bermuda (as amended) amounted to HK$137,679,000 (2008: HK$74,787,000).

Donations

Charitable and other donations made by the Group during the year amounted to HK$100,000.

Discontinued Operations

Details of the Discontinued Operations are set out in note 36 to the financial statements.

Property, Plant and Equipment

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

Share Capital

Details of the movements in share capital of the Company are set out in note 28 to the financial statements.

Pre-Emptive Rights

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

Financial Summary

A summary of the results and of the assets and liabilities of the Group as at 31 December 2009 and for the previous three years are set out on page 132 as the published results are available only from 2006.

Purchase, Sale or Redemption of Securities

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

Share Option Schemes

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

Pre-IPO Share Option Scheme

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

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

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

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

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

On 16 October 2009, options to subscribe for an aggregate of 45,194,000 Shares, representing approximately 2.87% of the total number of issued Shares as at the date of this report, at a subscription price equal to the Offer Price of HK$1.65 were granted under the Pre-IPO Share Option Scheme to recognise the contributions of certain Directors, employees and officers of the Group and the affiliates to the growth of the Group and to incentivise them going forward.

Each option has a five-year exercise period commencing on the Listing Date and all options granted under the Pre-IPO Share Option Scheme can be exercised in two tranches during the periods from 3 November 2010 to 2 November 2014 and 3 November 2011 to 2 November 2014 respectively.

Post-IPO Share Option Scheme

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

(i) Purpose

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

(ii) Qualifying participants

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

(iii) Maximum number of shares

The total number of Shares that may be issued upon exercise of all options to be granted under the Share Option Schemes and any other schemes must not in aggregate exceed 10% of the Shares in issue as at the Listing Date or 30% of the Shares in issue from time to time. No options may be granted under the Scheme if this will result in such limit being exceeded. As at 31 December 2009, the number of Shares available for issue in respect thereof is 66,932,488 and this represents approximately 4.25% of the issued share capital of the Company as at the date of this report.

(iv) Limit for each qualifying participant

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

(v) Option period

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

(vi) Acceptance and payment on acceptance

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

(vii) Subscription price

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

(viii) Remaining life of the Scheme

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

On 26 November 2009, options to subscribe for an aggregate of 38,520,000 Shares, representing approximately 2.45% of the total number of issued Shares as at the date of this report, at a subscription price of HK$2.45 were granted to certain Eligible Persons including three Executive Directors of the Company.

Share Options

Details of the share options granted under the Share Option Schemes and remain outstanding as at 31 December 2009 are as follows:

	Scheme Type	Number of Share Options As at 01/01/2009	Granted	Exercised	Cancelled/ Lapsed	As at 31/12/2009	Exercise Price *HK$*	Grant Date	Exercisable Period
WONG Yat Ming	Pre-IPO	–	3,750,000 [(1)]	–	–	3,750,000	1.65	16/10/2009	03/11/2010 – 02/11/2014
Director	Pre-IPO	–	3,750,000 [(1)]	–	–	3,750,000	1.65	16/10/2009	03/11/2011 – 02/11/2014
	Post-IPO	–	1,600,000 [(2)]	–	–	1,600,000	2.45	26/11/2009	26/11/2010 – 25/11/2012
	Post-IPO	–	1,600,000 [(2)]	–	–	1,600,000	2.45	26/11/2009	26/11/2011 – 25/11/2013
	Post-IPO	–	1,600,000 [(2)]	–	–	1,600,000	2.45	26/11/2009	26/11/2012 – 25/11/2014
Bruno LI Kwok Ho	Pre-IPO	–	1,500,000 [(1)]	–	–	1,500,000	1.65	16/10/2009	03/11/2010 – 02/11/2014
Director	Pre-IPO	–	1,500,000 [(1)]	–	–	1,500,000	1.65	16/10/2009	03/11/2011 – 02/11/2014
	Post-IPO	–	800,000 [(2)]	–	–	800,000	2.45	26/11/2009	26/11/2010 – 25/11/2012
	Post-IPO	–	800,000 [(2)]	–	–	800,000	2.45	26/11/2009	26/11/2011 – 25/11/2013
	Post-IPO	–	800,000 [(2)]	–	–	800,000	2.45	26/11/2009	26/11/2012 – 25/11/2014
Sabrina FUNG	Pre-IPO	–	700,000 [(1)]	–	–	700,000	1.65	16/10/2009	03/11/2010 – 02/11/2014
Wing Yee	Pre-IPO	–	700,000 [(1)]	–	–	700,000	1.65	16/10/2009	03/11/2011 – 02/11/2014
Director	Post-IPO	–	700,000 [(2)]	–	–	700,000	2.45	26/11/2009	26/11/2010 – 25/11/2012
	Post-IPO	–	700,000 [(2)]	–	–	700,000	2.45	26/11/2009	26/11/2011 – 25/11/2013
	Post-IPO	–	700,000 [(2)]	–	–	700,000	2.45	26/11/2009	26/11/2012 – 25/11/2014
Jeremy Paul	Pre-IPO	–	1,000,000 [(1)]	–	–	1,000,000	1.65	16/10/2009	03/11/2010 – 02/11/2014
Egerton HOBBINS	Pre-IPO	–	1,000,000 [(1)]	–	–	1,000,000	1.65	16/10/2009	03/11/2011 – 02/11/2014
Director									
Continuous Contract	Pre-IPO	–	12,372,000 [(1)]	–	–	12,372,000	1.65	16/10/2009	03/11/2010 – 02/11/2014
Employees	Pre-IPO	–	12,372,000 [(1)]	–	–	12,372,000	1.65	16/10/2009	03/11/2011 – 02/11/2014
	Post-IPO	–	8,040,000 [(2)]	–	–	8,040,000	2.45	26/11/2009	26/11/2010 – 25/11/2012
	Post-IPO	–	8,040,000 [(2)]	–	–	8,040,000	2.45	26/11/2009	26/11/2011 – 25/11/2013
	Post-IPO	–	8,040,000 [(2)]	–	–	8,040,000	2.45	26/11/2009	26/11/2012 – 25/11/2014
Other Participants	Pre-IPO	–	3,275,000 [(1),(3)]	–	–	3,275,000	1.65	16/10/2009	03/11/2010 – 02/11/2014
	Pre-IPO	–	3,275,000 [(1),(3)]	–	–	3,275,000	1.65	16/10/2009	03/11/2011 – 02/11/2014
	Post-IPO	–	1,700,000 [(2)]	–	–	1,700,000	2.45	26/11/2009	26/11/2010 – 25/11/2012
	Post-IPO	–	1,700,000 [(2)]	–	–	1,700,000	2.45	26/11/2009	26/11/2011 – 25/11/2013
	Post-IPO	–	1,700,000 [(2)]	–	–	1,700,000	2.45	26/11/2009	26/11/2012 – 25/11/2014

Notes:

1. *No market price was available before the Listing Date.*
2. *The closing market price per Share immediately before the date on which the share options were granted was HK$2.45.*
3. *These respectively included the share options to subscribe for 750,000 Shares granted to a former Director, Mr Leong Kwok Yee.*
4. *The above options granted are recognised as expenses in the financial statements in accordance with the Company's accounting policy as set out in note 3.16(iv) to the financial statements. Other details of share options granted by the Company are set out in note 28 to the financial statements.*

Directors

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

Non-executive Directors

Dr Victor FUNG Kwok King *(Chairman)*
Dr William FUNG Kwok Lun
Jeremy Paul Egerton HOBBINS
(re-designated as Non-executive Director on 1 June 2009)
Jose Hosea CHENG Hor Yin
LEONG Kwok Yee
(re-designated as Non-executive Director on 1 February 2009 and resigned on 17 August 2009)

Independent Non-executive Directors

Cassian CHEUNG Ka Sing
Michael LEE Tze Hau
Patrick SUN
Jean-Marc LOUBIER
(appointed on 1 June 2009)
Evan Mervyn DAVIES
(resigned on 14 January 2009)

Executive Directors

WONG Yat Ming
Bruno LI Kwok Ho
(appointed on 1 July 2009)
Sabrina FUNG Wing Yee

In accordance with Bye-law 84 of the Company's Bye-law, Dr Victor FUNG Kwok King, Mr Jose Hosea CHENG Hor Yin and Mr WONG Yat Ming will retire by rotation at the forthcoming Annual General Meeting. In addition, in accordance with Bye-law 83 of the Company's Bye-law, Mr Bruno LI Kwok Ho and Mr Jean-Marc LOUBIER will retire at the forthcoming Annual General Meeting. All of these retiring Directors, being eligible, will offer themselves for re-election.

Directors' Service Contracts

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

Directors' Interests in Contracts

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year except as disclosed under "Connected Transactions" stated below and note 40 "Related Party Transactions" to the financial statements.

Directors' Interests and Short Positions in Securities

As at 31 December 2009, the Directors and chief executive of the Company and their associates had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"):

Long Position in Shares and Underlying Shares of the Company

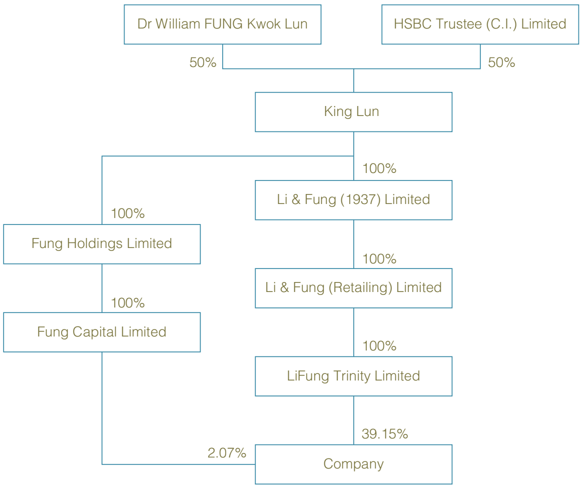
Name of Directors	Number of Shares			Equity Derivatives (share options)	Total	Approximate Percentage of Issued Share Capital (%)
	Personal Interest	Family Interest	Corporate/ Trust Interest			
Victor FUNG Kwok King	–	–	649,027,555 (1)	–	649,027,555	41.22
William FUNG Kwok Lun	–	–	649,027,555 (1)	–	649,027,555	41.22
Sabrina FUNG Wing Yee	–	–	649,027,555 (1)	3,500,000	652,527,555	41.44
Jose Hosea CHENG Hor Yin	–	–	65,227,590 (2)	–	65,227,590	4.14
WONG Yat Ming	47,776,563	–	–	12,300,000	60,076,563	3.81
Jeremy Paul Egerton HOBBINS	–	–	4,234,500 (3)	2,000,000	6,234,500	0.39
Bruno LI Kwok Ho	–	–	–	5,400,000	5,400,000	0.34

Notes:

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

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

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



2. *The 65,227,590 Shares were held by SperoTrinity Limited, a company wholly owned by Mr Jose Hosea CHENG Hor Yin. Therefore, Mr Jose Hosea CHENG Hor Yin was deemed to be interested in these Shares.*
3. *The 4,234,500 Shares were held by Martinville Holdings Limited, a company wholly owned by Mr Jeremy Paul Egerton HOBBINS. Therefore, Mr Jeremy Paul Egerton HOBBINS was deemed to be interested in these Shares.*

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

Save as disclosed above, as at 31 December 2009, none of the Directors and chief executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

Interests and Short Positions of Substantial Shareholders

As at 31 December 2009, other than the Directors and chief executive of the Company, the following persons had interests or short positions in the Shares as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholders	Capacity	Number of Shares	Approximate Percentage of Issued Share Capital (%)
LiFung Trinity Limited	Beneficial owner (1)	616,413,760	39.15
Li & Fung (Retailing) Limited	Interest of controlled corporation (1)	616,413,760	39.15
Li & Fung (1937) Limited	Interest of controlled corporation (1)	616,413,760	39.15
King Lun Holdings Limited	Interest of controlled corporation (1)	649,027,555	41.22
HSBC Trustee (C.I.) Limited	Trustee (2)	649,027,555	41.22
Capital Research and Management Company	Investment Manager	82,337,500	5.23
Janus Capital Management LLC	Investment Manager	82,337,500	5.23
Alkeon Capital Management LLC	Investment Manager (3)	82,000,000	5.20
Mr Panayotis SPARAGGIS	Interest of controlled corporation (3)	82,000,000	5.20

Notes:

1. *LiFung Trinity Limited was an indirect wholly owned subsidiary of King Lun, with Li & Fung (Retailing) Limited and Li & Fung (1937) Limited as the intermediate holding companies along the chain of ownership. Therefore, Li & Fung (Retailing) Limited, Li & Fung (1937) Limited and King Lun were all deemed to be interested in the 616,413,760 Shares held by LiFung Trinity Limited. King Lun was also deemed to be interested in 32,613,795 Shares held by its indirect wholly owned subsidiary, Fung Capital Limited. Therefore, King Lun was deemed to be interested in 649,027,555 Shares in aggregate.*
2. *HSBC Trustee (C.I.) Limited, the trustee of a trust established for the benefit of the family members of Dr Victor FUNG Kwok King, owned 50% of the issued share capital of King Lun.*
3. *Alkeon Capital Management LLC was owned as to 51.5% by Mr Panayotis SPARAGGIS. Therefore, Mr Panayotis SPARAGGIS was deemed to be interested in the 82,000,000 Shares interested by Alkeon Capital Management LLC.*

Save as disclosed above, as at 31 December 2009, the Company had not been notified by any person, other than a Director or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which were recorded or required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

Biographical Details of Directors and Senior Management

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

Management Contracts

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

Major Suppliers and Customers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	11.3%
– five largest suppliers in aggregate	38.6%

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

None of the Directors, their associates (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in these major suppliers or customers. The Group's five largest suppliers include Lever Style Inc ("Lever Style"), in which Fung Trinity Holdings Limited ("Fung Trinity Holdings"), a fellow subsidiary of Li & Fung (1937) Limited ("LF1937") holds 25% of its issued ordinary shares, while the remaining 75% of its issued ordinary shares is held by Lever Style Holdings Limited. The Directors confirm that the Group's purchases from Lever Style were conducted at arm's length and on normal commercial terms no more favourable than those offered to other suppliers.

Connected Transactions

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

(i) Provision of warehousing and logistics related services

Since 1 April 2008, certain associates of LF1937, a substantial shareholder of the Company, have been providing warehousing and logistics related services (the "Services") to the Group. On 15 October 2009, the Company entered into a master agreement with LF1937 (the "Master Agreement") governing the principal terms on which the Services will from time to time be provided by LF1937 and its associates to the Group in Hong Kong and the Mainland of China. The provision of the Services pursuant to the Master Agreement constituted continuing connected transactions under the Listing Rules. In this respect, the Group incurred service charges of HK$8,565,000 for the year ended 31 December 2009.

(ii) Lease arrangements

The Group has been leasing certain office premises in Shanghai from a subsidiary of LF1937 pursuant to the tenancy agreements entered into on 28 September 2007. Rental for the lease arrangements were negotiated between parties with reference to the then prevailing market rates. In this respect, the Group incurred rental of HK$3,773,000 for the year ended 31 December 2009.

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

On 9 October 2009, the Group entered into separate licensing agreements with subsidiaries and an associate of LF1937 for the use of parts of a building and related office facilities in Hong Kong. In this respect, the licence fees charged by the Group amounted to HK$789,000 for the year ended 31 December 2009.

(iv) Provision of management services

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

As disclosed in the Company's Prospectus, the management fee to be charged by the Group for each of the 12-month period ending on 31 August 2010, 2011 and 2012 will not exceed HK$25 million. The management fee charged by the Group for the year ended 31 December 2009 was HK$7 million.

(v) Sourcing of products

On 15 October 2009, the Company entered into an agreement with a fellow subsidiary of LF1937 in relation to the provision of product supply service in the Mainland of China or other Asian countries for a term of not more than 36 months. As disclosed in the Company's Prospectus, the amount of products to be purchased by the Group for each of the 12-month period ending on 30 September 2010, 2011 and 2012 respectively will not exceed HK$28 million, HK$31 million and HK$34 million respectively. The provision of product supply service constituted a continuing connected transaction and the purchases for the year ended 31 December 2009 was HK$43,000.

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

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

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

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

Pursuant to paragraph 14A.38 of the Listing Rules, the Board of Directors engaged the Company's auditor to perform certain factual finding procedures in respect of the continuing connected transactions set out above as items (i) to (iii) on a sample basis in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has, based on the procedures performed, provided a letter to the Board of Directors stating that transactions set out above as items (i) to (iii):

(a) have been approved by the Company's Board of Directors;

(b) have been entered into in accordance with the terms of the relevant agreements governing the transactions; and

(c) have not exceeded the relevant cap amounts for the financial year ended 31 December 2009 as set out in the Company's Prospectus.

As disclosed in the Company's Prospectus, the Board of Directors will engage the Company's auditor to report on transactions set out as items (iv) to (v) above as required under paragraph 14A.38 of the Listing Rules in respect of the completed 12-month period preceding the issue of the Company's annual report. The first report stating the auditor's findings of these transactions will be disclosed in the Company's 2010 annual report which will be despatched in 2011.

Save as disclosed above, none of the transactions disclosed as related party transactions in note 40 to the financial statements is a connected transaction or a continuing connected transaction for the Group as defined under the Listing Rules or they are connected transactions or continuing connected transactions for the Company exempted from the reporting requirements under the Listing Rules.

Public Float

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

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these financial statements for the year ended 31 December 2009, the Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent and reasonable; and have prepared the financial statements on the going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

Auditor

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

On behalf of the Board

Victor FUNG Kwok King
Chairman

Hong Kong, 31 March 2010

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

TO THE SHAREHOLDERS OF TRINITY LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Trinity Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 59 to 131, which comprise the consolidated and Company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements 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.

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000 (Restated)
Continuing Operations			
Revenue	6	**1,645,178**	1,528,352
Cost of sales		**(434,632)**	(418,586)
Gross profit		**1,210,546**	1,109,766
Other income	8	**38,800**	32,754
Selling and marketing expenses		**(694,285)**	(644,146)
Administrative expenses		**(296,603)**	(323,083)
Other gains – net	9	**3,918**	19,003
Operating profit		**262,376**	194,294
Finance income		**362**	3,363
Finance costs		**(27,325)**	(50,895)
Finance costs – net	10	**(26,963)**	(47,532)
Share of profit of jointly controlled entities	20	**28,163**	42,318
Profit before income tax		**263,576**	189,080
Income tax expenses	11	**(75,655)**	(67,514)
Profit for the year from Continuing Operations		**187,921**	121,566
Discontinued Operations			
Loss for the year from Discontinued Operations	36	**(8,258)**	(17,765)
		179,663	103,801
Attributable to:			
Shareholders of the Company		**179,663**	98,035
Minority interests		**–**	5,766
		179,663	103,801
Basic earnings/(losses) per share attributable to shareholders of the Company during the year (expressed in HK cents per share)	13		
– from Continuing Operations		**14.9 cents**	9.6 cents
– from Discontinued Operations		**(0.7) cents**	(1.4) cents
		14.2 cents	8.2 cents
Diluted earnings/(losses) per share attributable to shareholders of the Company during the year (expressed in HK cents per share)	13		
– from Continuing Operations		**14.8 cents**	9.6 cents
– from Discontinued Operations		**(0.6) cents**	(1.4) cents
		14.2 cents	8.2 cents

The notes on pages 66 to 131 are an integral part of these consolidated financial statements. Details of dividends of HK$110,198,000 (2008: HK$57,848,000) are set out in note 16 to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Profit for the year	**179,663**	103,801
Other comprehensive income		
Currency translation differences	**19,940**	(24,852)
Share of cash flow hedging reserve of jointly controlled entities:		
Fair value (losses)/gains	**(6,433)**	6,433
Total comprehensive income for the year	**193,170**	85,382
Total comprehensive income attributable to		
– Shareholders of the Company	**193,170**	79,120
– Minority interests	**–**	6,262
	193,170	85,382

The notes on pages 66 to 131 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2009

	Note	**2009** **HK$'000**	2008 HK$'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	17	**121,157**	144,478
Intangible assets	18	**1,627,460**	1,637,238
Investments in jointly controlled entities	20	**190,097**	145,583
Deposit and prepayments	21	**31,511**	43,863
Deferred income tax assets	22	**51,949**	68,953
		2,022,174	2,040,115
Current assets			
Inventories	23	**385,283**	633,483
Trade receivables	24	**172,814**	223,252
Deposit and prepayments	21	**34,406**	91,435
Amounts due from related parties	40(b)	**3,456**	15,360
Cash and cash equivalents	27	**518,240**	145,177
		1,114,199	1,108,707
Total assets		**3,136,373**	3,148,822
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	28	**157,425**	120,517
Share premium	28	**1,515,001**	1,041,310
Reserves	29	**343,618**	182,029
Total equity		**2,016,044**	1,343,856

The notes on pages 66 to 131 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet *(continued)*

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000 (Restated)
LIABILITIES			
Non-current liabilities			
Provision for long service payments	30	**5,071**	6,986
Retirement benefit obligations	31	**12,229**	7,700
Other payables and accrued expenses	32	**42,450**	48,028
Deferred income tax liabilities	22	**61,445**	48,873
Borrowings	34	**623,000**	939,071
		744,195	1,050,658
Current liabilities			
Trade payables	33	**55,735**	68,067
Other payables and accrued expenses	32	**216,805**	209,640
Amounts due to related parties	40(b)	**2,141**	105,177
Current income tax liabilities		**9,654**	20,238
Borrowings	34	**91,799**	351,186
		376,134	754,308
Total liabilities		**1,120,329**	1,804,966
Total equity and liabilities		**3,136,373**	3,148,822
Net current assets		**738,065**	354,399
Total assets less current liabilities		**2,760,239**	2,394,514

On behalf of the Board

Victor FUNG Kwok King
Director

WONG Yat Ming
Director

The notes on pages 66 to 131 are an integral part of these consolidated financial statements.

Balance Sheet of the Company

As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	19(a)	**1,957,477**	1,957,477
Current assets			
Prepayments		**198**	33,094
Amounts due from subsidiaries	19(b)	**382,400**	200,000
Cash and cash equivalents		**29**	9
		382,627	233,103
Total assets		**2,340,104**	2,190,580
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	28	**157,425**	120,517
Share premium	28	**1,515,001**	1,041,310
Reserves	29	**145,049**	74,787
Total equity		**1,817,475**	1,236,614
LIABILITIES			
Non-current liabilities			
Borrowings	34	**500,000**	930,000
Current liabilities			
Other payables and accrued expenses	32	**22,629**	15,152
Amount due to a subsidiary	19(b)	**–**	8,814
		22,629	23,966
Total liabilities		**522,629**	953,966
Total equity and liabilities		**2,340,104**	2,190,580
Net current assets		**359,998**	209,137
Total assets less current liabilities		**2,317,475**	2,166,614

On behalf of the Board

Victor FUNG Kwok King
Director

WONG Yat Ming
Director

The notes on pages 66 to 131 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Note	Share capital HK$'000	Share premium HK$'000	Retained earnings HK$'000	Other reserves HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
		Attributable to shareholders of the Company						
Balance at 1 January 2008 (restated)	29	114,920	859,277	340,458	(199,926)	1,114,729	70,702	1,185,431
Comprehensive income								
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	–	–	–
Total comprehensive income		–	–	94,679	(15,559)	79,120	6,262	85,382
Transaction with owners								
Dividends paid to minority shareholders		–	–	–	–	–	(18,620)	(18,620)
Acquisition of minority interests		–	–	–	(37,623)	(37,623)	(58,344)	(95,967)
Issue of ordinary shares	28	5,597	182,033	–	–	187,630	–	187,630
Total transaction with owners		5,597	182,033	–	(37,623)	150,007	(76,964)	73,043
Balance at 31 December 2008		120,517	1,041,310	435,137	(253,108)	1,343,856	–	1,343,856
Balance at 1 January 2009 (restated)	29	**120,517**	**1,041,310**	**435,137**	**(253,108)**	**1,343,856**	**–**	**1,343,856**
Comprehensive income								
Exchange differences		**–**	**–**	**–**	**19,940**	**19,940**	**–**	**19,940**
Profit for the year		**–**	**–**	**179,663**	**–**	**179,663**	**–**	**179,663**
Share of cash flow hedging reserve of jointly controlled entities:								
Fair value losses for the year		**–**	**–**	**–**	**(6,433)**	**(6,433)**	**–**	**(6,433)**
Total comprehensive income		**–**	**–**	**179,663**	**13,507**	**193,170**	**–**	**193,170**
Transaction with owners								
Employee share option benefit		**–**	**–**	**–**	**7,370**	**7,370**	**–**	**7,370**
Dividends paid	16	**–**	**–**	**(57,848)**	**–**	**(57,848)**	**–**	**(57,848)**
Deemed contributions from intermediate holding company	29(c)	**–**	**–**	**–**	**21,686**	**21,686**	**–**	**21,686**
Transfer of reserve upon disposal of Discontinued Operations		**–**	**–**	**13,827**	**(13,827)**	**–**	**–**	**–**
Acquisition of a subsidiary	38(a)	**–**	**–**	**–**	**(2,789)**	**(2,789)**	**–**	**(2,789)**
Issue of ordinary shares	28	**36,908**	**473,691**	**–**	**–**	**510,599**	**–**	**510,599**
Total transaction with owners		**36,908**	**473,691**	**(44,021)**	**12,440**	**479,018**	**–**	**479,018**
Balance at 31 December 2009		**157,425**	**1,515,001**	**570,779**	**(227,161)**	**2,016,044**	**–**	**2,016,044**

The notes on pages 66 to 131 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2009

	Note	**2009** **HK$'000**	2008 HK$'000 (Restated)
Continuing Operations			
Cash flows from operating activities			
Cash generated from operations	35(a)	**564,920**	68,508
Interest paid		**(6,806)**	(5,651)
Income tax paid		**(62,772)**	(87,642)
Net cash generated from/(used in) operating activities		**495,342**	(24,785)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(49,964)**	(84,055)
Acquisition of intangible assets	18	**–**	(129,506)
Acquisition of subsidiaries, net of cash acquired	38	**(2,789)**	(2,165)
Additional investment in a jointly controlled entity	20	**(2,259)**	–
Interest received	10	**362**	3,363
Dividend received from jointly controlled entities		**11,942**	–
Net cash used in investing activities		**(42,708)**	(212,363)
Cash flows from financing activities			
Interest paid		**(34,115)**	(64,707)
Proceeds from issuance of ordinary shares	28	**608,985**	103,557
Proceeds from borrowings		**1,285,428**	397,339
Repayment of borrowings		**(1,776,977)**	(855,735)
Dividends paid	16	**(57,848)**	(18,620)
Share issuance cost		**(82,083)**	–
Net cash used in financing activities		**(56,610)**	(438,166)
Net increase/(decrease) in cash and cash equivalents from Continuing Operations		**396,024**	(675,314)
Discontinued Operations			
(Decrease)/increase in cash and cash equivalents from Discontinued Operations	36(a)	**(22,961)**	68
Cash and cash equivalents at beginning of the year		**145,177**	820,423
Cash and cash equivalents at end of the year	27	**518,240**	145,177

The notes on pages 66 to 131 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

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

The consolidated financial statements are presented in thousand of units of Hong Kong dollars, unless otherwise stated. Prior to the Company's listing on the Stock Exchange, the Directors regarded King Lun Holdings Limited ("King Lun"), a company incorporated in the British Virgin Islands, as 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. Subsequent to the issuance of new shares pursuant to the Listing, the equity interests held by King Lun and its subsidiaries (the "Parent Group") in the Company fell below 50%. As a result, the Parent Group became the substantial shareholder of the Company.

On 1 June 2009, the Company acquired BLS (Private Labels) Holdings Limited and its subsidiaries ("BLS Private Label"), which is engaged in the retailing of menswear of owned brands, such as Leo, Gibo and Uffizi (the "Discontinued Operations"), under common control from BLS Holdings Limited ("BLS Holdings"), a fellow subsidiary of the Company. Subsequently on 25 August 2009, the entire equity interest in BLS Private Label was reverted back from the Company to BLS Holdings. Accordingly, the Group is engaged in the Continuing Operations only since then and the results of Discontinued Operations for the period from 1 January to 25 August 2009 and for the year ended 31 December 2008, as detailed in note 36, have been presented as Discontinued Operations under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

2 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention.

The acquisition of BLS Private Label has involved companies under common control, and accordingly, it has been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combination" issued by the HKICPA, as if the Discontinued Operations had been with the Group since the business first came under the control of the Parent Group. As a result. the comparative figures in the consolidated financial statements have been restated to reflect the effect of the merger accounting. Accounting adjustments under common control combination are set out in note 29.

The consolidated financial statements include the financial position, results and cash flows of the companies comprising the Group (including companies engaged in Continuing Operations and Discontinued Operations) 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.

3 Summary of principal accounting policies

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

The preparation of the financial statements 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 consolidated financial statements, are disclosed in note 5.

(a) The Group has adopted the following new and amended HKFRS and interpretation to existing standard, which are mandatory for accounting periods beginning on or after 1 January 2009 and relevant to the Group:

HKAS 1 (Revised)	Presentation of Financial Statements
HKFRS 1 and HKAS 27 Amendments	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 Amendment	Vesting Conditions and Cancellations
HKFRS 7 Amendment	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 13	Customer Loyalty Programmes
Annual Improvements Project	Improvements to HKFRSs

The adoption of such new and amended HKFRSs and interpretations does not have material impact on the consolidated financial statements and does not result in substantial changes to the Group's accounting policies except certain changes on the presentation of the consolidated financial statements.

HKAS 1 (Revised), "Presentation of Financial Statements", requires all non-owner changes in equity to be shown in a performance statement, but entities can choose whether to present one performance statement (a statement of comprehensive income) or two statements (a separate income statement and a statement of comprehensive income). The Group has elected to present two statements: the consolidated income statement and the consolidated statement of comprehensive income.

HKFRS 7 Amendment, "Improving Disclosures about Financial Instruments", requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of HKFRS 7 does not have any material impact on the Group's consolidated financial statements as the Group does not have material financial assets and liabilities that are measured at fair value as at 31 December 2009 and 2008.

HKFRS 8, "Operating Segments", requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the senior executive management of the Group that makes strategic decisions. Goodwill is allocated by management to groups of cash-generating units on a segment level. There has been no further impact on the measurement of the Group's assets.

3 Summary of principal accounting policies *(Continued)*

(b) The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting period beginning on or after 1 January 2010 or later periods but the Group has not early adopted them:

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 1 (Amendment), 'Additional exemptions for first-time adopters'. The amendments address the retrospective application of HKFRSs to particular situations and aims to ensure that entities applying HKFRSs will not face undue cost or effort in the transition process. The amendment is not applicable to the Group as it is not the first time adopter.

HKFRS 2 (Amendment), 'Group cash-settled share-based payment transaction'. In addition to incorporating HK (IFRIC)-Int 8, "Scope of HKFRS 2", and HK(IFRIC)-Int 11, "HKFRS 2 – Group and treasury share transactions", the amendments expand on the guidance in HK(IFRIC)-Int 11 to address the accounting in the separate financial statements of a subsidiary when its suppliers/employees will receive cash payments from the parent that are linked to the price of the equity instruments of an entity in the group. The parent, and not the entity, has the obligation to deliver cash. The amendments state that the entity shall account for the transaction with its suppliers/employees as equity-settled, and recognise a corresponding increase in equity as a contribution from its parent. The subsidiary shall remeasure the cost of the transaction subsequently for any changes resulting from non-market vesting conditions not being met in accordance with paragraphs 19-21. This differs from the measurement of the transaction as cash-settled in the consolidated financial statements of the group. The Group will apply HKFRS 2 (Amendment) from 1 January 2010.

HKAS 27 (revised), 'Consolidated and separate financial statements'. The revised standard requires the effects of all transactions with minority interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (revised) from 1 January 2010.

HKFRS 3 (revised), 'Business Combinations'. 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 statements. 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.

3 Summary of principal accounting policies *(Continued)*

(b) The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting period beginning on or after 1 January 2010 or later periods but the Group has not early adopted them: *(Continued)*

HK(IFRIC)-Int 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)-Int 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.

3 Summary of principal accounting policies *(Continued)*

(b) The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting period beginning on or after 1 January 2010 or later periods but the Group has not early adopted them: *(Continued)*

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.

HKAS 38 (amendment) '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)-Int 9 'Reassessment of embedded derivatives', effective for periods beginning on or after 1 July 2009. This amendment aligns the scope of HK(IFRIC)-Int 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)-Int 9 (amendment) from 1 January 2010.

Amendment to HK(IFRIC)-Int 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.

3 Summary of principal accounting policies *(Continued)*

(c) The Group has not early adopted the following new and amended standards and interpretations of HKFRS that have been issued and are mandatory for the Group's accounting periods beginning on or after 1 January 2011. The adoption of such new and amended standards and interpretations will have no material impact on the consolidated financial statements and will not result in substantial changes to the Group's accounting policies.

HKAS 24 (Revised)	Related party disclosures
HKAS 32 Amendment	Classification of Rights Issues
HKFRS 9	Financial Instruments
HK(IFRIC)-Int 14 Amendment	Prepayment of Minimum Funding Requirements
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

3.1 Merger accounting for common control combination

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

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

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

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

3.2 Consolidation

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

(i) Subsidiaries

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

3 Summary of principal accounting policies *(Continued)*

3.2 Consolidation *(Continued)*

(i) Subsidiaries (Continued)

Except for acquisition of entities or businesses under common control using merger accounting as explained in notes 2 and 3.1 of this section, the purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Under the purchase method, the cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

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

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

(ii) Jointly controlled entities

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

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

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

Dilution 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.

3 Summary of principal accounting policies *(Continued)*

3.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's senior executive management. 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.

3.4 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 consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

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

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.

3 Summary of principal accounting policies *(Continued)*

3.4 Foreign currency translation *(Continued)*

(iii) Group companies

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

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

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

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

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

3.5 Property, plant and equipment

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

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

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

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

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

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

3 Summary of principal accounting policies *(Continued)*

3.6 Intangible assets

(i) Goodwill

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units 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 when there is an indication of impairment. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives (10 to 11 years).

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

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

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

3 Summary of principal accounting policies *(Continued)*

3.8 Inventories

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

3.9 Financial assets

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

Loans and receivables

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

3.10 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.

3.11 Cash and cash equivalents

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

3.12 Share capital

Ordinary shares are classified as equity.

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

3 Summary of principal accounting policies *(Continued)*

3.13 Trade payables

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

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

3.14 Borrowings

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

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

3.15 Current and deferred income tax

The tax expense for the year 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 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.

3 Summary of principal accounting policies *(Continued)*

3.15 Current and deferred income tax *(Continued)*

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 assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.16 Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

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

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

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

3 Summary of principal accounting policies *(Continued)*

3.16 Employee benefits *(Continued)*

(ii) Pension obligations (Continued)

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) Profit-sharing and bonus plans

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

(iv) Share-based compensation

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

The proceeds received when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

3.17 Revenue recognition

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

3 Summary of principal accounting policies *(Continued)*

3.17 Revenue recognition *(Continued)*

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 the 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) Administrative and consultancy fee income

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

3.18 Leases

(a) As the lessee of operating leases

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

(b) As the lessor of operating leases

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

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

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

3 Summary of principal accounting policies *(Continued)*

3.19 Dividend distribution

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

3.20 Contingent liabilities

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

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

3.21 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.

3.22 Subsidy income

Subsidy income is financial assistance by local municipal government in the Mainland of 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 subsidy will be received and the Group will comply with all attached conditions.

3.23 Derivative financial instruments

Derivative financial instruments 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 is recognised in equity and changes in the fair value of other derivative instruments are recognised immediately in the consolidated income statement.

4 Financial risk management

4.1 Financial risk factors

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

Risk management is carried out by the Finance Department 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 Renminbi ("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. As at 31 December 2009, the Group has no outstanding forward contracts (2008: two outstanding forward contracts with notional principal amounts of EUR 1,323,000 (buying EUR at a fixed exchange rate of 10.599 Hong Kong Dollar) and KRW 2,145,000,000 (buying US Dollar at a fixed exchange rate of 1,290 KRW)). 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 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 would have been HK$10,652,000 (2008: HK$35,105,000) 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 the Mainland of China.

(ii) Interest rate risk

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

The Group analyses its interest rate exposure on a dynamic basis. If interest rates had increased/decreased by 10 basis-point and all other variables were held constant, the Group's net profit would have decreased/increased by HK$1,165,370 (2008: HK$1,536,000) for the year ended 31 December 2009.

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

4 Financial risk management *(Continued)*

4.1 Financial risk factors *(Continued)*

(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 deposits and prepayment represent the Group's maximum exposure to credit risk in relation to financial assets. As at 31 December 2009, cash and cash equivalents are mostly deposited in major international financial institutions without significant credit risk.

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 26 for the credit risk of the Group.

(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.

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.

4 Financial risk management *(Continued)*

4.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

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

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

	Repayment period			
As at 31 December 2008	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
Trade payables	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	–
	769,659	50,059	968,263	62,583

Except for the Company's bank borrowings of HK$500,000,000 (2008: HK$930,000,000) which would be repaid between 2 and 5 years (2008: 2-5 years), all other financial liabilities of HK$22,470,000 (2008: HK$23,966,000) are repayable within one year.

4.2 Fair value estimation

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

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

4 Financial risk management *(Continued)*

4.3 Capital risk management

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

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

5 Critical accounting estimates and 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 3.7. 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 18).

(b) 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 is possible that this conclusion could change significantly as a result of changes in the luxury menswear industry or competitor actions in response to severe industry cycles. Under HKAS 38, the Group re-evaluates the useful life of licences each year to determine whether events and circumstances continue to support the view of indefinite useful life for these assets.

(c) Net realisable value of inventories

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

5 Critical accounting estimates and judgments *(Continued)*

(d) Employee benefits – share-based payments

The determination of the fair value of the share options granted requires estimates in determining the expected volatility of the share price, the dividends expected on the shares and the risk-free interest rate for the life of the options as stated in note 28. Where the outcome of the number of options that are exercisable is different, such difference will impact the consolidated income statement in the subsequent remaining vesting period of the relevant share options.

6 Segmental information

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

Management has determined the operating segments based on reports reviewed by the senior executive management of the Group that are used to make strategic decisions. Management considers the business from both geographic and products perspectives. Geographically, Management considers the performance of the retail businesses in the Mainland of China, Hong Kong and Macau ("HK & Macau") and Taiwan. HK & Macau is further segregated into retail and wholesale as all of the wholesale business is located in Hong Kong.

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

6 Segmental information *(Continued)*

(a) Segment results

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

	HK & Macau Retail HK$'000	Wholesale HK$'000	The Mainland of China Retail HK$'000	Taiwan Retail HK$'000	Overseas Retail HK$'000	Total HK$'000
Total segment revenue	**821,511**	**276,723**	**937,074**	**153,410**	**–**	**2,188,718**
Inter-segment revenue	**(277,958)**	**(265,582)**	**–**	**–**	**–**	**(543,540)**
Revenue from external customers	**543,553**	**11,141**	**937,074**	**153,410**	**–**	**1,645,178**
Gross profit	**405,950**	**111**	**703,141**	**101,344**	**–**	**1,210,546**
Segment profit/(loss) before income tax	**151,136**	**(4,075)**	**280,217**	**21,560**	**28,163**	**477,001**
Segment profit/(loss) before income tax includes:						
Depreciation and amortisation	**(14,912)**	**(389)**	**(45,255)**	**(4,799)**	**–**	**(65,355)**
Interest (expenses)/income	**(1,450)**	**(363)**	**(1,353)**	**16**	**–**	**(3,150)**
Additional/(reversal of) impairment provision for property, plant and equipment	**3,436**	**–**	**(1,920)**	**(202)**	**–**	**1,314**
Share of profit from jointly controlled entities	**–**	**–**	**–**	**–**	**28,163**	**28,163**
Segment assets	**1,118,130**	**24,649**	**1,138,633**	**192,374**	**192,053**	**2,665,839**

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

	HK & Macau Retail HK$'000	Wholesale HK$'000	The Mainland of China Retail HK$'000	Taiwan Retail HK$'000	Overseas Retail HK$'000	Total HK$'000
Total segment revenue	908,635	472,928	835,896	166,929	2,581	2,386,969
Inter-segment revenue	(427,439)	(431,178)	–	–	–	(858,617)
Revenue from external customers	481,196	41,750	835,896	166,929	2,581	1,528,352
Gross profit	373,436	3,075	617,055	116,302	(102)	1,109,766
Segment profit/(loss) before income tax	136,101	(20,265)	297,361	24,554	38,983	476,734
Segment profit/(loss) before income tax includes:						
Depreciation and amortisation	(13,842)	(518)	(41,110)	(5,109)	–	(60,579)
Interest income/(expense)	(197)	(880)	(846)	49	32	(1,842)
Impairment of property, plant and equipment	(5,454)	–	(10,004)	(1,094)	–	(16,552)
Share of profit from jointly controlled entities	–	–	–	–	42,318	42,318
Segment assets	1,166,766	62,661	1,218,411	199,869	146,587	2,794,294

6 Segmental information *(Continued)*

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

	2009 HK$'000	2008 HK$'000
Segment profit before income tax for reportable segments	**477,001**	476,734
Add:		
Management fee income	**14,148**	5,482
Less:		
Interest expenses	**(23,813)**	(45,690)
Employee benefit expenses	**(145,548)**	(156,874)
Rental expenses	**(20,365)**	(20,558)
Depreciation and amortisation	**(6,582)**	(7,325)
Corporate and other unallocated expenses	**(31,265)**	(62,689)
Total Group's profit before income tax	**263,576**	189,080

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

	2009 HK$'000	2008 HK$'000
Segment assets for reportable segments	**2,665,839**	2,794,294
Add:		
Property, plant and equipment	**13,558**	16,517
Corporate bank deposits	**399,437**	10,439
Deferred tax assets	**51,949**	61,228
Deposit and prepayments	**2,134**	34,493
Amounts due from related parties	**3,456**	15,360
Assets of Discontinued Operations	**–**	216,491
Total assets per consolidated balance sheet	**3,136,373**	3,148,822

7 Expenses by nature

	2009 HK$'000	2008 HK$'000
Cost of inventories recognised as expenses included in cost of sales (note 23)	**414,420**	392,410
Impairment of inventories	**20,212**	26,176
Depreciation of property, plant and equipment (note 17)	**63,659**	58,931
(Reversal of)/additional provision for impairment of property, plant and equipment (note 17)	**(1,314)**	16,552
Amortisation of intangible assets (note 18)	**8,278**	8,973
Loss on disposal of property, plant and equipment	**9,102**	7,419
Operating lease rental expense-minimum lease payment	**166,876**	143,277
Operating lease rental expense-contingent rents	**195,269**	190,199
(Reversal of)/additional provision for impairment of trade receivables (note 24)	**(3,717)**	3,771
Employee benefit expenses (note 14)	**370,124**	355,890
Auditor's remuneration	**2,626**	2,921
Promotion and advertising expenses	**41,705**	33,921
Royalties expenses	**24,663**	24,821

8 Other income

	2009 HK$'000	2008 HK$'000
Subsidy income	**12,731**	15,369
Rental and license fee income	**3,327**	2,901
Management fee income (note 40)	**14,148**	5,482
Claims received	**1,159**	3,985
Sales commission	**1,764**	1,909
Other income	**5,671**	3,108
	38,800	32,754

9 Other gains – net

	2009 HK$'000	2008 HK$'000
Net foreign exchange gains	**3,918**	19,003

10 Finance costs – net

	2009 HK$'000	2008 HK$'000
Finance costs – Interest expenses on bank borrowings wholly repayable within five years	**(27,325)**	(50,895)
Finance income – Interest income on short-term bank deposits	**362**	3,363
Finance costs – net	**(26,963)**	(47,532)

11 Income tax expenses

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

	2009 HK$'000	2008 HK$'000
Current income tax		
– Hong Kong profits tax	**13,681**	20,298
– Overseas taxation	**40,157**	57,033
Deferred income tax (note 22)	**21,817**	(9,817)
	75,655	67,514

11 Income tax expenses *(Continued)*

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

	2009 HK$'000	2008 HK$'000
Profit before income tax	**263,576**	189,080
Tax calculated at domestic tax rates applicable to profits in the respective areas	**59,978**	42,659
Effect of withholding tax on the distributable profits of the Group's overseas subsidiaries/jointly controlled entities	**7,936**	21,988
Income not subject to tax	**(5,312)**	(10,580)
Tax losses for which no deferred income tax asset was recognised	**4,913**	6,259
Expenses not deductible for tax purposes	**8,140**	7,188
Income tax expense	**75,655**	67,514

The weighted average applicable tax rate was 22.8% and 22.6% for the years ended 31 December 2009 and 2008 respectively.

The subsidiaries incorporated in the Mainland of China are subject to income tax of 25% (2008: 25%).

12 Profit attributable to shareholders of the Company

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK$120,740,000 (2008: HK$153,634,000).

13 Earnings per share

(a) Basic

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

	2009	2008
Weighted average number of ordinary shares in issue	**1,263,161,000**	1,201,340,000
Profit from Continuing Operations attributable to shareholders of the Company (HK$'000)	**187,921**	115,800
Basic earnings per share from Continuing Operations (HK cents per share)	**14.9 cents**	9.6 cents
Loss from Discontinued Operations attributable to shareholders of the Company (HK$'000)	**(8,258)**	(17,765)
Basic losses per share from Discontinued Operations (HK cents per share)	**(0.7) cents**	(1.4) cents

(b) Diluted

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

	2009	2008
Weighted average number of ordinary shares in issue	**1,263,161,000**	1,201,340,000
Adjustment for share options	**2,945,000**	–
Weighted average number of ordinary shares for diluted earnings per share	**1,266,106,000**	1,201,340,000
Profit from Continuing Operations attributable to shareholders of the Company (HK$'000)	**187,921**	115,800
Diluted earnings per share from Continuing Operations (HK cents per share)	**14.8 cents**	9.6 cents
Loss from Discontinued Operations attributable to shareholders of the Company (HK$'000)	**(8,258)**	(17,765)
Diluted losses per share from Discontinued Operations (HK cents per share)	**(0.6) cents**	(1.4) cents

14 Employee benefit expenses

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

	2009 HK$'000	2008 HK$'000
Wages, salaries and bonus	**316,007**	324,704
Pension costs – defined benefit and contribution plans	**19,963**	12,181
Social security and benefits for the Mainland of China employees	**26,784**	19,005
Employee share option benefit	**7,370**	–
Total	**370,124**	355,890

There were no forfeited contributions during the year (2008: nil).

15 Directors' and senior management emoluments

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

(i) For the year ended 31 December 2009:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Other benefits[6] HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
WONG Yat Ming	120	2,560	3,329	902	12	6,923
Bruno LI Kwok Ho [1]	60	883	1,162	264	6	2,375
Sabrina FUNG Wing Yee	120	1,731	1,162	34	12	3,059
Victor FUNG Kwok King	200	–	–	–	–	200
William FUNG Kwok Lun	120	–	–	–	–	120
Jeremy Paul Egerton HOBBINS	120	1,361	1,513	521	5	3,520
Jose Hosea CHENG Hor Yin	120	–	–	–	–	120
Cassian CHEUNG Ka Sing	230	–	–	–	–	230
Michael LEE Tze Hau	280	–	–	–	–	280
Patrick SUN	250	–	–	–	–	250
Jean-Marc LOUBIER [2]	135	–	–	–	–	135
LEONG Kwok Yee [3]	75	250	194	27	1	547
Evan Mervyn DAVIES [4]	8	–	–	–	–	8
	1,838	6,785	7,360	1,748	36	17,767

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

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

(ii) For the year ended 31 December 2008:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Other benefits[6] HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
WONG Yat Ming	120	2,560	2,366	900	12	5,958
Sabrina FUNG Wing Yee	120	1,703	946	34	12	2,815
Victor FUNG Kwok King	150	–	–	–	–	150
William FUNG Kwok Lun	120	–	–	–	–	120
Jeremy Paul Egerton HOBBINS	120	3,266	2,958	1,277	12	7,633
Jose Hosea CHENG Hor Yin	120	–	–	–	–	120
Cassian CHEUNG Ka Sing	120	–	–	–	–	120
Michael LEE Tze Hau	120	–	–	–	–	120
Patrick SUN	120	–	–	–	–	120
Evan Mervyn DAVIES [4]	120	–	–	–	–	120
LEONG Kwok Yee [3]	120	3,000	1,893	332	12	5,357
Lau Butt Farn [5]	–	–	–	–	–	–
	1,350	10,529	8,163	2,543	48	22,633

Notes:
1 Appointed on 1 July 2009
2 Appointed on 1 June 2009
3 Resigned on 17 August 2009
4 Resigned on 14 January 2009
5 Resigned on 24 January 2008
6 Other benefits include insurance premium and housing allowance

No directors or senior management of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2008: none).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2009 include three (2008: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two highest paid individuals (2008: two) during the year are as follows:

	2009 HK$'000	2008 HK$'000
Basic salaries, housing allowances and other allowances	**4,207**	4,189
Discretionary bonuses	**3,772**	4,064
Employer's contribution to pension scheme	**223**	228
	8,202	8,481

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

(b) Five highest paid individuals *(Continued)*

No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2008: none).

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

	2009 **HK$'000**	2008 HK$'000
Emolument bands		
– HK$3,000,001 to HK$3,500,000	**1**	–
– HK$3,500,001 to HK$4,000,000	**–**	1
– HK$4,000,001 to HK$4,500,000	**–**	–
– HK$4,500,001 to HK$5,000,000	**1**	1
	2	2

During the year, certain directors and senior management of the Company were granted share options pursuant to the Share Option Scheme. Details of the Share Option Scheme and options granted are disclosed in note 28.

16 Dividends

	2009 **HK$'000**	2008 HK$'000
Interim dividend paid: nil (2008: nil) per ordinary share	**–**	–
Final dividend proposed of 7.0 HK cents (2008: 4.8 HK cents) per ordinary share	**110,198**	57,848

At a meeting held on 31 March 2010, the Directors proposed a final dividend of 7.0 HK cents per share. The proposed dividends are not reflected as a dividend payable in these financial statements but will be reflected as an appropriation of retained earnings for the year ending 31 December 2010. Dividend paid by the Company to its shareholders during the year of HK$57,848,000 (2008: nil) was relating to the final dividend proposed in the prior year.

17 Property, plant and equipment – Group

	Building HK$'000	Furniture and fixtures HK$'000	Computers, equipment and air-conditioners HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2008						
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	2,624	104,775	16,424	814	2,404	127,041
Year ended 31 December 2008						
Opening net book amount	2,624	104,775	16,424	814	2,404	127,041
Continuing Operations						
Exchange differences	–	4,023	299	–	90	4,412
Additions	–	78,420	5,338	297	–	84,055
Disposals	–	(6,368)	(1,051)	–	–	(7,419)
Impairment charge (note 7)	–	(16,552)	–	–	–	(16,552)
Depreciation (note 7)	(198)	(52,121)	(5,827)	(224)	(561)	(58,931)
Discontinued Operations						
Exchange differences	–	152	7	–	–	159
Additions	–	28,349	6,642	–	–	34,991
Disposals	–	(2,497)	–	–	–	(2,497)
Impairment charge	–	(11,904)	–	–	–	(11,904)
Depreciation	(215)	(7,660)	(1,002)	–	–	(8,877)
Closing net book amount	2,211	118,617	20,830	887	1,933	144,478
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	2,211	118,617	20,830	887	1,933	144,478
Year ended 31 December 2009						
Opening net book amount	**2,211**	**118,617**	**20,830**	**887**	**1,933**	**144,478**
Continuing Operations						
Exchange differences	**–**	**84**	**(3)**	**–**	**2**	**83**
Additions	**–**	**69,248**	**4,568**	**192**	**695**	**74,703**
Disposals	**–**	**(8,478)**	**(115)**	**–**	**(509)**	**(9,102)**
Impairment charge written-back (note 7)	**–**	**1,314**	**–**	**–**	**–**	**1,314**
Depreciation (note 7)	**(198)**	**(56,050)**	**(6,752)**	**(223)**	**(436)**	**(63,659)**
Discontinued Operations						
Exchange differences	**–**	**10**	**(30)**	**–**	**33**	**13**
Additions	**–**	**4,138**	**535**	**–**	**20**	**4,693**
Disposals	**–**	**(4,255)**	**(7)**	**–**	**(28)**	**(4,290)**
Impairment charge written-back	**–**	**3,295**	**–**	**–**	**–**	**3,295**
Depreciation	**(144)**	**(8,759)**	**(1,756)**	**–**	**(8)**	**(10,667)**
Disposal of Discontinued Operations	**(879)**	**(14,067)**	**(4,742)**	**–**	**(16)**	**(19,704)**
Closing net book amount	**990**	**105,097**	**12,528**	**856**	**1,686**	**121,157**
At 31 December 2009						
Cost	**1,716**	**219,228**	**29,019**	**14,628**	**2,999**	**267,590**
Accumulated depreciation and impairment	**(726)**	**(114,131)**	**(16,491)**	**(13,772)**	**(1,313)**	**(146,433)**
Net book amount	**990**	**105,097**	**12,528**	**856**	**1,686**	**121,157**

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

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

	2009 **HK$'000**	2008 HK$'000
Cost of sales	**372**	462
Selling & marketing expenses	**51,078**	44,852
Administrative expenses	**12,209**	13,617
Total	**63,659**	58,931

The Group's building was carried at cost and should it be stated at the open market value of HK$2.6 million as at 30 September 2009, as disclosed in the Company's prospectus dated 21 October 2009, the additional depreciation to be charged to the consolidated income statement for the year ended 31 December 2009 is immaterial.

18 Intangible assets – Group

	Licences (with finite useful lives) HK$'000	**Trademark and licences (with indefinite useful lives) HK$'000**	**Goodwill HK$'000**	**Total HK$'000**
At 1 January 2008				
Cost	87,492	169,500	1,271,751	1,528,743
Accumulated amortisation	(12,038)	–	–	(12,038)
Net book amount	75,454	169,500	1,271,751	1,516,705
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 7)	(8,973)	–	–	(8,973)
Closing net book amount	66,481	299,006	1,271,751	1,637,238
At 31 December 2008				
Cost	87,492	299,006	1,271,751	1,658,249
Accumulated amortisation	(21,011)	–	–	(21,011)
Net book amount	66,481	299,006	1,271,751	1,637,238
Year ended 31 December 2009				
Opening net book amount	**66,481**	**299,006**	**1,271,751**	**1,637,238**
Amortisation charge (note 7)	**(8,278)**	**–**	**–**	**(8,278)**
Disposal of Discontinued Operations	**–**	**(1,500)**	**–**	**(1,500)**
Closing net book amount	**58,203**	**297,506**	**1,271,751**	**1,627,460**
At 31 December 2009				
Cost	**87,492**	**297,506**	**1,271,751**	**1,656,749**
Accumulated amortisation	**(29,289)**	**–**	**–**	**(29,289)**
Net book amount	**58,203**	**297,506**	**1,271,751**	**1,627,460**

Amortisation charge of HK$8,278,000 (2008: HK$8,973,000) is included in administrative expenses.

18 Intangible assets – Group *(Continued)*

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 operating segment. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

All of the Group's goodwill and other intangible assets are allocated to the operating segment. An analysis of goodwill allocated to each operating segment as at 31 December 2009 is presented below.

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

Impairment test for goodwill

In accordance with HKAS 36 "Impairment of Assets", the Group completed impairment test for goodwill allocated to the Group's various CGUs identified according to the operating segment by comparing their recoverable amount to their carrying amount as at the balance sheet date. The recoverable amount of a CGU is determined based on fair value less costs to sell calculation. These calculations use cash flow projection based on one-year financial budgets approved by management and extrapolated in perpetuity, with an estimated general annual growth rate stated below of not more than 5%. The growth rate used is largely consistent and does not exceed industry growth forecasts. The discount rate used is approximately 10% (pre-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	**The Mainland of China**	**Taiwan**
Growth rate (note (i))	5%	5%	5%
Discount rate (note (ii))	10%	10%	10%

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

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

18 Intangible assets – Group *(Continued)*

Trademarks and licences

Some of the trademarks and licences acquired are deemed to have indefinite useful lives because 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 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 2009 based on forecast operating performance, cash flows of the related businesses and the key assumptions as outlined above as they are located in the same operating segment and have concluded that no impairment is required.

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

(a) Investments in subsidiaries

	2009 **HK$'000**	2008 HK$'000
Unlisted investments, at cost	**9,000**	9,000
Advances to subsidiaries	**1,948,477**	1,948,477
	1,957,477	1,957,477

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

The details of the subsidiaries are included in note 43.

(b) Amounts due from/(to) subsidiaries

The amounts due from/(to) subsidiaries are unsecured, interest free and repayable on demand. Included in the balance, HK$150,000,000 (2008: HK$200,000,000) represents dividend receivable from subsidiaries. The fair value of amounts due from/(to) subsidiaries are approximately the same as their carrying amounts.

20 Investments in jointly controlled entities – Group

	2009 **HK$'000**	2008 HK$'000
Beginning of the year	**145,583**	154,204
Additional investment in a jointly controlled entity	**2,259**	–
Share of profit of jointly controlled entities	**28,163**	42,318
Dividends received	**–**	(16,521)
Other equity movements: hedging reserves	**(6,433)**	6,433
Exchange differences	**20,525**	(40,851)
End of the year	**190,097**	145,583

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

Name	Particulars of issued shares held	Country of incorporation	Assets current HK$'000	Assets non-current HK$'000	Liabilities current HK$'000	Liabilities non-current HK$'000	Revenues HK$'000	Profit HK$'000	Interest held %	Profit attributable to the Group HK$'000
2009										
Ferragamo (Malaysia) Sdn Bhd	1,300,000 ordinary shares of RM 1 each	Malaysia	**31,741**	**4,073**	**2,555**	**–**	**39,359**	**1,822**	**50%**	**911**
Ferragamo (Thailand) Limited	220,500 ordinary shares of Baht 100 each 229,550 preference shares of Baht 100 each (10 preference shares for 1 vote)	Thailand	**13,477**	**3,896**	**17,373**	**–**	**22,101**	**(4,118)**	**50%**	**(2,059)**
Ferragamo (Singapore) Pte Ltd	4,600,000 ordinary shares of S$1 each	Singapore	**53,454**	**8,074**	**18,906**	**–**	**97,611**	**429**	**50%**	**214**
Ferragamo Korea Ltd	658,240 ordinary shares of KRW 5,000 each	Korea	**240,060**	**109,784**	**45,531**	**–**	**471,707**	**58,194**	**50%**	**29,097**
			338,732	**125,827**	**84,365**	**–**	**630,778**	**56,327**	**–**	**28,163**
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
			305,445	108,174	121,706	747	649,630	84,636	–	42,318

21 Deposit and prepayments – Group

	2009 HK$'000	2008 HK$'000
Non-current assets		
Rental deposits	**15,206**	22,123
Prepayments	**16,305**	21,740
	31,511	43,863
Current assets		
Rental deposits	**18,674**	12,731
Prepayments	**15,732**	78,704
	34,406	91,435
Total	**65,917**	135,298

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

	2009 HK$'000	2008 HK$'000
RMB	**19,431**	46,912
HKD	**30,601**	66,401
USD	**6,521**	10,920
NTD	**8,350**	10,267
GBP	**16**	386
SGD	**181**	235
MOP	**817**	177
	65,917	135,298

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

22 Deferred income tax – Group

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

	2009 HK$'000	2008 HK$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**51,949**	68,953
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	**(61,445)**	(48,873)

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

	2009 HK$'000	2008 HK$'000
Beginning of the year	**20,080**	6,993
Disposal of Discontinued Operations (note 36)	**(7,759)**	3,270
(Charged)/credited to consolidated income statement (note 11)	**(21,817)**	9,817
End of the year	**(9,496)**	20,080

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

	Recognition of licence contracts HK$'000	Accelerated tax depreciation allowances HK$'000	Undistributed profits of subsidiaries and jointly controlled entities HK$'000	Others HK$'000	Total HK$'000
At 1 January 2008	29,400	–	–	208	29,608
Charged/(credited) to the consolidated income statement	(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	–	4,786	7,936	(150)	12,572
At 31 December 2009	**27,720**	**8,889**	**24,836**	**–**	**61,445**

22 Deferred income tax – Group *(Continued)*

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

	Impairment of assets HK$'000	Decelerated tax depreciation allowances HK$'000	Provisions and accruals HK$'000	Unrealised profit on inventories HK$'000	Others HK$'000	Total HK$'000
At 1 January 2008	351	1,987	4,549	23,284	6,430	36,601
Credited/(charged) to the consolidated income statement	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	5,250	502	(1,485)	(14,549)	1,037	(9,245)
Disposal of Discontinued Operations (note 36)	–	–	(4,873)	–	(2,886)	(7,759)
At 31 December 2009	**8,917**	**2,491**	**5,064**	**32,549**	**2,928**	**51,949**

23 Inventories – Group

	2009 **HK$'000**	2008 HK$'000
Continuing Operations		
Raw materials	**24,430**	48,155
Work in progress	**9,701**	15,165
Finished goods	**351,152**	474,316
	385,283	537,636
Discontinued Operations		
Raw materials	**–**	8,678
Finished goods	**–**	87,169
	–	95,847
Total	**385,283**	633,483

The cost of inventories recognised as expense and included in 'cost of sales' amounted to HK$414,420,000 (2008: HK$392,410,000) (note 7).

24 Trade receivables – Group

	2009 HK$'000	2008 HK$'000
Trade receivables	**173,337**	227,492
Less: provision for impairment of receivables	**(523)**	(4,240)
Trade receivables – net	**172,814**	223,252
Continuing Operations	**172,814**	174,388
Discontinued Operations	**–**	48,864
	172,814	223,252

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

Trade receivables that are less than three months past due are not considered impaired. Trade receivables of HK$13,110,000 (2008: HK$13,755,000) as at 31 December 2009 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:

	2009 HK$'000	2008 HK$'000
Past due		
Up to 3 months	**11,607**	12,736
4 to 12 months	**1,476**	981
Over 12 months	**27**	38
	13,110	13,755

Trade receivables of HK$523,000 (2008: HK$4,240,000) as at 31 December 2009 were impaired and fully provided for. The individually impaired receivables mainly relate to department store sales in the Mainland of China. The ageing of these receivables is as follows:

	2009 HK$'000	2008 HK$'000
4 to 12 months	**523**	2,655
Over 12 months	**–**	1,585
	523	4,240

24 Trade receivables – Group *(Continued)*

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

	2009 HK$'000	2008 HK$'000
RMB	**119,104**	169,020
NTD	**29,090**	26,350
HKD	**18,441**	22,513
MOP	**3,627**	5,069
AUD	**1,920**	3,918
EUR	**740**	203
JPY	**207**	54
USD	**195**	338
GBP	**13**	27
	173,337	227,492

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

	2009 HK$'000	2008 HK$'000
At 1 January	**4,240**	469
Provision for receivable impairment	**523**	4,240
Unused amounts reversed	**(4,240)**	(469)
At 31 December	**523**	4,240

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

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

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

	2009 HK$'000	2008 HK$'000
1 – 30 days	**123,010**	163,904
31 – 60 days	**41,581**	48,948
61 – 90 days	**6,936**	6,572
Over 90 days	**1,810**	8,068
	173,337	227,492

25 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 items as stated below:

Group

	Loans and receivables HK$'000
Assets as per consolidated balance sheet	
At 31 December 2009	
Trade receivables (note 24)	**172,814**
Rental deposits (note 21)	**33,880**
Amounts due from related parties (note 40(b))	**3,456**
Cash and cash equivalents (note 27)	**518,240**
Total	**728,390**
At 31 December 2008	
Trade receivables (note 24)	223,252
Rental deposits (note 21)	34,854
Amounts due from related parties (note 40(b))	15,360
Cash and cash equivalents (note 27)	145,177
Total	418,643

	Other financial liabilities HK$'000
Liabilities as per consolidated balance sheet	
At 31 December 2009	
Trade payables (note 33)	**55,735**
Amounts due to related parties (note 40(b))	**2,141**
Borrowings (note 34)	**714,799**
Other payables and accrued expenses (note 32)	**259,255**
Total	**1,031,930**
At 31 December 2008	
Trade payables (note 33)	68,067
Amounts due to related parties (note 40(b))	105,177
Borrowings (note 34)	1,290,257
Other payables and accrued expenses (note 32)	257,668
Total	1,721,169

25 Financial instruments by category *(Continued)*

Company

	Loans and receivables HK$'000
Assets as per balance sheet	
31 December 2009	
Amounts due from subsidiaries	**382,400**
Cash and cash equivalents	**29**
Total	**382,429**
31 December 2008	
Amounts due from subsidiaries (note 19)	200,000
Cash and cash equivalents	9
Total	200,009

	Other financial liabilities HK$'000
Liabilities as per balance sheet	
At 31 December 2009	
Borrowings (note 34)	**500,000**
Other payables and accrued expenses (note 32)	**22,629**
Total	**522,629**
At 31 December 2008	
Borrowings (note 34)	930,000
Other payables and accrued expenses (note 32)	15,152
Amounts due to a subsidiary	8,814
Total	953,966

26 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.

27 Cash and cash equivalents – Group

	2009 **HK$'000**	2008 HK$'000
Continuing Operations		
Cash at bank and in hand	**248,240**	104,773
Short-term bank deposits (note (i))	**270,000**	17,443
	518,240	122,216
Discontinued Operations		
Cash at bank and in hand	**–**	17,291
Short-term bank deposits	**–**	5,670
Cash and cash equivalents	**–**	22,961
Total	**518,240**	145,177
Maximum exposure to credit risk	**517,031**	143,741

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

	2009	*2008*
Effective interest rate	***0.09%***	*0.64%*
Average maturity days of deposits	***64***	*5*

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.

27 Cash and cash equivalents – Group *(Continued)*

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

	2009 HK$'000	2008 HK$'000
RMB	**76,322**	113,714
HKD	**413,557**	20,307
USD	**6,646**	1,426
NTD	**20,076**	7,234
Others	**1,639**	2,496
	518,240	145,177

28 Share capital, share premium and share options

	Number of authorised shares (Thousands)	Number of issued and fully paid shares (Thousands)	Amount		
			Ordinary shares HK$'000	Share premium HK$'000	Total HK$'000
At 1 January 2008	2,000,000	1,149,196	114,920	859,277	974,197
Issue of ordinary shares (note (a))	–	27,054	2,705	93,336	96,041
Issue of ordinary shares (note (b))	–	2,117	212	7,304	7,516
Issue of ordinary shares (note (c))	–	26,806	2,680	92,479	95,159
Share issuance cost	–	–	–	(11,086)	(11,086)
At 31 December 2008	2,000,000	1,205,173	120,517	1,041,310	1,161,827
At 1 January 2009	**2,000,000**	**1,205,173**	**120,517**	**1,041,310**	**1,161,827**
Increase of authorised shares (note (d))	**2,000,000**	**–**	**–**	**–**	**–**
Issue of shares in connection with the Listing (note (e))	**–**	**301,292**	**30,129**	**467,003**	**497,132**
Issue of ordinary shares (note (f))	**–**	**67,790**	**6,779**	**105,074**	**111,853**
Share issuance cost	**–**	**–**	**–**	**(98,386)**	**(98,386)**
At 31 December 2009	**4,000,000**	**1,574,255**	**157,425**	**1,515,001**	**1,672,426**

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

(a) On 23 January 2008, the Company issued 10,351,000 ordinary shares of HK$0.10 each at par to each of Megacom Enterprises Limited and Eagle Bright Group Limited respectively at HK$3.55 per share; 2,117,250 ordinary shares and 4,234,500 ordinary shares of HK$0.10 each at par to Mr Wong Yat Ming and Martinville Holdings Limited respectively at HK$3.55 per share.

(b) On 28 January 2008, the Company issued 2,117,250 ordinary shares of HK$0.10 each at par to Mr Leong Kwok Yee at HK$3.55 per share.

(c) On 29 January 2008, the Company issued 26,805,633 ordinary shares of HK$0.10 each at par to Renown Incorporated ("Renown") for the acquisition of the remaining 49% interest in Trinity China Distributions (B.V.I.) Limited at a consideration of HK$95,160,000 (note 38(c)).

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

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

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

Share Option Schemes

Pre-IPO and Post-IPO Share Option Schemes

Pursuant to the Pre-IPO Share Option Scheme ("Pre-IPO Scheme") and the Post-IPO Share Option Scheme ('Post-IPO Scheme") (together the "Schemes") adopted by the Company on 16 October 2009, the Board of Directors may, at its discretion, grant options to any qualifying participants (including but not limited to any employee, whether full-time or part-time employee, executive or non-executive Directors, of the Company or any affiliates as defined in the Schemes) which entitle the holders of options to subscribe for shares in the Company. The total number of shares that may be issued upon exercise of all options to be granted under the Schemes and any other schemes must not in aggregate exceed 10% of the shares in issue as at 3 November 2009, the Listing Date, or 30% of the shares in issue from time to time.

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

Share Options Schemes *(Continued)*

Pre-IPO and Post-IPO Share Option Scheme (Continued)

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

	2009	
	Number of options	**Weighted average exercise price HK$**
At 1 January	**–**	**–**
Granted on 16 October 2009 (note (i))	**45,194,000**	**1.65**
Granted on 26 November 2009 (note (ii))	**38,520,000**	**2.45**
At 31 December	**83,714,000**	**2.02**

Notes:

(i) The share options are divided into two tranches and exercisable in two tranches from 3 November 2010 and 2011 respectively to 2 November 2014.
(ii) The share options are divided into three tranches. Each tranche has an exercisable period of two years commencing from 26 November 2010, 2011 and 2012 respectively.

The fair values of options granted are determined by using the Black-Scholes valuation model. The significant inputs into the models for the share options granted during the year are as follows:

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

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

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

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

29 Reserves

Group	Retained earnings HK$'000	Merger reserve HK$'000 (note a)	Other reserves HK$'000	Hedging reserve HK$'000	Statutory reserves HK$'000 (note e)	Translation reserve HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
Balance at 1 January 2008 (restated)	340,458	(227,382)	–	–	6,361	21,095	–	140,532
Acquisition of minority interest (note (b))	–	–	(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 (restated)	435,137	(227,382)	(37,623)	6,433	9,717	(4,253)	–	182,029
Deemed contributions from intermediate holding company (note (c))	**–**	**21,686**	**–**	**–**	**–**	**–**	**–**	**21,686**
Profit for the year	**179,663**	**–**	**–**	**–**	**–**	**–**	**–**	**179,663**
Dividends (note 16)	**(57,848)**	**–**	**–**	**–**	**–**	**–**	**–**	**(57,848)**
Exchange differences	**–**	**–**	**–**	**–**	**–**	**19,940**	**–**	**19,940**
Share of cash flow hedging reserve of jointly controlled entities: Fair value losses for the year	**–**	**–**	**–**	**(6,433)**	**–**	**–**	**–**	**(6,433)**
Transfer of reserve upon disposal of Discontinued Operations (note (d))	**13,827**	**(8,579)**	**–**	**–**	**–**	**(5,248)**	**–**	**–**
Employee share option benefit	**–**	**–**	**–**	**–**	**–**	**–**	**7,370**	**7,370**
Acquisition of a subsidiary (note (f))	**–**	**(2,789)**	**–**	**–**	**–**	**–**	**–**	**(2,789)**
Balance at 31 December 2009	**570,779**	**(217,064)**	**(37,623)**	**–**	**9,717**	**10,439**	**7,370**	**343,618**

29 Reserves *(Continued)*

Company	(Accumulated losses)/Retained earnings HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
Balance at 1 January 2008	(78,847)	–	(78,847)
Profit for the year	153,634	–	153,634
Balance at 31 December 2008	74,787	–	74,787
Profit for the year	120,740	–	120,740
Employee share option benefit	–	7,370	7,370
Dividends	(57,848)	–	(57,848)
Balance at 31 December 2009	**137,679**	**7,370**	**145,049**

The following is a reconciliation of the effect arising from the common control combination of BLS Private Label, which was acquired on 1 June 2009, on the consolidated balance sheet as at 31 December 2008 and 2007. No effect was shown on the consolidated balance sheet as at 31 December 2009 as the entire interest in BLS Private Label has been disposed of on 25 August 2009 as detailed in note 36.

The consolidated balance sheet as at 31 December 2008:

	The Group HK$'000	Discontinued Operations HK$'000	Consolidated HK$'000
Other assets – net	1,357,956	(14,100)	1,343,856
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	(214,275)	(13,107)	(227,382)
Retained earnings/(accumulated losses)	440,706	(5,569)	435,137
	1,357,956	(14,100)	1,343,856

29 Reserves *(Continued)*

The consolidated balance sheet as at 31 December 2007:

	The Group HK$'000	Discontinued Operations HK$'000	Consolidated HK$'000
Other assets – net	1,183,766	1,665	1,185,431
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	(214,275)	(13,107)	(227,382)
Retained earnings	328,262	12,196	340,458
Minority interests	70,702	–	70,702
	1,183,766	1,665	1,185,431

Note a: Merger reserve mainly represented the difference between the sum of the nominal value and share premium of shares of the subsidiaries acquired under common control and the nominal value of shares of the Company issued in exchange or the purchase considerations thereof, net of the subsequent transfer to accumulated losses/retained earnings.

Note b: 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.

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

Note d: The amounts relate to the transfer of merger reserve relating to Discontinued Operations upon disposal on 25 August 2009, as described in note 1.

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

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

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

30 Provision for long service payments – Group

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

	2009 **HK$'000**	2008 HK$'000
At 1 January	**6,986**	4,218
Charged to the income statement:		
– (Reversal of)/additional provision	**(812)**	2,705
(Payments)/receipts made during the year	**(1,103)**	63
At 31 December	**5,071**	6,986

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

31 Retirement benefit obligations – Group

	2009 **HK$'000**	2008 HK$'000
Balance sheet obligations for:		
– Pension benefits	**12,229**	7,700

	2009 **HK$'000**	2008 HK$'000
Income statement charge for:		
– Pension benefits (included in administrative expenses)	**4,529**	188

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. The latest independent actuarial valuation of the plan was at 31 December 2009 and was prepared by qualified staff of Mercer (Taiwan) Limited, who are member of the American Academy of Actuaries, using the projected credit method.

31 Retirement benefit obligations – Group *(Continued)*

Pension benefits

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

	2009 HK$'000	2008 HK$'000
Present value of funded obligations	**16,343**	11,648
Fair value of plan assets	**(4,114)**	(3,948)
Present value of unfunded obligations and liability in the consolidated balance sheet	**12,229**	7,700

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

	2009 HK$'000	2008 HK$'000
Beginning of year	**11,648**	11,555
Current service cost	**307**	327
Interest cost	**295**	409
Additional contribution	**4,971**	–
Actuarial losses	**(592)**	–
Distributions during the year	**(286)**	(643)
End of year	**16,343**	11,648

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

	2009 HK$'000	2008 HK$'000
Beginning of year	**3,948**	3,855
Expected return on plan assets	**102**	111
Actuarial (losses)/gains	**(17)**	225
Contributions during the year	**367**	400
Distributions during the year	**(286)**	(643)
End of year	**4,114**	3,948

31 Retirement benefit obligations – Group *(Continued)*

Pension benefits *(Continued)*

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

	2009 **HK$'000**	2008 HK$'000
Current service cost	**307**	327
Interest cost	**295**	409
Expected return on plan assets	**(102)**	(111)
Past service cost	**(942)**	(437)
Additional contribution	**4,971**	–
Total, included in employee benefit expenses (note 14)	**4,529**	188

The principal actuarial assumptions used were as follows:

	2009	2008
Discount rate	**2.00%**	1.85%
Expected return on plan assets	**2.50%**	2.50%
Future salary increases	**2.25%**	2.25%

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

32 Other payables and accrued expenses

Group

	2009 **HK$'000**	2008 HK$'000
Non-current		
Royalties payable	**42,450**	48,028
Current		
Royalties payable	**15,241**	14,076
Value-added-tax payable	**30,389**	20,011
Sales deposits received	**10,205**	8,713
Accrued expenses	**160,970**	166,840
	216,805	209,640
Total	**259,255**	257,668

32 Other payables and accrued expenses *(Continued)*

Group *(Continued)*

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

Company

	2009 **HK$'000**	2008 HK$'000
Accrued expenses	**22,629**	15,152

33 Trade payables – Group

	2009 **HK$'000**	2008 HK$'000
Trade payables	**55,735**	68,067
Continuing Operations	**55,735**	50,891
Discontinued Operations	**–**	17,176
	55,735	68,067

As at 31 December 2008 and 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 is as follows:

	2009 **HK$'000**	2008 HK$'000
1 – 30 days	**37,094**	44,600
31 – 60 days	**12,795**	13,278
61 – 90 days	**1,125**	4,315
Over 90 days	**4,721**	5,874
	55,735	68,067

34 Borrowings

	2009 HK$'000	2008 HK$'000
Continuing Operations		
Non-current		
Bank borrowings, secured	**623,000**	939,071
Current		
Bank borrowings, secured	**91,799**	267,277
	714,799	1,206,348
Discontinued Operations		
Current		
Bank borrowings, secured	**–**	83,909
	–	83,909
Total borrowings	**714,799**	1,290,257

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

	2009 HK$'000	2008 HK$'000
Group		
Within 1 year	**91,799**	351,186
Between 1 and 2 years	**–**	–
Between 2 and 5 years	**623,000**	939,071
	714,799	1,290,257

	2009 HK$'000	2008 HK$'000
Company		
Within 1 year	**–**	–
Between 1 and 2 years	**–**	–
Between 2 and 5 years	**500,000**	930,000
	500,000	930,000

34 Borrowings *(Continued)*

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

	2009	2008
Group		
HKD	**1.15%**	3.72%
RMB	**6.32%**	5.51%

	2009	2008
Company		
HKD	**1.14%**	2.84%

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

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

	2009 **HK$'000**	2008 HK$'000
Group		
RMB	**31,800**	112,257
HKD	**682,999**	1,178,000
	714,799	1,290,257

	2009 **HK$'000**	2008 HK$'000
Company		
HKD	**500,000**	930,000

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

	Group		**Company**	
	2009 **HK$'000**	2008 HK$'000	**2009** **HK$'000**	2008 HK$'000
Six months or less	**705,713**	343,248	**500,000**	–
Between six to twelve months	**9,086**	947,009	**–**	930,000
	714,799	1,290,257	**500,000**	930,000

(f) All bank borrowings were secured by cross guarantees amongst group companies except for bank borrowing of HK$930,000,000 as at 31 December 2008 which was secured by a corporate guarantee from the Parent Group.

(g) As at 31 December 2009, the Group has unutilised banking facilities amounted to HK$710 million (2008: HK$495 million).

35 Cash generated from operations – Continuing Operations

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

	2009 HK$'000	2008 HK$'000
Profit before income tax	**263,576**	189,080
Adjustments for:		
– Share of profit of jointly controlled entities	**(28,163)**	(42,318)
– Amortisation of intangible assets (note 18)	**8,278**	8,973
– Interest income	**(362)**	(3,363)
– Interest expense	**27,325**	50,895
– Depreciation of property, plant and equipment (note 17)	**63,659**	58,931
– (Reversal of)/additional provision for impairment of property, plant & equipment (note 17)	**(1,314)**	16,552
– Net contributions to long service payment provision and retirement benefit obligation	**2,614**	2,768
– Employee share option benefit	**7,370**	–
– Loss on disposal of property, plant and equipment	**9,102**	7,419
– Foreign exchange (losses)/gains	**(1,306)**	9,917
Changes in working capital		
– Inventories	**152,353**	(117,112)
– Trade and other receivables	**58,928**	(57,878)
– Trade and other payables	**6,953**	14,015
– Balances with related parties	**(4,093)**	(69,371)
Cash generated from operating activities	**564,920**	68,508

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

	2009 HK$'000	2008 HK$'000
Net book amount (note 17)	**9,102**	7,419
Loss on disposal of property, plant and equipment	**(9,102)**	(7,419)
Proceeds from disposal of property, plant and equipment	**–**	–

(b) Non-cash transactions

	2009 HK$'000	2008 HK$'000
(i) Issue of shares to Renown for acquisition of minority interest	**–**	95,159

(ii) The considerations for the acquisition and subsequent disposal of the interest in BLS Private Label as detailed in note 1 were identical and was by way of elimination of all non-interest bearing acquisition loans arising from the transactions.

36 Discontinued Operations

As detailed in note 1, the entire equity interest in BLS Private Label, which is engaged in Discontinued Operations, was reverted back to BLS Holdings on 25 August 2009 for the same consideration when BLS Private Label was acquired on 1 June 2009. The operating results of the Discontinued Operations for the period from 1 January 2009 to 25 August 2009 and year ended 31 December 2008 are set out as follows:

	Note	**Period from 1 January to 25 August 2009 HK$'000**	Year ended 31 December 2008 HK$'000
Revenue		**192,240**	337,728
Cost of sales		**(65,698)**	(113,291)
Gross profit		**126,542**	224,437
Other income		**3,404**	2,497
Selling and marketing expenses		**(129,726)**	(200,374)
Administrative expenses		**(17,537)**	(46,776)
Other (losses)/gains – net		**(155)**	3,800
Operating loss		**(17,472)**	(16,416)
Finance income		**167**	151
Finance costs		**(2,369)**	(3,836)
Finance costs – net		**(2,202)**	(3,685)
Loss before income tax		**(19,674)**	(20,101)
Income tax credit		**1,379**	2,336
Loss after tax from Discontinued Operations		**(18,295)**	(17,765)
Gain on disposal of Discontinued Operations	(b)	**10,037**	–
Loss for the year from Discontinued Operations		**(8,258)**	(17,765)

36 Discontinued Operations *(Continued)*

(a) An analysis of the cash flows of the Discontinued Operations is as follows:

	Period from 1 January to 25 August 2009 HK$'000	Year ended 31 December 2008 HK$'000
Net cash generated from operating activities	**91,209**	19,422
Net cash used in investing activities	**(4,496)**	(34,840)
Net cash (used in)/generated from financing activities	**(25,763)**	15,486
Increase in cash and cash equivalents	**60,950**	68
Net cash outflow from disposal of Discontinued Operations (note (b))	**(83,911)**	–
	(22,961)	68

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

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

37 Commitments

(a) Capital commitments for property, plant and equipment

	2009 HK$'000	2008 HK$'000
Contracted but not provided for		
– Property, plant and equipment	**61**	500
– Computer software	**468**	585
	529	1,085

(b) Commitments under operating leases

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

	2009 HK$'000	2008 HK$'000
No later than 1 year	**148,396**	181,962
Later than 1 year and no later than 5 years	**122,651**	138,363
	271,047	320,325

(c) Other commitments

	2009 HK$'000	2008 HK$'000
Contracted marketing expenses		
– No later than 1 year	**2,200**	–
– Later than 1 year and no later than 5 years	**2,400**	–
	4,600	–

38 Business combinations

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

On 20 October 2009, the Group acquired the administrative support services agreements (the "Service agreements") held by L&F Branded Lifestyle (Singapore) Pte Limited ("BLS Singapore") through acquisition of the entire issued share capital of BLS Singapore from Branded Lifestyle International Limited, a fellow subsidiary, at a consideration of SGD493,000 (approximately HK$2,789,000). 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 has no assets or liabilities save for being a party to the Service agreements.

(b) 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 HK$'000	Acquiree's carrying amount HK$'000
Trade receivables	830	830
Inventories	2,100	2,100
Cash and cash equivalents	252	252
Trade payables	(765)	(765)
Net assets acquired	2,417	2,417

	HK$'000
Purchase consideration	2,417
Cash and cash equivalents in subsidiary acquired	(252)
Cash outflow on acquisition	2,165

The acquired business contributed revenue of HK$2,582,000 and net loss 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.

On 6 July 2009, the Group entered into agreements with a fellow subsidiary for the disposal of Kent and Curwen Limited and Kent & Curwen trademarks in other jurisdictions (other than Greater China) (the "Remaining Jurisdictions") for an aggregate consideration of US$5 million (approximately HK$39 million). On 30 September 2009, the above transactions were reversed and the ownership of the Kent and Curwen Limited as well as the Kent & Curwen trademarks in the Remaining Jurisdictions were reverted back to the Group for the same consideration of US$5 million. Upon completion of the said transactions, ownership in relation to Kent and Curwen Limited and interests in Kent & Curwen trademarks continue to rest with the Group and it does not result in any material impact on the financial results of the Group.

38 Business combinations *(Continued)*

(c) Trinity 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 (formerly known as D'urban China Distributions (B.V.I.) Limited) from Renown for consideration of approximately HK$95.2 million satisfied by the issue of 26,805,633 ordinary shares of the Company.

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	(58,344)
Amount recognised in equity (note 29)	37,623

39 Contingencies

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

40 Related party transactions – Group

(a) 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 year are as follows:

	note	2009 HK$'000	2008 HK$'000
Continuing Operations:			
Purchase of goods	(i)	**245**	508
Sub-contracting fee for production of product parts	(i)	**17,830**	21,034
Service fee received for provision of accounting, information system and human resources services	(ii)	**7,148**	5,482
Service fee paid for provision of corporate compliance services and other administrative services	(iii)	**3,651**	3,477
Service fee paid for provision of warehouse and logistics services	(iv)	**8,565**	717
Rental and license fee received	(v)	**3,327**	1,380
Rental paid	(vi)	**3,773**	3,721
Management services fee received	(vii)	**7,000**	–
Discontinued Operations:			
Purchase of goods	(i)	**8,413**	26,083
Service fee for provision of other administrative services paid		**538**	1,476
Rental paid	(v)	**1,311**	2,099

Notes:

(i) These mainly related to the purchase of finished apparel products, such as men's shirts and the outsourcing of the production of product parts to Lever Style Inc. and its subsidiaries, an associate of the Parent Group. Both of these transactions were conducted in the normal course of business.

(ii) These related to the provision of administrative services (including accounting, information system and human resources) to the Group's jointly controlled entities and certain subsidiaries of the Parent Group.

(iii) Service fee was paid to LF(1937) Management Limited, a subsidiary of the Parent Group for the provision of corporate governance compliance services which includes internal audit, corporate secretarial and corporate governance services and were charged based on an actual cost reimbursement basis.

(iv) These transactions related to the utilisation of the warehousing and logistics related services in Hong Kong and the Mainland of China provided by the associates of the Parent Group at the market rates in the normal course of business.

(v) These transactions related to the leasing and licensing arrangements for the use of office premises and related office facilities by Parent Group.

(vi) These transactions related to the leasing of office premises in Shanghai from a subsidiary of the Parent Group.

(vii) The Group entered into an agreement with BLS Holdings and its subsidiaries for the provision of management services, including front end management services (such as services relating to product development or design, product sourcing, retail management and marketing) and back office support services (such as services relating to accounting and treasury, corporate compliance, management information system, human resources and lease administration) at an annual fee of the higher of (a) 7% of the annual turnover of BLS Private Label; or (b) HK$21,000,000 which is determined after an arm's length negotiation and on a cost-plus basis with reference to management experience and estimated time spent.

40 Related party transactions – Group *(Continued)*

(b) Year-end balance with related parties

	2009 **HK$'000**	2008 HK$'000
Due from		
Associates of Parent Group	**92**	269
Parent Group	**2,014**	2,700
Jointly controlled entity	**1,350**	12,391
	3,456	15,360
Due to		
Associates of Parent Group	**1,459**	96,631
Parent Group	**682**	8,546
	2,141	105,177

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

(c) Corporate guarantee to a related party

The Company has provided a corporate guarantee in favour of a bank in Thailand to support the banking facilities of Ferragamo (Thailand) Limited. The maximum liability of the Company is the lower of (a) 50% of the borrowed sum; or (b) 50% of Baht 110 million and USD1.4 million (that is Baht 55 million and USD0.7 million). As at 31 December 2009, the sum borrowed by Ferragamo (Thailand) Limited amounted to approximately Baht 65 million and USD0.6 million (approximately in aggregate HK$19.4 million) (2008: Baht 67.5 million and USD0.7 million (approximately in aggregate HK$21.1 million)).

(d) Save as disclosed above and key management compensation as set out in note 14 to the consolidated financial statements, the Group has no other material related party transactions during the year.

41 Events after the balance sheet date

Save as disclosed elsewhere in this report, there was no other significant subsequent events that took place subsequent to 31 December 2009.

42 Approval of consolidated financial statements

The consolidated financial statements have been approved for issue by the Board of Directors on 31 March 2010.

43 Details of subsidiaries

At the date of this report, the Company has direct and indirect interest in the following subsidiaries:

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

43 Details of subsidiaries *(Continued)*

Company name	Date of incorporation	Place of incorporation/ operations	Principal activities	Share capital or paid-in capital	Interest held directly	Interest held indirectly
DDL (Macao) Limited	26 January 1994	Macau	Trading of garments	MOP10,000	–	100%
Trinity (Casual Wear) Limited	24 May 1974	Hong Kong	Garment manufacturing	HK$3,000,000	–	100%
Trinity China Distributions (B.V.I.) Limited	23 July 2003	British Virgin Islands	Investment holding	HK$5,001,000	–	100%
Trinity China Distributions (H.K.) Limited	28 July 2003	Hong Kong	Investment holding	HK$5,000,000	–	100%
利永（上海）時裝商貿有限公司 (Trinity China Distributions (Shanghai) Limited) (note (i))	27 October 2006	PRC	Trading of garments	RMB3,000,000	–	100%
利宜貿易（上海）有限公司 (Trinity China Distributions Trading (Shanghai) Co., Ltd) (formerly known as 都本貿易(上海)有限公司 (D'urban China Distributions Trading (Shanghai) Co., Ltd.)) (note (i))	29 December 2000	PRC	Dormant	US$200,000	–	100%
Trinity Retail Limited	24 July 1979	Hong Kong	Trading of garments	HK$500,000	–	100%
Trinity Retail (H.K.) Limited	8 December 1978	Hong Kong	Trading of garments	HK$25,000,000	–	100%
Trinity (Business Wear) Limited	2 February 1973	Hong Kong	Garment manufacturing	HK$3,900,000	–	100%
Golden Palace Global Inc.	4 July 2000	British Virgin Islands	Investment holding	US$2	–	100%
Golden Palace Global (H.K.) Limited	30 July 2003	Hong Kong	Investment holding	HK$1,000,000	–	100%
永圖貿易（上海）有限公司 (Golden Palace Global Trading (Shanghai) Co., Ltd.) (note (i))	29 December 2000	PRC	Dormant	US$200,000	–	100%
利邦（上海）服裝貿易有限公司 (LiFung Trinity China Distribution (Shanghai) Limited) (note (i))	27 October 2006	PRC	Trading of garments	RMB3,000,000	–	100%

43 Details of subsidiaries *(Continued)*

Company name	Date of incorporation	Place of incorporation/ operations	Principal activities	Share capital or paid-in capital	Interest held directly	Interest held indirectly
LiFung Trinity (Management) Limited	6 April 2006	Hong Kong	Provision of management services	HK$1	–	100%
LiFung Trinity Fashions Limited	21 December 2006	Hong Kong	Trading of garments	HK$5,000,000	–	100%
Million Venture Inc.	28 August 2000	British Virgin Islands	Investment holding	US$2	–	100%
Million Venture (H.K.) Limited	30 July 2003	Hong Kong	Investment holding	HK$1,000,000	–	100%
逸倫貿易（上海）有限公司 Million Venture Trading (Shanghai) Co., Ltd (note (i))	29 December 2000	PRC	Dormant	US$200,000	–	100%
Trubest Limited	25 June 1997	Hong Kong	Trading of garments	HK$200,000	–	100%
LiFung Trinity International Brands Limited	18 May 2006	Hong Kong	Investment holding	HK$1	–	100%
Kent & Curwen Limited	25 November 1996	England and Wales	Trading of garments	GBP1,000,000	–	100%
L&F Branded Lifestyle International Limited	11 October 1999	British Virgin Islands	Investment holding	US$1	–	100%
L&F Branded Lifestyle (Singapore) Pte Limited	12 July 1994	Singapore	Provision of consultancy service	SGD500,000	–	100%
LiFung Trinity Management (Singapore) Pte. Ltd	21 March 2007	Singapore	Provision of business management & consultancy services	SGD100	–	100%

Note:

(i) These companies are foreign-owned enterprises registered in the PRC.

Financial Summary

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

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

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

TRINITY LIMITED

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

T (852) 2342 1151

trinity-limited.com

THIS REPORT IS PRINTED ON
ENVIRONMENTALLY FRIENDLY PAPER