TRINITY

tailor-made for excellence

TRINITY LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 891

annual report

2011

GLOBAL OFFICES

Chinese Mainland

Beijing

Chengdu

Guangzhou

Shanghai

France

Paris

Hong Kong, SAR

Singapore

South Korea

Seoul

Taiwan

Taipei

United Kingdom

London

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)

Danny LAU Sai Wing
(Chief Operating Officer)

Sabrina FUNG Wing Yee

Non-executive Directors

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

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

Jose Hosea CHENG Hor Yin

Jean-Marc LOUBIER

Independent Non-executive Directors

Cassian CHEUNG Ka Sing

Michael LEE Tze Hau

Eva LI Kam Fun

Patrick SUN

Group Chief Compliance Officer

Srinivasan PARTHASARATHY

Company Secretary

Christiana YIU Yuen Wah

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

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

Website

www.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

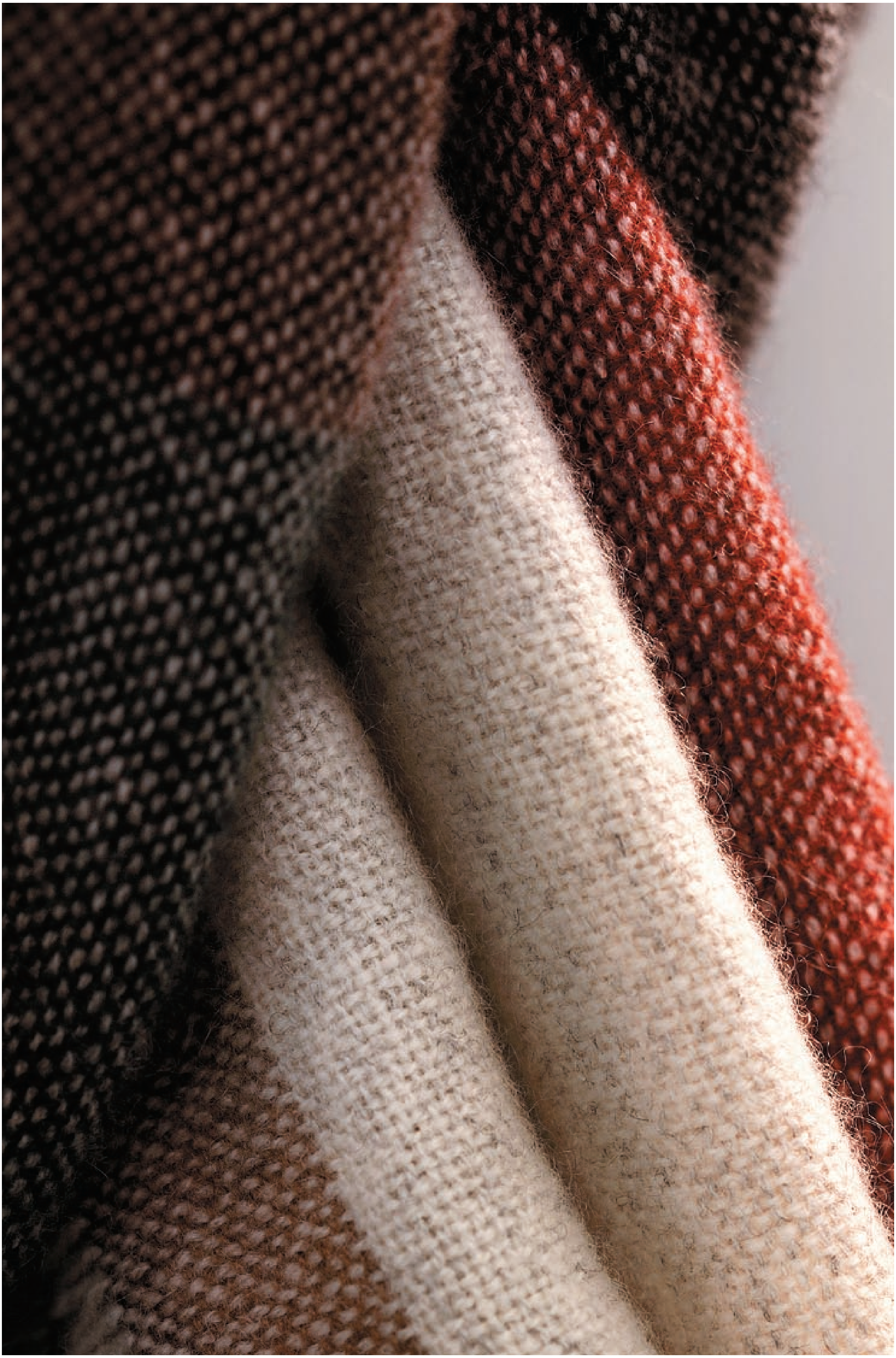
Citibank, N.A.

Legal Adviser

Mayer Brown JSM

Auditor

PricewaterhouseCoopers
Certified Public Accountants



Highlights

Highlights of Results for the Year ended 31 December 2011

	2011	2010	% change
Revenue *(HK$ million)*	**2,607**	2,011	**29.6%**
Gross profit *(HK$ million)*	**2,104**	1,552	**35.6%**
Gross profit *(%)*	**80.7%**	77.2%	
Operating profit *(HK$ million)*	**614**	430	**42.8%**
Operating profit *(%)*	**23.5%**	21.4%	
Profit attributable to shareholders *(HK$ million)*	**513**	341	**50.5%**
Profit attributable to shareholders *(%)*	**19.7%**	16.9%	
Current ratio [1]	**1.5**	1.6	
Trade payable turnover days [2]	**80**	60	
Trade receivable turnover days [3]	**31**	35	
Inventory turnover days [4]	**372**	320	
Return on equity *(%)* [5]	**18.6%**	16.0%	
Net debt to equity ratio *(%)* [6]	**N/A**	2.9%	
Basic earnings per share *(HK cents)* [7]	**30.3**	21.6	
Dividend per share *(HK cents)*			
– Final	**15.0**	10.0	
– Full Year	**23.0**	15.0	

Key ratios:
1 *Current ratio = Current assets / current liabilities*
2 *Trade payable turnover days = Average of opening and closing balances on trade payables / cost of sales for the year x number of days for the year*
3 *Trade receivable turnover days = Average of opening and closing balances on trade receivables / revenue for the year x number of days for the year*
4 *Inventory turnover days = Average of opening and closing balances on inventory / cost of sales for the year x number of days for the year*
5 *Return on equity = Profit attributable to shareholders / average shareholders' equity x 100%*
6 *Net debt to equity ratio = Net debt / total equity x 100% whereas net debt = interest bearing bank borrowings less cash and cash equivalents; N/A means the Group was at net cash position*
7 *Basic earnings per share = Profit attributable to shareholders / weighted average number of ordinary shares*

Trinity Group

31 December 2011 store numbers

	Chinese Mainland	Hong Kong & Macau	Taiwan	Europe	South Korea & SE Asia	Total
Kent & Curwen	108	13	10	1	N/A	132
Cerruti	96	9	11	1	N/A	117
Gieves & Hawkes	88	8	9	N/A	N/A	105
D'URBAN	63	7	11	N/A	N/A	81
Intermezzo	19	2	2	N/A	N/A	23
Altea	N/A	2	N/A	N/A	N/A	2
Total for the Group	**374**	**41**	**43**	**2**	**0**	**460**
Salvatore Ferragamo joint ventures	N/A	N/A	N/A	N/A	43	43
Total for the Group and the joint ventures	**374**	**41**	**43**	**2**	**43**	**503**

Revenue

Revenue increased by 29.6%, driven by continuous retail-network expansion, strong same-store sales growth, and licensing income from Cerruti Group.

Gross Profit

Gross margin increased from 77.2% to 80.7% driven by effective brand building and merchandising.

Profit Attributable to Shareholders

Profit attributable to shareholders increased by 50.5% to HK$513 million.

Dividend per Share

Full-year dividend per share increased to 23.0 HK cents.

Chairman's Statement

Victor Fung Kwok King

Chairman

Financial Overview

I am pleased to report that Trinity Limited, together with its subsidiaries (the "Group"), achieved revenue growth of 29.6% for 2011, compared with 2010. Gross profit rose from 77.2% to 80.7%, reflecting the strength of the Group's portfolio of brands. Profit attributable to shareholders increased by 50.5% and earnings per share increased by 40.0% from 21.6 HK cents to 30.3 HK cents. By the end of 2011, the Group, together with its joint ventures, operated 503 stores, of which 458 are located in Greater China.

+29.6%
Revenue growth in 2011

+35.6%
Growth in gross profit

+50.5%
Strong growth in profit attributable to shareholders

+40.0%
Strong growth in earnings per share

Business Review

Despite a global economic slowdown in 2011, the Chinese Mainland still reported a rise in GDP of 9.2% year on year. Growth remained on track and the Chinese Mainland continued its emergence as one of the world's most important and dynamic consumer markets. The Chinese government's commitment to encourage domestic consumption and to further develop the country's infrastructure continued to give rise to optimism for growth, albeit at a reduced pace.

With the rising affluence of Chinese consumers, a strong appetite prevailed for global luxury brands in 2011. This directly benefitted the Group's business in the Chinese Mainland and Hong Kong, where the number of Mainland tourists grew 23.9% during the year. In 2011, same-store sales growth increased by 19.5%. Same-store sales growth was consistently high in the Chinese Mainland at 20.6% and in Hong Kong & Macau at 18.9%, while Taiwan achieved 16.3%.

The Group further expanded its retail presence by opening net 49 new stores in Greater China, as well as adding eight new cities to its network in the Chinese Mainland. The Group kept and continues to sustain a pace of network expansion in line with its long-term strategy of maintaining a significant position in the luxury menswear market in Greater China.

The Group continued to give priority to building brand recognition and loyalty by increasing advertising and promotion expense as a percentage of revenue by 1.9 percentage points to 5.3%. Effective advertising campaigns and high-profile events raised brand image and awareness, while expanding product ranges further strengthened each brand's appeal to a growing customer base.

In March 2011, the Group completed its acquisition of Cerruti Group and Cerruti became the second self-owned brand after Kent & Curwen. The Group saw very positive results from this acquisition, as the European operations were turned around and broke even. In October 2011, Mrs Catherine Gerardin-Vautrin, an experienced veteran of the luxury fashion industry was appointed President of Cerruti 1881. Based in Paris, she leads Cerruti's global platform and the expansion of the brand's global licensing business.

Alongside its efforts in brand building and retail-network expansion, the Group also made considerable strides in supply-chain management. A new management team was recruited from Li & Fung Limited and the entire sourcing and product-development team was reorganised. These initiatives significantly raised assembly-line output and productivity while improving quality and on-time delivery.

The Group, now a constituent stock of the Hang Seng Corporate Sustainability Benchmark Index, continued to implement a corporate-sustainability strategy that includes incorporating environmental consciousness in its operations and facilities, as well as raising awareness of the importance of changing workplace and home habits to achieve a greener lifestyle.

A wide array of activities was organised that ranged from disaster-relief fundraising and community outreach to environmental-improvement activities and energy-efficiency measures. In 2011, a record number of events took place with an unprecedented level of staff participation. Lastly, the Group is constantly reviewing its corporate-governance practices, with a total commitment to following the strictest standards of corporate governance and business ethics.

Business Strategy

The Group believes consumers in the Chinese Mainland will continue to aspire to a luxury lifestyle and that luxury menswear will be an integral part of this phenomenon. In response to this market trend, the Group will maintain its strategy of targeting the premium to luxury menswear market in Greater China and will expand its retail network accordingly. A key strategy will be an increased penetration in markets beyond the first-tier cities of the Chinese Mainland.

Future Prospects

Although economic growth globally and in the Chinese Mainland is forecasted to slow down, there are some tentative signs of recovery in the United States as well as an easing of inflation in the Chinese Mainland, both of which bode well for the Chinese consumer market. Further, as the Chinese government remains committed to encouraging domestic consumption and spending power continues to rise, the Group remains confident that the growth rate of the luxury menswear market will be sustained.

While current soft market conditions may reduce the growth rate of its business in the short-term, the Group believes its proven business model and strategy are on track to drive long-term growth.

The Group is also confident that its two self-owned brands, Kent & Curwen and Cerruti, will further gain in stature and prominence, bringing more new opportunities for expansion beyond Greater China. Elsewhere, the Group will continue to look for opportunities to add to its portfolio of brands through acquisitions or long-term cooperation with brand owners.

To achieve these goals, the Group will maintain its focus on the development of its human resources. Apart from the Group's extensive management leadership training courses, the Group is dedicated to offering personal and professional development opportunities for its workforce by working closely with the wide-ranging leadership and learning initiatives of the Li & Fung group.

Further, as a member of the Sustainability Task Force of Li & Fung group, more social, environmental, and sustainability initiatives will be undertaken. At the same time, activities to raise awareness of sustainability among the Group's staff in the Chinese Mainland will be organised.

I would like to take this opportunity to express my gratitude to the members of the Board for their advice and support over the past year. On behalf of the Board of Directors, I would also like to thank the management team and all members of the Trinity family for their enthusiasm, dedication, and hard work, which were important ingredients to the Group's success in 2011.

Victor FUNG Kwok King
Chairman

Hong Kong, 13 March 2012

Management Discussion and Analysis
Financial Review

WONG Yat Ming

Group Managing Director

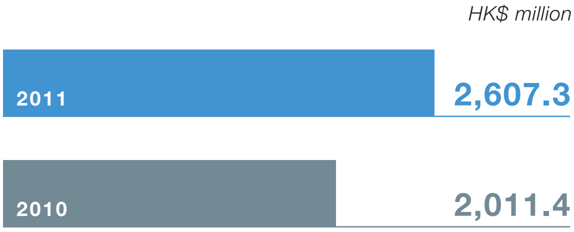
In 2011, the Group continued to see strong revenue growth fuelled by an increasing number of affluent Chinese consumers. Same-store sales saw strong growth and were a key success driver for the year. Also contributing to the year's revenue increase was licensing income generated by the Cerruti Group, which was acquired by the Group in March 2011.

Despite the Chinese Mainland's slower economic growth rate in the fourth quarter, the Group's second-half growth rate came close to that of the first half and the Group's overall growth rate proved sustainable. For 2011, profit attributable to shareholders increased from HK$340.8 million to HK$513.1 million.

Revenue

Revenue increased by 29.6% to HK$2,607.3 million, primarily due to strong retail-sales growth of 24.8% in Greater China. Increase in retail sales in Greater China was driven mainly by same-store sales growth of 19.5%. The licensing income from Cerruti Group accounted for 3.1% of the Group's revenue.

Revenue



Gross Profit

Gross profit margin increased by 3.5 percentage points to 80.7%, driven by effective brand building and merchandising.

Selling and Marketing Expenses

Selling and marketing expenses, expressed as a percentage of revenue, increased slightly from 41.0% to 41.9% year on year. The increase was mainly attributable to advertising and promotion expenses, which grew from 3.4% of revenue in 2010 to 5.3% in 2011.

Administrative Expenses

Administrative expenses expressed as a percentage of revenue declined from 18.8% to 17.7% year on year, mainly due to operating leverage.

Operating Profit

The full-year operating margin increased from 21.4% to 23.5% year on year mainly due to the improvement in gross profit margin.

Share of Profit of Jointly Controlled Entities

The Group's share of profit of jointly controlled entities increased by 73.1% to HK$62.3 million. This was largely driven by strong sales performance, primarily in South Korea and Singapore, which accounted for 90.3% of the increase.

Effective Tax Rate

The effective tax rate of the Group decreased from 26.0% in 2010 to 24.2% in 2011. The improvement was mainly attributable to a shift in geographical mix to a lower tax rate jurisdiction.

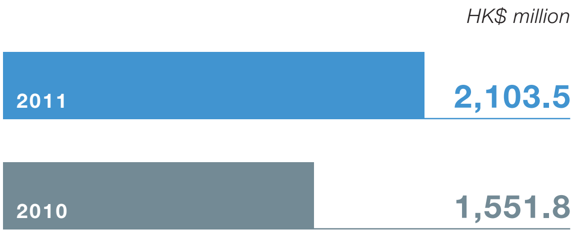
Profit Attributable to Shareholders

Profit attributable to shareholders increased by 50.5% to HK$513.1 million and as a percentage to revenue increased to 19.7% in 2011 compared with 16.9% achieved in 2010. Basic earnings per share of the Group improved to 30.3 HK cents in 2011 from 21.6 HK cents in 2010.

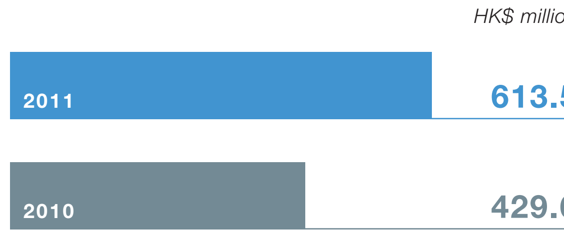
Working Capital Management

The working capital of the Group rose as a result of an increase in inventory level. Inventory turnover days grew from 320 days in 2010 to 372 days in 2011 due to the build-up of inventories for the 2011 fall/winter and 2012 spring/summer seasons because of an earlier-than-usual Chinese New Year.

Gross Profit



Operating Profit



The Group's trade payable days increased from 60 days in 2010 to 80 days in 2011 mainly due to an extension of credit term.

Financial Position and Liquidity

The Group generated net cash from operating activities of HK$452.1 million. After net repayment of HK$200.0 million in bank loans during the year ended 31 December 2011, the net debt position was turned to net cash of HK$410.4 million.

Credit Risk Management

While trade receivables from department stores continue to pose a credit risk, the Group is now exposed to risks arising from receivables owed by licensees following the acquisition of Cerruti Group during the year. The Group established procedures to evaluate and monitor the credit risk of department stores and licensees in order to control its exposure in this area. The Group's trade receivable turnover days improved from 35 days in 2010 to 31 days in 2011. At the end of December 2011, the Group's debtors ageing analysis showed that the percentage of debtors over three months old was 5.7% of total trade receivables. The Group's cash and cash equivalents were deposited with major international banks.

Foreign Exchange Management

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

Interest Rate Management

The Group evaluates interest-rate risks periodically to determine the need to hedge against adverse interest-rate movements. Since the volatility of interest-rate movements was expected to be mild during the year, no interest-rate hedge was taken in 2011.

Banking Facilities

The Group has secured adequate bank lines of approximately HK$1,044.9 million for operational contingencies. A total of HK$380.0 million in revolving loans was obtained, and HK$35.0 million was utilised for trade financing at year end. The undrawn facilities at year end amounted to HK$629.9 million.

Use of Proceeds from Initial Public Offering

As at 31 December 2011, a balance of HK$31.5 million in Initial Public Offering proceeds for retail network expansion remained unutilised.

Geographical Analysis for Retail and Licensing Businesses

Greater China retail contributed 95.8% of the Group's total revenue in 2011, with growth in Hong Kong & Macau, the Chinese Mainland, and Taiwan at 21.6%, 28.0%, and 16.3%, respectively. Same-store sales growth continued to be the key driver to growth in the region. In Europe, retail and licensing income contributed 4.0% of the Group's revenue as a result of acquisition of the Cerruti Group in March 2011.

Gross Profit Margin

Greater China retail recorded increases in gross margin in 2011 with the Chinese Mainland margin improved to 80.7%, Hong Kong & Macau to 81.0%, and Taiwan to 75.3%. The improvement in margin reflected strong demand for the Group's products in these markets. In Europe, where the business comprises retail and licensing operations, the margin was 90.6% as the majority of the revenue is contributed from its licensing operation.

Share Placement

In January 2011, the Company raised net proceeds of approximately HK$736.6 million through a placement of 100,000,000 shares at a price of HK$7.50 per share. The Group intends to use the net proceeds from the placement as general working capital and for funding future business development and possible acquisitions.

Geographical Analysis for Retail Business

Revenue

HK$ million	*2011*	*2010*
Hong Kong & Macau	834	690
The Chinese Mainland	1,464	1,144
Taiwan & others	309	177
Total	2,607	2,011

Gross Profit

HK$ million	*2011*	*2010*
Hong Kong & Macau	673	537
The Chinese Mainland	1,182	892
Taiwan & others	249	123
Total	2,104	1,552

Management Discussion and Analysis
Operations Review

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brands.
networks.
services.

STORE NETWORK:

374
The Chinese Mainland

43
South Korea & SE Asia

41
HK & Macau

43
Taiwan

1
UK

1
France

Business remained on track for the year. Same-store sales growth, increased gross margins, and cost efficiency were the key drivers to the Group's success in 2011. The resilience of the high-end and luxury sectors in the Chinese Mainland market meant that the Group saw sustainable growth, reflecting the strengths of the Group's strategy, management and brands.

The Group's strong brands, distribution network, and efficient supply chain continued to be the force behind the Group's expansion in the Chinese Mainland, which remains a very attractive market. The continuous influx of shopping malls, department stores, and international brands underscores that market's on-going development and the soundness of the Group's long-term strategy.

The Group derives 56.2% of its revenue in Renminbi and continued to benefit from favourable exchange rates as the Renminbi appreciated against the Hong Kong dollar.

Store Network Expansion

The Group opened 101 new stores in 2011 and closed 51, a 12.2% net increase. In the Chinese Mainland, the Group opened a total of 92 new stores. While the Group continued to open stores in first-tier cities, the focus in 2011 continued to be on further expansion into lower-tier cities as these offer much more growth potential in terms of opening stores and return on investment.

The Group continued to build brand equity through upgrading and expanding existing stores and rolling out new store concepts across Greater China. In the Chinese Mainland, the Group continued its strategy of expansion into lower-tier cities, with a focus on acquiring the best retail locations, establishing each brand across the country, and increasing market share. As at 31 December 2011, the Group operated a total of 460 stores, of which 374 were located in the Chinese Mainland, 41 in Hong Kong & Macau, 43 in Taiwan, one in the United Kingdom and one in France. The Group also operated a total of 43 stores in South Korea and Southeast Asia under joint ventures with Salvatore Ferragamo.

New Store Designs

The Group continued its rollout of a new store concept for Kent & Curwen, which launched in 2010. To date, the new concept has been integrated in more than half of all Kent & Curwen stores with very positive results, including increased sales, higher traffic, and longer customer visits.

In September 2011, the Group launched a new store concept for Gieves & Hawkes at its International Finance Centre (IFC) location in Hong Kong. The concept, based on the brand's flagship store at No1 Savile Row, London, is based on salons – spaces dedicated to formal wear, casual wear, and accessories. Each salon features iconic British wallpaper, fixtures, and décor. This well-received concept will continue to be rolled out to all Gieves & Hawkes stores during 2012.

In addition, the Group launched successful new store designs for Intermezzo and D'URBAN during

Hong Kong

Gieves & Hawkes held its FW11 Press Open House at the Trinity Press Room in July 2011.

2011 and began testing a new retail concept for Cerruti 1881 that will be rolled out in the second half of 2012.

Marketing and Promotion

The Group increased its advertising and promotion budget to nearly 5.3% of its overall revenue in 2011 with its overall marketing strategy still centred on brand building. Notably, 2011 saw further strengthening and development of teams dedicated to each of the Group's four biggest brands: Kent & Curwen, Cerruti 1881, Gieves & Hawkes, and D'URBAN. Under the direction of each brand's management team, major improvements were made in the creation of advertising, media relations, public relations and communications, visual merchandising, and customer-relationship management. The Group analysed its website and implemented best practices to improve it, with a target to re-launch a new company website in mid-2012.

As a result of these concentrated efforts, each brand significantly increased its promotional activities in local markets throughout the Chinese Mainland, both through customer-centric events and by developing beneficial relationships with key retail landlords. The Group also focused on five major regions in the Chinese Mainland to increase brand awareness, as well as build traffic and product interest, while improving the selling ceremony and competitive benchmarks.

The Group further raised the profile of its brands by sponsoring major events throughout the year. For example, Kent & Curwen not only installed its first pop-up store at The Landmark, Hong Kong's premier shopping centre, but also continued its relationship with brand ambassador Aaron Kwok by sponsoring his Ferrari Challenge and the singer's "De Showy Masquerade World Tour". The brand also held its annual Kent & Curwen Centenary Sprint Cup at the Shatin racecourse in Hong Kong. Gieves & Hawkes launched and rolled out its new store concept and had the honour of dressing HRH Prince William for his wedding to Catherine Middleton. The brand as well hosted two-time Academy Award winner Kevin Spacey as guest of honour for customer and press events in Hong Kong and Beijing.

Hong Kong

Dr Victor Fung and Peter Phillips at the Kent & Curwen Centenary Sprint Cup at The Hong Kong Jockey Club in January 2012.

The Group's brands improved media relations with successful Press Open House gatherings and media events held throughout the year. To increase media relations and editorial coverage, the Group established showrooms with seasonal press samples at its regional bases in Hong Kong, the Chinese Mainland, and Taiwan.

Acquisition

In March 2011, the Group completed the acquisition of Cerruti Group. In keeping with the Group's eye to global expansion, Catherine Gerardin-Vautrin, an experienced veteran of the luxury fashion industry, was appointed as President of Cerruti 1881 in October 2011. After becoming part of Trinity Group, Cerruti Group achieved its initial financial objective of breaking even.

Customer Relations

The Group has always put customer service at the forefront of its business model. The Group used data generated from point-of-sales systems, as well as surveys and market studies to gather information to build detailed customer profiles. In 2011, the Group markedly increased its Customer Service Management (CSM) activities, particularly those in digital format, such as SMS and electronic Direct Mailer (eDM) platforms. Further, the Customer Record System (CRS) introduced a centralised database for storing all regional data, with a user-friendly interface for frontline staff.

To optimise the Group's efforts in data collection and management, the Group continued its extensive training programme for its retail staff. The Group's store employees are trained to anticipate customers' needs, provide excellent customer service, and to gather as much detailed information as possible. The combination of CSM efforts in both the backend and at the retail level led to a significant increase in sales and data collected. For example, Kent & Curwen saw sales to its VIPs increase by 56.1% with approximately 4,000 new customer profiles, and Cerruti 1881 saw VIP sales increase 110.3% with approximately 4,000 new customer profiles. The Group also used mystery shoppers to measure customer service and retail staff training.

Sourcing

During the year, the Group further strengthened its supply-chain management and the Group's sourcing business moved toward

Hong Kong

Cerruti 1881 held its SS11 Press Open House at the Hong Kong Museum of Medical Science in January 2011.

a more formal arrangement with clear leadership for the entire sourcing team and new support services. While maintaining vertical integration for each brand, the sourcing team was encouraged to apply up-to-date market practices and to emphasise cooperation across the board. Furthermore, new accountability measures were put into place to strengthen quality assurance and compliance; and offshore quality-control checks were established in Europe as the sourcing business continued to add vendors and product categories. To cope with the growth of the brands, the Group also saw increased efficiency at the assembly-line level and maintained high standards of quality while meeting delivery schedules during the year.

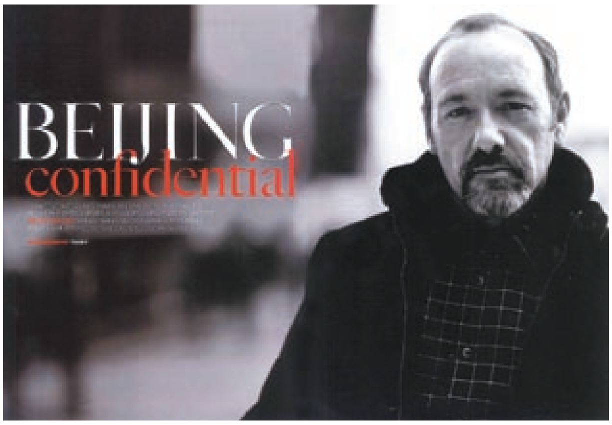
Human Resources

As at 31 December 2011, the Group had a total workforce of 3,687, of whom 973 were based in Hong Kong & Macau, 2,487 in the Chinese Mainland, 180 in Taiwan, and 47 in other countries. The Group's total staff costs for 2011 were HK$565.9 million, compared with HK$455.3 million for 2010.

The Group maintains a firm belief that its continued success depends on a contribution from each and every individual in the organisation. It therefore offers its staff competitive remuneration schemes and a safe and comfortable workplace. Performance- and results-based bonuses and share options are granted as a means to reward and retain a high-calibre team.

In 2011, the Group continued to institute comprehensive staff training and development activities, such as four on-going staff-development programmes in Hong Kong and Shanghai to help foster personal, leadership, and management development.

The Group continued with its Total Service Management (TSM) training programmes comprising customer service, selling skills, product training (seasonal and regular), and staff management and development training programmes. Train the Trainers continued to ensure that the programmes are rolled out to all store employees in all markets. An evaluation mechanism was also formalised to ensure effectiveness.



Beijing

Gieves & Hawkes brand ambassador and two-time Academy Award winner Kevin Spacey was photographed at Parkview Green in November 2011.

Corporate Social Responsibility and Sustainability Initiatives

The Group takes its role as corporate citizen very seriously and has organised sustainability efforts through community outreach, events supporting the environment, and training and development programmes for employees. Environmental protection and awareness measures consist of evaluating the Group's carbon footprint, analysing energy efficiencies, and promoting the recycling, re-usage, and conservation of water, paper, and other materials. For example, to ensure that carbon emissions are reduced, energy-efficient lighting has been used throughout the Group's new headquarters.

The Group's sustainability journey evolved from being Hong Kong-centric to include the Chinese Mainland and Taiwan in 2011. The Group continued many of its past activities as well as initiating new events and introducing programmes to staff in the Chinese Mainland, who enthusiastically took the initiative to organise their own events. These included tree planting with Friends of the Earth, No Air-Con Night with Green Sense, and turning off non-essential lights during Earth Hour in Hong Kong & Macau (with 92% of staff across the region participating at home).

Charitable efforts and community outreach included contributions for the victims of the earthquakes in Japan and Turkey, as well as the Thailand flood; a donation to Red Cross disaster-relief efforts in Japan from a percentage of D'URBAN and Intermezzo sales; a donation to Chengdu SOS children's village; sponsoring children in Inner Mongolia; donating gifts to needy children at the Hong Kong Society for Protection of Children; restoration work on a Tai O Stilt House in Hong Kong; and participation in Pink Day to raise awareness of breast cancer. Most charitable contributions are matched, dollar for dollar, by the Li & Fung (1906) Foundation.

Chosen from 638 companies appraised, the Group is proud to be one of 68 constituent members of the Hang Seng Corporate Sustainability Benchmark Index that rates workplace practice, social impact, environmental impact, and corporate governance. The Group also became a member of the United Nation Global Compact (UNGC) through Li & Fung group. Other notable achievements include the Red Award for Annual Big Donors of

Singapore

Salvatore Ferragamo SS11 fashion show at Paragon Shopping Centre Atrium.

Red Cross humanitarian work, pledging and formally implementing a No Shark Fin policy in conjunction with WWF, and second runner-up in Hong Kong for the highest number of participants in World Vision's Skip-A-Meal programme.

Looking Ahead

The Group's strategy of brand building and retail-network expansion proved successful in the past and continues to be the core priority for the future. The Group will continue to enter new cities and expand its reach in existing cities at a maintainable pace. New store concepts will be tested and implemented, and the Group will continue to develop new products across all brands. Investment in marketing and promotions will continue with the objective of raising the international profile of the brands.

By employing best practices, the Group will continue to improve efficiency throughout its supply chain, with an eye to continual merchandising updates for its stores and production improvements in its assembly lines. At a macro level, by bringing on board experienced veterans of the global luxury retail industry, the Group will also look to expand the reach of its brands to markets outside of Greater China.

Overall, the Group's outlook remains cautiously optimistic, as its strategies have proven successful. While a slowdown in growth was noticed in the Greater China markets, the Group believes this will be short-term and that these markets will remain very attractive in the long term.

As announced in December 2011, the Group's exclusive distribution agreements with Salvatore Ferragamo for the sale of Ferragamo products in South Korea, Singapore, Malaysia, Thailand, and Indonesia will expire in December 2012. The sale of Ferragamo products in the above territories is managed by the Group's jointly controlled entities. The Group and Salvatore Ferragamo group are currently examining ways to continue their long-standing and mutually beneficial partnership.

Whether through full acquisition, licensing, or joint-venture agreements, the Group will also continue to look for new brands to add to the Trinity portfolio, with its focus remaining on high-end and luxury brands.

Hong Kong

For the second straight year, Trinity Group was awarded the "Best of the Best" Gold Award during the 2010 ARC Awards.


K&C

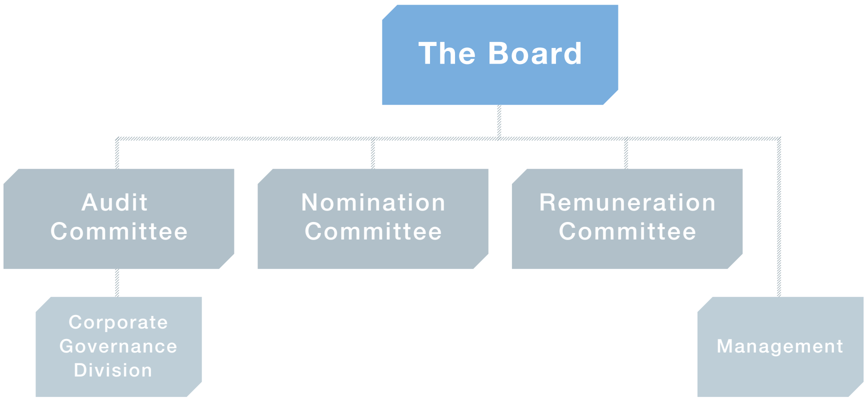
Corporate Governance Report

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 that 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").

CORPORATE GOVERNANCE STRUCTURE

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



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

Roles and Responsibilities of the Board

The Board is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on Directors' appointment or re-appointment, approval of major capital transactions, and other significant operational and financial matters.

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

The Non-executive Directors, including the Independent Non-executive Directors, offer diverse industry expertise but are not involved in the day-to-day management of the Group. They serve the important function of advising the management on strategy and ensuring that the Board maintains high standards of financial and other 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 Directors ensure that they can give sufficient time and attention to the affairs of the Company. The Directors have disclosed to the Company, at the time of their appointment and on an annual basis, the number and nature of offices held in listed public companies or organisations and other significant commitments, with the identity of the public companies or organisations.

The Board and the Management

The Company's organisational structure is designed to maintain an appropriate balance of responsibility between the Board and the management. While the Board is responsible for setting up the overall strategy, the general management and day-to-day decisions and matters are delegated to the management team, including but not limited to the following:

- preparation of interim financial information and annual financial statements for board approval before public reporting;

- execution of business strategies and initiatives adopted by the Board and monitoring of operating budgets;
- implementation of adequate systems of internal controls and risk management procedures;
- implementation of sustainability practices; and
- compliance with relevant statutory requirements and rules and regulations.

The Board and management fully appreciate their respective roles and are supportive of the development of a healthy corporate governance culture.

Independence and Conflict of Interest

The Independent Non-executive Directors are required to confirm their independence upon their appointment and on an annual basis. The Board has received from each Independent Non-executive Director written confirmation of their independence in accordance with the relevant requirements of the Listing Rules for the year ended 31 December 2011. Each Independent Non-executive Director is required to inform the Company as soon as practicable if there is any change that may affect his/her independence. The Company considers all of the Independent Non-executive Directors to be independent during the year ended 31 December 2011.

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/her associates) has material interest in a business that is in material competition with or is potentially in material competition with the businesses of the Group. Any of the Independent Non-executive Directors may request such Director not to attend, or if already present, to absent himself/herself from the meeting where such matters are the subjects of discussion.

On 23 March 2011, Mr Jean-Marc LOUBIER was re-designated as a Non-executive Director and on the same date, subsequent to the re-designation, the Group entered into an agreement with a company wholly-owned by Mr Jean-Marc LOUBIER in respect of the provision of advisory and consultancy services to the Group in Europe.

Information and Ongoing Development

All Directors are kept informed on a periodic basis of major changes that may affect the Group's businesses, including relevant rules and regulations. During a Board meeting in August 2011, the Directors were given a tour of the Group's new head office in Kowloon Bay, Hong Kong. The Directors have separate and independent access to the Group Chairman, Group Managing Director, Group Chief Compliance Officer and Company Secretary at all times to obtain relevant information for carrying out their duties as Directors of the Company. In order to further enhance communication between the Chairman and the Non-executive Directors, a separate meeting was held in March 2011 between the Group Chairman and the Non-executive Directors (including Independent Non-executive Directors) to discuss business and related issues of the Group.

Procedures are also put in place for Directors and Board Committees to seek independent professional advice in performing their Directors' duties and at the Company's expense. No request for such independent professional advice was made by any Director in 2011.

Appointment and Re-election of Directors

All Non-executive Directors are appointed for a term of three years and all Directors are subject to retirement by rotation and re-election at annual general meeting. 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/her 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. During the annual general meeting in 2011, five Directors, namely Dr William FUNG Kwok Lun, Ms Sabrina FUNG Wing Yee, Mr Jeremy Paul Egerton HOBBINS, Mr Danny LAU Sai Wing and Mr Michael LEE Tze Hau, retired and, except for Mr Jeremy Paul Egerton HOBBINS, offered themselves for re-appointment.

Assuming no appointment or resignation of Directors between the date of this report and the annual general meeting, Mr Jose Hosea CHENG Hor Yin, Mr Cassian CHEUNG Ka Sing, Ms Eva LI Kam Fun, Mr Patrick SUN and Mr WONG Yat Ming, will retire and will offer themselves for re-election at the coming annual general meeting.

Independent Reporting of Corporate Governance Matters

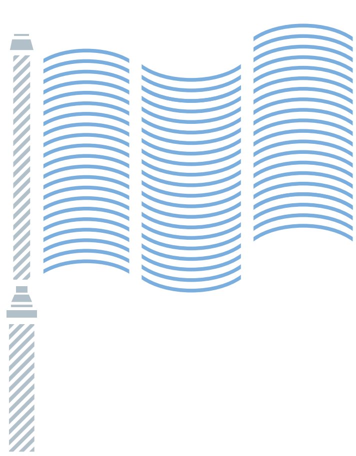
The Board recognises the importance of the independent reporting of the corporate governance function. The Group Chief Compliance Officer, as appointed by the Board in 2007, attended all of the Board and Board Committee meetings in 2011 to advise on corporate governance matters covering risk management, internal controls, and relevant compliance issues relating to mergers and acquisitions, accounting, and financial reporting.

Liability Insurance for Directors

The Company has appropriate liability insurance put in place to indemnify its Directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

Board and Committee Meetings

The Board meets regularly throughout the year. Regular board meetings are scheduled a year ahead to facilitate high attendance of Directors and notice of meeting is sent at least 14 days before the meeting. The meeting agenda is set by the Group Chairman in consultation with members of the Board. Agenda and accompanying board papers are sent to all Directors at least three days before the intended meeting so as to give the Directors sufficient time to prepare before the meeting. Draft and final versions of minutes of board meetings are circulated to all Board members for comments and records respectively, within a reasonable time after each board meeting. The minutes of the board meetings are kept by the Company Secretary.



internal controls

accounting

financial reporting

compliance issues on mergers and acquisitions

risk management

Independent Reporting of Corporate Governance Matters

A summary of attendance of Board and Committee meetings in 2011 is detailed in the following table:

No. of meetings ■ attended □ held

	Board	Audit Committee	Nomination Committee	Remuneration[1] Committee
Non-executive Directors				
Dr Victor FUNG Kwok King[3]	■■■■■■		■■■[7]	■■
Dr William FUNG Kwok Lun[6]	■■■■■■			
Jose Hosea CHENG Hor Yin[6]	■■■■■■	■		
Jean-Marc LOUBIER[2]	■■■■■□	■■■■		■
Jeremy Paul Egerton HOBBINS[4]	■■■■			
Independent Non-executive Directors				
Patrick SUN	■■■■■□	■■■■	■■■	
Michael LEE Tze Hau	■■■■■■	■■■■	■■■	■■
Cassian CHEUNG Ka Sing[3]	■■■■■■	■■■■	■■■	■
Eva LI Kam Fun[5]	■	■		■
Executive Directors				
WONG Yat Ming	■■■■■■	■■[7]		■■[7]
Danny LAU Sai Wing	■■■■■■			
Bruno LI Kwok Ho	■■■■■■	■■■■[7]		
Sabrina FUNG Wing Yee	■■■■■■			
Group Chief Compliance Officer				
James SIU Kai Lau[8]	■■■■■■	■■■■	■■■	■■
Dates of Meeting	10/1/2011 11/1/2011 23/3/2011 1/6/2011 25/8/2011 25/11/2011	22/3/2011 1/6/2011 23/8/2011 25/11/2011	23/3/2011 23/8/2011 12/10/2011	23/3/2011 25/11/2011
Average attendance rate	**97.2%**	**100%**	**100%**	**100%**

1. Remuneration Committee is previously known as Compensation Committee.

2. Re-designated as Non-executive Director and ceased to be a member of Remuneration Committee on 23 March 2011.

3. On 23 March 2011, Mr Cassian CHEUNG Ka Sing was appointed as the Chairman of Remuneration Committee in place of Dr Victor FUNG Kwok King who remains as its member.

4. Retired as Non-executive Director and ceased to act as Deputy Chairman of the Company with effect from the conclusion of the Company's annual general meeting held on 1 June 2011.

5. Appointed as Independent Non-executive Director and a member of Audit Committee and Remuneration Committee with effect from 1 November 2011.

6. Dr William FUNG Kwok Lun and Mr Jose Hosea CHENG Hor Yin were appointed as additional members of Nomination Committee and Audit Committee, respectively, effective 1 November 2011.

7. Attended Committee meetings by invitation as a non-member.

8. Attended Board and Committee meetings by invitation as a non-member. Mr James SIU Kai Lau retired and replaced by Mr Srinivasan PARTHASARATHY as the Group Chief Compliance Officer effective 1 January 2012.

Board Committees

The Board has established the following committees on 1 January 2009 with defined terms of reference (available to shareholders upon request and will be made available on the Company's and HKEx's websites), which are of no less exacting terms than those set out in the Code on Corporate Governance Practices of the Listing Rules:

- Nomination Committee
- Audit Committee
- Remuneration Committee

The Committees comprise a majority of Independent Non-executive Directors and to further reinforce independence, all three Committees are chaired by Independent Non-executive Directors. All Committees are provided with sufficient resources to discharge their duties and have access to professional advice if considered necessary at the Company's expense. Draft and final versions of minutes of Committees' meetings are circulated to all respective members for comments and records within a reasonable time after each meeting. Minutes of all meetings are made available to all Board members. Details and reports of the Committees are set out below.

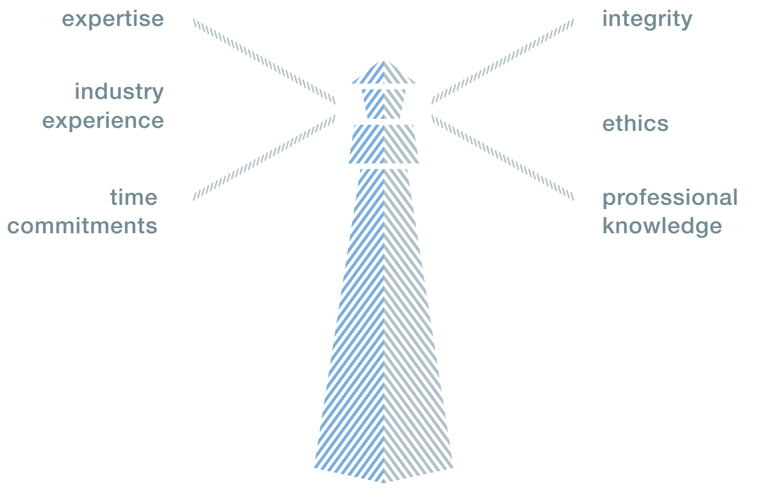
Nomination Committee

The Nomination Committee was established on 1 January 2009 and majority of the Committee members are Independent Non-executive Directors, as set out below:

Mr Michael LEE Tze Hau
(Chairman)
Mr Patrick SUN
Mr Cassian CHEUNG Ka Sing
Dr William FUNG Kwok Lun
(from 1 November 2011)

(All of the above are Independent Non-executive Directors, except Dr William FUNG Kwok Lun who is a Non-executive Director.)

The Committee's 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, as well as time commitments of members. The Nomination Committee selects and recommends candidates for directorship, including the consideration of referrals and engagement of external recruitment professionals when necessary.



Nomination Guidelines

The Committee met three times in 2011 (with a 100% attendance rate) to review the retirement of directors and recommend their re-appointment at the Annual General Meeting held in June 2011; to recommend the re-designation of Mr Jean-Marc LOUBIER and changes in the composition of the Remuneration Committee members and the Chairmanship of the Committee; to recommend the appointments of Ms Eva LI Kam Fun as an Independent Non-executive Director; and Dr William FUNG Kwok Lun and Mr Jose CHENG as additional members of Nomination Committee and Audit Committee respectively.

Audit Committee

The Audit Committee was established on 1 January 2009 to review the Group's financial reporting, internal controls and corporate governance issues, to consider issues relating to the external auditor, and to provide advice and make relevant recommendations to the Board. The majority of the Committee members are Independent Non-executive Directors as set out below:

Mr Patrick SUN *(Chairman)*
Mr Michael LEE Tze Hau
Mr Cassian CHEUNG Ka Sing
Mr Jean-Marc LOUBIER
Ms Eva LI Kam Fun
(from 1 November 2011)
Mr Jose Hosea CHENG Hor Yin
(from 1 November 2011)

(All of the above are Independent Non-executive Directors, except Mr Jean-Marc LOUBIER and Mr Jose Hosea CHENG Hor Yin who are 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 2011 (with a 100% attendance rate) to review with senior management, the Company's Corporate Governance Division ("CGD"), and external auditor on the Group's significant internal controls, risk management, and financial matters as set out in the Audit Committee's written terms of reference and make relevant recommendations to the Board. The CGD, under the supervision of the Group Chief Compliance Officer, is responsible for performing the internal audits of the Group.

In 2011, the Committee's review covered the audit plans and findings of the CGD and external auditor, external auditor's independence, the Group's accounting principles and practices, listing rules and statutory compliance, connected transactions, internal controls, risk management, financial reporting matters (including the annual and interim financial statements before recommending them to the Board for approval), and the adequacy of resources, qualification, and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

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

The Audit Committee also ensures proper arrangements are in place for employees to report any concerns, including misconduct, impropriety, or fraud in financial reporting matters and accounting practices in confidence and without fear of recrimination. Under the Group's Whistle Blowing Policy, the employees are able to report any concerns to either senior management or the Audit Committee through the Group Chief Compliance Officer. Any shareholders or stakeholders can also report similar concerns by writing in confidence to our Group Chief Compliance Officer at the Company's business address in Hong Kong. In 2011, no incident of fraud or misconduct was reported from employees or shareholders or stakeholders that have material effect on the Group's financial statements and overall operations.

In order to further enhance independent reporting by the external auditor, the external auditor, PricewaterhouseCoopers ("PwC"), was invited to attend all the Audit Committee meetings in 2011. During a meeting in March 2011, a separate session was held between the Committee members and PwC to discuss audit and related issues of the Group. A policy on provision of non-audit services by the external auditor has been established since March 2009 to ensure that the external auditor is engaged to provide non-audit services only if they are more effective or economical than those available from other service providers and if they will not constitute adverse impact on their independence as external auditor. Under this policy, certain specified non-audit services are prohibited. Other non-audit services (with a fee above a threshold) require prior approval of the Audit Committee. The permitted services conducted and related fees for the year ended 31 December 2011 by PwC are as follows:

Services rendered	2011 | HK$'000
Audit services	
Annual audit	**4,068**
Non-audit services	
Taxation	**801**
Other services	**280**
Total	**5,149**

The nature and ratio of annual fees to the external auditor for non-audit services and for audit services are subject to scrutiny by the Audit Committee. Prior to the commencement of the audit of the Company's 2011 financial statements, the Committee received written confirmation from PwC on its independence and objectivity as required by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Audit Committee evaluates the performance of the external auditor annually. Members of the Committee are satisfied with the findings of their evaluation of the audit fees, process, and effectiveness of the audit process, as well as technical competence, professional ethics, independence and objectivity of PwC. The Committee has recommended to the Board the re-appointment of PwC as the Company's external auditor for the financial year ending 31 December 2012 at the forthcoming annual general meeting.

Remuneration Committee

The Remuneration Committee was established on 1 January 2009 and majority of the Committee members are Independent Non-executive Directors as set out below:

Mr Cassian CHEUNG Ka Sing
(from 23 March 2011) (Chairman)
Dr Victor FUNG Kwok King
Mr Michael LEE Tze Hau
Mr Jean-Marc LOUBIER
(up to 23 March 2011)
Ms Eva LI Kam Fun
(from 1 November 2011)

(All of the above are Independent Non-executive Directors, except Dr Victor FUNG Kwok King and Mr Jean-Marc LOUBIER who are Non-executive Directors.)

On 23 March 2011, Dr Victor FUNG Kwok King stepped down as Chairman of the Committee and remains as a member, and Mr Cassian CHEUNG Ka Sing, an Independent Non-executive Director, was appointed as Chairman of the Committee.

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 two times in 2011 (with a 100% attendance rate) to review and approve the remuneration packages of two of the Executive Directors, and the granting and allocation of share options under the Group's share option scheme.

Remuneration Policy for Executive Directors

The primary goal of the remuneration policy on Executive Directors' packages is to enable the Company to motivate Executive Directors by linking their compensation to performance with reference to corporate and business streams' objectives. Under the policy, a Director is not allowed to approve his/her own remuneration.

The principal elements of the remuneration package of Executive Directors include:

- basic salary and allowances;
- bonus, calculated at a percentage of the Group's profit before interest and tax; and
- share options.

Details of the Executive Directors' emoluments are set out in Note 15 to the consolidated financial statements on pages 94 to 96.

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 Remuneration 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's meetings. Details of Non-executive Directors' emoluments are set out in Note 15 to the consolidated financial statements on pages 94 to 96.

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

The Board and 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, administration and information technology, and is supplemented by written policies tailored to the needs of respective business units in the countries where the Group operates. These policies cover the Group's key risk management and control standards.

Financial Risk Management

The Board approves the Group's Three-Year Business Plan and annual budget, and reviews the Group's operating and financial performance and key performance indicators against the budget on a quarterly basis. Management closely monitors actual financial performance of the Group on a monthly basis. The Group adopts sound management practices in mitigating financial risks. Details of the Group's financial risk management (encompassing foreign exchange risk, credit risk, liquidity risk and interest rate risk) are set out in Note 4.1 to the consolidated financial statements on pages 83 to 85.

Operational Control Management

A Brand Management Committee, 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. The operational control management has been further strengthened with the appointment of Mr Danny LAU Sai Wing as the Group's Chief Operating Officer on 1 January 2011.

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.

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.

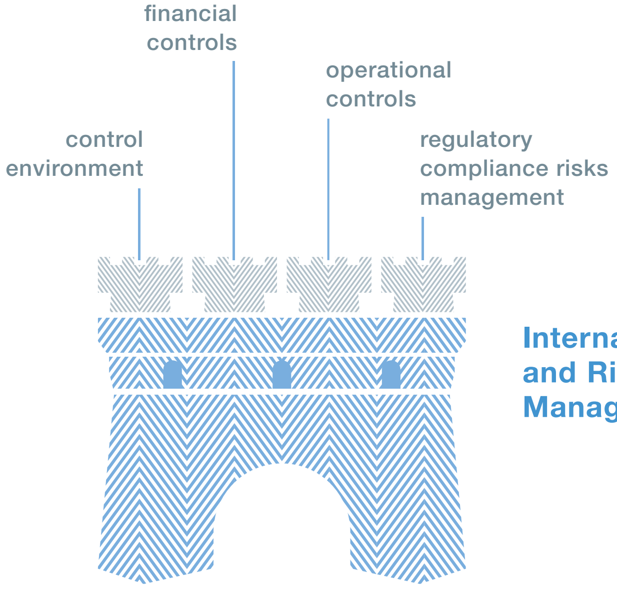
Directors' Securities Transactions

The Group has adopted stringent procedures governing Directors' securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules. Relevant employees who are likely to 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 2011. No incident of non-compliance by Directors and relevant employees was noted by the Company in 2011.

Internal and External Audits

The CGD independently reviews the internal controls and evaluates their adequacy, effectiveness, and compliance. The Audit Committee reviews and endorses the execution of the CGD Three-Year Audit Plan (2011-2013) that is strategically linked to the Group's Three-Year Business Plan. The CGD Audit Plan is prepared under a risk-based assessment methodology and covers the Group's significant operations over a three-year cycle period.

The scope of work covers mainly financial, operational and compliance controls, risk management policies and procedures, and sustainability practices. The CGD has unrestricted access to all the information needed for review. Our Group Chief Compliance Officer reports major findings and recommendations to the Audit Committee on a regular basis. The implementation of all agreed recommendations is being followed up on a three-month basis and reported to the Audit Committee at each Committee meeting. In addition, the CGD visits the Group's local and overseas offices and selected stores, and meets



Internal Control and Risk Management

with management and retail staff on a regular basis to help embed the compliance culture in the Group's business practices when performing on-site reviews.

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

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

Based on the assessments made by management, CGD, and also taking into the account the results of the work conducted by the external auditor for the purpose of their audit for 2011, the Audit Committee is satisfied that:

- the internal controls and accounting systems of the Group are in place and functioning effectively and are designed to provide reasonable assurance that material assets are protected, business risks are identified and monitored, material transactions are executed in accordance with management's authorisation, and the financial statements are not materially misstated and are reliable for publication;
- there are ongoing processes in place for identifying, evaluating, and managing the significant risks faced by the Group; and
- the resources, qualifications, experience, training programmes and budget of the staff of the Group's accounting and financial reporting function are adequate.

Directors' and Senior Management Interests

Details of Directors' interests in the shares of the Company are set out in the Directors' Report section on pages 51 to 60. 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 2011.

Directors' Responsibility and Auditor's Responsibility for Financial Statements

The Directors' responsibility for preparing the financial statements are set out on page 60 and the auditor's reporting responsibility is set out on page 61.

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 2011.

CORPORATE COMMUNICATION

The Company recognises the importance of communication with its internal and external stakeholders, in particular its employees and shareholders, in establishing a good corporate governance culture.

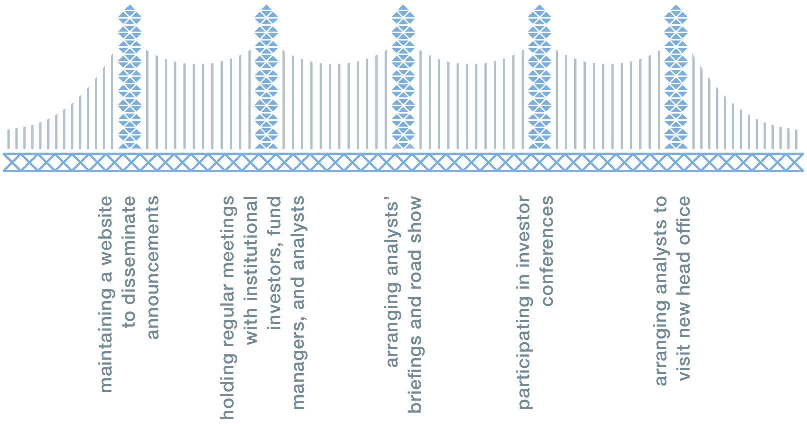
Investor Relations and Communication

The Company has pursued a policy of promoting investor relations and communication. In 2011, the Company participated in investor conferences during which it made corporate presentations, arranged company visits, and held regular meetings with institutional shareholders, fund managers, and analysts. In June 2011, the Company invited analysts to visit its new head office in Kowloon Bay, Hong Kong and gave a preview of the 2011 fall winter collection of one of the brands. The Company also arranged analysts' briefings and road shows after its annual and interim results announcements.

As a channel to further promote effective communication, the Company maintains a website (*www.trinity-limited.com*) to disseminate announcements, shareholder information, and other relevant financial and non-financial information electronically on a timely basis. Webcasts of results presentations are also made available on the website. The Company is aware of the overriding principle of disclosing price sensitive information promptly and has been following its Policy on Price Sensitive Information in handling and disseminating such information. Only selected members of management are authorised to act as spokespersons and respond to related external enquiries.

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 and the results are published on the Company's and Stock Exchange's websites.

Investor Relations and Communication



In 2011, the Board confirmed that there was no change in the Company's bye-laws that affected the Company's operations and reporting practices. Key calendar events for shareholders' attention and share information, including market capitalisation as at 31 December 2011, are set out in the Information for Investors section on page 50.

Internal Communication

Effective communication between management and staff is vital to the Group's success. Policy Committee Meetings and Business Stream Meetings are held quarterly and monthly (except in the months when Policy Committee Meetings are held), respectively, for senior executives with active participation of the Group Chairman, to review the Group's operating results and performance, and to formulate Group-wide policies and practices, as well as to report and discuss significant issues affecting the Group. OSG Meetings for senior executives of OSG are also held once or twice a month to review the efficiency and effectiveness of the Group's operation support functions. Senior Management Meetings are also held twice a year for the senior managers of the Group, with active participation of the Group Chairman, the Group Managing Director, and Executive Directors, to create a sense of staff ownership of the Group's strategic objectives and to foster effective communications across the Group.

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

The Group recognises the importance of human capital to its growth and success, and in enhancing the good corporate governance culture of the Company. Details of our human resources and staff development and personal growth are set out in the Management Discussion and Analysis section on page 19.

SHAREHOLDERS' RIGHTS

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

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

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, in particular 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 ("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.

5. Composition of the Board

The Board will ensure that there is 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.

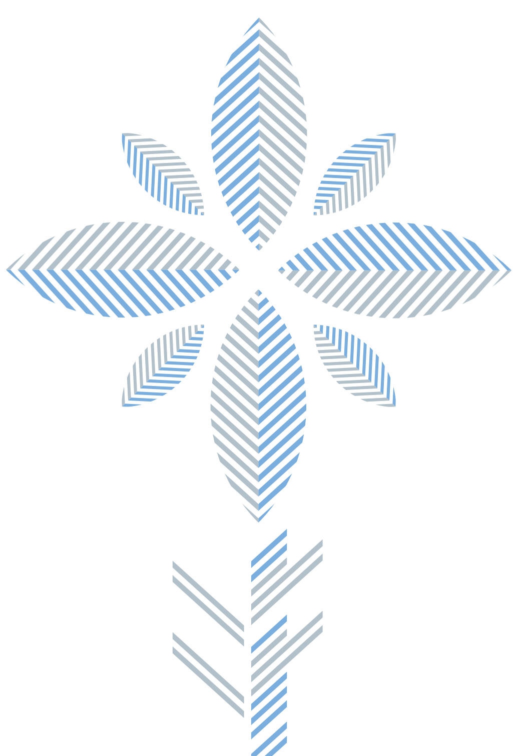
7. Confirmation by the Company

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, 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 in 2011, the Parent Group has not communicated any plan to dispose of the Excluded Brands, matter of material conflict of interest was properly dealt with and the Board comprises sufficient number of Independent Non-executive Directors who have extensive experience and knowledge in corporate management and governance.

SUSTAINABILITY INITIATIVES

Being a socially responsible corporation, the Group is progressively integrating sustainability initiatives throughout its business while incorporating broader social and environmental matters into its day-to-day decision-making. Details of the Group's corporate social responsibility and sustainability initiatives are set out in the Management Discussion and Analysis section on pages 20 to 21.



A Socially Responsible Corporation, progressively integrating sustainability initiatives

Directors and Senior Management

From Left To Right

Bruno LI
Catherine GERARDIN-VAUTRIN
David AU
Agnes SHEN
WONG Yat Ming
Victor FUNG
Sabrina FUNG
Raymond CLACHER
Michelle NG
Danny LAU
Godwin LAM

EXECUTIVE DIRECTORS

WONG Yat Ming

Group Managing Director

Aged 61, 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 more than 30 years of experience in the distribution of consumer products and in particular, he has extensive experience in the distribution of fast-moving consumer products in the Asia-Pacific region. He also has ample experience in the marketing of consumer brands and successfully marketed many well-known consumer brands in the Asia-Pacific region, including Brand's Essence of Chicken, Ferrero chocolate, Mattel Toys, Scholl and Listerine.

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

Bruno LI Kwok Ho

Chief Financial Officer

Aged 62, 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 has been a member of the Institute of Chartered Accountants of Scotland since 1982, with more than 30 years of professional experience in finance and accounting.

Danny LAU Sai Wing

Chief Operating Officer

Aged 60, was appointed as an Executive Director and the Group’s Chief Operating Officer on 1 January 2011. He is responsible for the supply chain management of the Group and the operation of the Kent & Curwen brand. Prior to joining the Group, he was an executive director of Li & Fung (Trading) Limited, which is a wholly owned subsidiary of Li & Fung Limited, a company listed on the Main Board of the Stock Exchange, where he was in charge of the business stream specialising in sourcing for global apparel brands and apparel specialty stores in the United States. Mr Lau joined the Li & Fung group in 1981 and was an executive director of Li & Fung Limited from 1992 to 2009. Mr Lau graduated from the University of Kansas with a Bachelor of Science Degree in Business and Accounting.

Sabrina FUNG Wing Yee

Executive Director

Aged 40, 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. She is also a member of the China Trade Advisory Committee of Hong Kong Trade Development Council. 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.

NON-EXECUTIVE DIRECTORS

Dr Victor FUNG Kwok King*

GBM, GBS, CBE

Non-executive Chairman

Aged 66, 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 and Convenience Retail Asia Limited. 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 (Hong Kong) and Baosteel Group Corporation (People's Republic of China). He has also been appointed independent non-executive director of Koç Holding A.Ş. (Turkey) and Chow Tai Fook Jewellery Group Limited (Hong Kong) since April and November 2011 respectively. Dr Fung is Founding Chairman of the Fung Global Institute launched in August 2011, an independent and non-profit think-tank that generates and disseminates innovative thinking and business-relevant research on global issues from Asian perspectives. He is also Honorary Chairman of the International Chamber of Commerce following two years (2008 – 2010) as its Chairman.

In public service, Dr Fung is Chairman of the Greater Pearl River Delta Business Council, a member of the Chinese People's Political Consultative Conference, a vice chairman of China Centre for International Economic Exchanges and a member of the Commission on Strategic Development of the Hong Kong Government. Dr Fung was Chairman of the Hong Kong Trade Development Council (1991 – 2000), the Hong Kong representative on the APEC Business Advisory Council (1996 – 2003), Chairman of the Hong Kong Airport Authority (1999 – 2008), Chairman of The Council of The University of Hong Kong (2001 – 2009) and Chairman of the Hong Kong – Japan Business Co-operation Committee (2004 – 2010). In 2003 and 2010, the Hong Kong Government awarded Dr Fung the Gold Bauhinia Star and Grand Bauhinia Medal, respectively, for distinguished service to the community.

* *Dr Fung has also been the Chairman of Remuneration Committee until 23 March 2011.*

Dr William FUNG Kwok Lun

SBS, OBE, JP

Non-executive Deputy Chairman

Aged 63, 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 Executive Deputy Chairman of Li & Fung Limited and a non-executive director of other listed Li & Fung group company, Convenience Retail Asia Limited. He is 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. He is also a director of the Fung Global Institute, an independent and non-profit think-tank that generates and disseminates innovative thinking and business-relevant research on global issues from Asian perspectives. 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 an independent non-executive director of VTech Holdings Limited, Shui On Land Limited, Sun Hung Kai Properties Limited and The Hongkong and Shanghai Hotels, Limited. He is also an independent director of Singapore Airlines Limited.

Jose Hosea CHENG Hor Yin

Non-executive Director

Aged 45, 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 until 1998. He was a Director at EM Warburg, Pincus & Co, Asia, Limited between 1998 and 2001 and also the Vice President at Investor Asia Limited between 2002 and 2003. He 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 Fung Japan Development Limited (formerly known as: 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.

Jean-Marc LOUBIER

Non-executive Director

Aged 56, was appointed an Independent Non-executive Director on 1 June 2009 and re-designated as a Non-executive Director on 23 March 2011. He is the Chief Executive Officer of HKL Holding in Paris, France. He is an independent non-executive director of Harry Winston Diamond Corporation, a company listed on the Toronto Stock Exchange and the New York Stock Exchange. He is also the Chief Executive Officer of RC Holdings SAS, which operates the footwear and accessories brand, Robert Clergerie. Mr Loubier is the President of Fung Heritage Brands Advisory SAS and Delvaux Design Coordination & Finance NV. He is also the Chairman of the Supervisory Board of Cerruti 1881 SAS and *Gérant* of Toga Investments France SARL, both are the Company's subsidiaries in France. 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 from November 2006 to May 2007. Previously, Mr Loubier held key managing positions for 16 years in the LVMH Group, where he joined Louis Vuitton Malletier in 1990 as Director of Communications, and was later the Executive Vice President until 2000. He was the President and Chief Executive Officer of Celine 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.

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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Patrick SUN

Independent Non-executive Director
Chairman of Audit Committee

Aged 53, was appointed an Independent Non-executive Director on 1 October 2008. He is currently an independent non-executive director and non-executive chairman of Solomon Systech (International) Limited, an independent non-executive director of China Railway Group Limited, Sihuan Pharmaceutical Holdings Group Ltd and China NT Pharma Group Company Limited; and a non-executive director of Renhe Commercial Holdings Company Limited (all of which are listed companies in Hong Kong). He is also an independent non-executive director of China CNR Corporation Limited, a company listed on the Shanghai Stock Exchange. He is a vice-chairman of The Chamber of Hong Kong Listed Companies, and formerly was its Honorary Chief Executive Officer. Mr Sun was an executive director of Value Convergence Holdings Limited, SW Kingsway Capital Holdings Limited and an independent non-executive director of The Link Management Limited (all of which are listed companies in Hong Kong), the Senior Country Officer and Head of Investment Banking for Hong Kong of JP Morgan Chase, group executive director and

Head of Investment Banking for Greater China at Jardine Fleming Holdings Limited. He was a member of the Takeovers & Mergers Panel and the Takeovers Appeal Committee, Deputy Convenor of the Listing Committee of the Stock Exchange and a council member of the Stock Exchange.

Mr Sun graduated from the Wharton School of the University of Pennsylvania, the United States, with a Bachelor of Science degree in Economics in 1981. Mr Sun also completed the Stanford Executive Program of Stanford Business School, the United States, in 2000. Mr Sun is a fellow of the Association of Chartered Certified Accountants, the United Kingdom, and a fellow of the Hong Kong Institute of Certified Public Accountants.

Cassian CHEUNG Ka Sing

Independent Non-executive Director
Chairman of Remuneration Committee

Aged 56, was appointed an Independent Non-executive Director on 1 October 2008. Mr Cheung was the President of Wal-Mart China Co Ltd from 2002 to 2005, where he led the expansion of Wal-Mart retail stores in China and managed a team of more than 20,000 associates. Prior to joining Wal-Mart, he was the President of Quaker Oats Asia, Inc, which managed amongst other brands, the Gatorade Sports Drinks and Quaker Cereals brands. Mr Cheung also worked in The 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 Chief Executive Officer of Next Media Ltd, a company listed on the Main Board of the Stock Exchange. He was the President of the Hong Kong Kellogg Alumni Club, and currently is a member of the Kellogg Alumni Council of Asia. Mr Cheung was an advisory board member of the Business School of the Hong Kong University of Science and Technology ("HKUST"). Since 2005, Mr Cheung has been an adjunct professor at the Business and Management School of the HKUST, where he teaches management courses in both the Master of Business Administration program and the undergraduate Global Business program. Mr Cheung received a Master of Business Administration degree from the Kellogg School of Management, Northwestern University.

Michael LEE Tze Hau

Independent Non-executive Director
Chairman of Nomination Committee

Aged 51, was appointed an Independent Non-executive Director on 1 October 2008. Mr Lee is the managing director of MAP Capital Limited, an investment management company. Mr Lee started his career in the investment industry in 1987 and has since held senior management positions in multi-national investment companies including Indosuez Asia Investment Services Limited and Lloyd George Management. He also co-founded Asia Strategic Investment Management Limited in 1995. Mr Lee was a member of the Main Board and Growth Enterprise Market Listing Committee of the Stock Exchange and the Securities and Futures Commission (HKEC Listing) Committee. He was an independent non-executive director of Tai Ping Carpets International Limited from August 1998 to June 2010. He was a director of Hysan Development Company Limited, a company listed on the Main Board of the Stock Exchange, from March 1990 to May 2007 and has been its non-executive director since January 2010. He is also an independent non-executive director of Chen Hsong Holdings Limited and Hong Kong Exchanges and Clearing Limited (both of which are listed on the Main Board of the Stock Exchange) and a Steward of The Hong Kong Jockey Club. Educated in the United States, Mr Lee holds a Bachelor of Arts degree from Bowdoin College and a Master of Business Administration degree from Boston University.

Eva LI Kam Fun

Independent Non-executive Director

Aged 59, was appointed an Independent Non-executive Director on 1 November 2011. Ms Li is the non-executive chairperson of Amway (China) Co, Ltd and the chairperson of Amway Charity Foundation in the PRC. She began her career with Amway in Hong Kong in 1977. Before retiring from the position of Executive Vice President of Amway Corporation in early 2011, Ms Li had direct responsibility for all Amway markets in the Greater China and Southeast Asia Regions. She is a non-independent non-executive director of Amway (Malaysia) Holdings Berhad, a company listed on the main market of Bursa Malaysia Securities Berhad.

Ms Li is best known for leading Amway's entry into China in 1991, and served as chairperson of Amway China until her retirement. Under her leadership, Amway China overcame significant regulatory and operating challenges, and grew to become a business enterprise with over US$3 billion in revenue in 2010. In 2007, CNBC presented Ms Li with the "China Talent Management Award". In 2008 and 2009, she was twice named by Forbes magazine as one of the "World's 100 Most Powerful Women". In 2010, Fortune magazine (Chinese edition) named her as one of the "25 Most Influential Business Women in China". Ms Li is currently a member of the Executive Committee of the All-China Women's Federation and a member of the Guangdong Provincial Committee of Chinese People's Political Consultative Conference.

Ms Li graduated from the University of Hong Kong and holds a Bachelor of Arts (Hons) degree and a Master of Business Administration degree.

GROUP CHIEF COMPLIANCE OFFICER

Srinivasan PARTHASARATHY

Group Chief Compliance Officer

Aged 54, was appointed as the Group Chief Compliance Officer of the Company in January 2012. He is also the Group Chief Compliance Officer of Li & Fung (1937) Limited, a substantial shareholder of the Company and of the Li & Fung group of companies including Li & Fung Limited and Convenience Retail Asia Limited of which he is also their respective Group Chief Compliance Officer. He has 30 years of experience and has held various financial and commercial positions with the Li & Fung group since 1999, and the Inchcape Group before that, in Hong Kong, Singapore, the United Kingdom and the Middle East. He is a Commerce Graduate of Bombay University and qualified as a Chartered Accountant in India, securing fourth position in the All India Merit Rankings. He is also a Fellow Member of the Chartered Institute of Management Accountants, United Kingdom.

SENIOR MANAGEMENT

Godwin LAM Kin Ping

Managing Director – China

Aged 63, the Managing Director – China of the Group since May 2006 and is in charge of the overall operation supports and market development for all the brands operated by the Group in the Chinese Mainland. Mr Lam joined 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 52, 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 more than 25 years experience in the retail business of luxury and fashion labels. Her previous portfolio of world-renowned brands includes Mango, Calvin Klein Jeans, Country Road, and GANT in various markets in South Korea and Southeast Asia. Ms Ng joined Inchcape Berhad in 1986 handling personal-care products, sports footwear, and luxury goods, including Sheaffer pens, Vacheron Constantin, Nina Ricci, and Givenchy watches as well as premium fashion labels including Ermenegildo Zegna and Karl Lagerfeld. Over the years at Inchcape Berhad, she played a key role in the expansion of the Salvatore Ferragamo franchise from Singapore to Indonesia, Malaysia, and Thailand. In 1995, she struck a joint-venture deal with Salvatore Ferragamo in Italy to expand the brand to South Korea covering both the domestic and duty-free businesses. This joint-venture was subsequently extended to Southeast Asia. Prior to joining Inchcape Berhad, she worked in Export Credit Insurance Corporation of Singapore in finance, Mulpha Sdn Bhd (Malaysia) in sales, and IBM (United Kingdom) in marketing. Ms Ng holds a Bachelor of Arts (Hons) degree from Brighton University, United Kingdom.

Agnes SHEN

Brand Managing Director – Cerruti 1881 and Altea

Aged 57, 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. 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 48, 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 more than 25 years of retail-operations experience in the United Kingdom. He was previously the Retail Operations Director for United Colors of Benetton from November 2000 to July 2002 and held senior management positions with Matalan, BHS, House of Fraser, and Littlewoods Stores. Mr Clacher holds a national business diploma from Business Education Council in the United Kingdom.

David AU Wong Gay

Group Chief Marketing Officer

Aged 52, has been the Group Chief Marketing Officer since January 2010. He is responsible for strategic corporate and functional marketing services for the Group.

Mr Au has extensive luxury, retail and marketing and communications experience. He has held senior positions with global luxury brands at their respective headquarters, as Chief Marketing Officer at Ermenegildo Zegna Group in Milan, Italy and as International Communication Director at Celine in Paris, France.

With LVMH group, Mr Au started as the Marketing & Communication Director for Louis Vuitton in Asia Pacific, the largest territory of the Louis Vuitton group. He played a key role in growing the Asian market, contributing substantially to sales revenue worldwide.

Mr Au attended the University of Southern California, where he studied Fine Arts, he then transferred to Pratt Institute in Brooklyn, New York to pursue Graphic Design and Art Direction. His retail career began at Bloomingdale's, New York. He then worked with R.H. Macy & Co. Inc., in New York developing private label brands for Macy's network of stores.

Catherine GERARDIN-VAUTRIN

President of Cerruti 1881

Aged 52, joined the Group in October 2011. She is an experienced veteran of the luxury fashion industry. She is also an independent, non-executive director of Yoox Group, the fashion internet retailer, listed on the Milan Stock Exchange.

brand activities in 2011

jan > jun

16

january | Kent & Curwen Centenary Sprint Cup

One of the highlights of each year's racing calendar is the presentation of the Kent & Curwen Centenary Sprint Cup at The Hong Kong Jockey Club.

17

january | Press Open House

Cerruti 1881 showcased its SS11 collection at a Press Open House at the Hong Kong Museum of Medical Science.

23

april | High Tea Fashion Show

Kent & Curwen presented its SS11 collection at a High Tea Fashion Show at the Friendship Department Store in Guangzhou.

29

april | Royal Wedding

Gieves & Hawkes created the suit HRH Prince William wore at the announcement of his engagement as well as the dress uniform, morning suit, and tuxedo that he wore for his wedding and related events.

25

june | Paris Fashion Week

Cerruti 1881 presented its SS11 collection at the Place de la Madeleine during Menswear Fashion Week.

22

june | Pop-up Store

The grand opening of the Kent & Curwen pop-up store at The Landmark shopping centre in Hong Kong.

brand activities in 2011

jul > dec

07

july | Press Luncheon

Cerruti 1881 showed its FW11 collection at a Press Open House held at the French Window restaurant, IFC, in Hong Kong.

06

july | Press Open House

D'URBAN held a Press Open House and showed its FW11 collection at the new Trinity Press Room in Hong Kong.

24

july | Ferrari Challenge

Kent & Curwen brand ambassador Aaron Kwok at the Shanghai International Circuit.

10

november | Kevin Spacey Photo Shoot

Two-time Academy Award winner and Gieves & Hawkes brand ambassador Kevin Spacey at a photo shoot for Beijing Tatler at Parkview Green in Beijing.

08

december | Luncheon and Fashion Show

Gieves & Hawkes presented its SS12 collection during a luncheon held at Habitu The Garden in Hong Kong.

06

december | Dinner and Fashion Show

Cerruti 1881 held a dinner and showed its SS11 collection at the CAFA Art Museum in Beijing.

Information for Investors

Listing Information

Listing: **Hong Kong Stock Exchange**

Stock Code: **891**

Key Dates

13 March 2012

Announcement of 2011 Final Results

10 May 2012

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

11 May 2012

Annual General Meeting

17 and 18 May 2012

Closure of Register of Members for 2011 Final Dividend

24 May 2012

Despatch of 2011 Final Dividend warrants

Share Information

Board lot size

2,000 shares

Shares outstanding as at 31 December 2011

1,708,390,883

Market capitalisation as at 31 December 2011

HK$9.57 billion

Dividend per share for 2011

Interim	8.0	HK cents
Final	15.0	HK cents
Full Year	23.0	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
30/F, OCTA Tower
8 Lam Chak Street
Kowloon Bay, Kowloon
Hong Kong

Website

www.trinity-limited.com

Directors' Report

The Directors have pleasure in submitting their report together with the audited consolidated financial statements for the year ended 31 December 2011.

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 40 to the consolidated financial statements.

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

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 63.

The directors recommend the payment of a final dividend of 15.0 HK cents per share.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in Note 27 to the consolidated financial statements.

Distributable Reserves

As at 31 December 2011, the Company's distributable reserves available for distribution to shareholders under the Companies Act 1981 of Bermuda (as amended) amounted to HK$403,548,000 (2010: HK$211,904,000).

Donations

Charitable and other donations made by the Group during the year amounted to HK$505,000 (2010: HK$510,000).

Property, Plant and Equipment

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

Share Capital

Details of the movements in share capital of the Company are set out in Note 26 to the consolidated financial statements.

Pre-Emptive Rights

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

Five-year Financial Summary

A summary of the results and of the assets and liabilities of the Group as at 31 December 2011 and for the previous four years are set out on page 128.

Purchase, Sale or Redemption of Securities

Except for the share placement as announced by the Company on 11 January 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

Share Option Schemes

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

Pre-IPO Share Option Scheme

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

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

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

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

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

As at 31 December 2011, options to subscribe for a total of 20,360,000 Shares granted by the Company pursuant to the Pre-IPO Share Option Scheme remained valid and outstanding and these options represented approximately 1.19% of the total number of issued Shares as at the date of this report.

Post-IPO Share Option Scheme

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

(i) Purpose

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

(ii) Qualifying participants

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

(iii) Maximum number of shares

The total number of Shares that may be issued upon exercise of all options to be granted under the Share Option Schemes and any other schemes must not in aggregate exceed 10% of the Shares in issue as at the Listing Date. The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Schemes and any other schemes must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Scheme if this will result in such limit being exceeded. As at 31 December 2011, the number of Shares available for issue in respect thereof is 63,148,488, representing approximately 3.69% of the issued share capital of the Company as at the date of this report.

(iv) Limit for each qualifying participant

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

(v) Option period

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

(vi) Acceptance and payment on acceptance

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

(vii) Subscription price

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

(viii) Remaining life of the Scheme

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

As at 31 December 2011, options to subscribe for a total of 33,002,000 Shares granted by the Company pursuant to the Scheme remained valid and outstanding and the options representing approximately 1.93% of the total number of issued Shares as at the date of this report.

Share Options

Details of the share options granted under the Share Option Schemes and remaining outstanding as at 31 December 2011 are as follows:

Category of Participants	Scheme Type	Number of Share Options: As at 01/01/2011	Granted	Exercised	Cancelled/ Lapsed	As at 31/12/2011	Exercise Price *HK$*	Grant Date	Exercisable Period
Director									
WONG Yat Ming	Pre-IPO	3,750,000	–	–	–	3,750,000	1.65	16/10/2009	03/11/2010 – 02/11/2014
	Pre-IPO	3,750,000	–	–	–	3,750,000	1.65	16/10/2009	03/11/2011 – 02/11/2014
	Post-IPO	1,600,000	–	–	–	1,600,000	2.45	26/11/2009	26/11/2010 – 25/11/2012
	Post-IPO	1,600,000	–	–	–	1,600,000	2.45	26/11/2009	26/11/2011 – 25/11/2013
	Post-IPO	1,600,000	–	–	–	1,600,000	2.45	26/11/2009	26/11/2012 – 25/11/2014
Bruno LI Kwok Ho	Pre-IPO	1,500,000	–	1,500,000	–	–	1.65	16/10/2009	03/11/2011 – 02/11/2014
	Post-IPO	800,000	–	800,000	–	–	2.45	26/11/2009	26/11/2011 – 25/11/2013
	Post-IPO	800,000	–	–	–	800,000	2.45	26/11/2009	26/11/2012 – 25/11/2014
Danny LAU Sai Wing	Post-IPO	–	1,000,000	–	–	1,000,000	8.08	11/01/2011	01/01/2012 – 31/12/2013
	Post-IPO	–	1,000,000	–	–	1,000,000	8.08	11/01/2011	01/01/2013 – 31/12/2014
Sabrina FUNG Wing Yee	Pre-IPO	700,000	–	–	–	700,000	1.65	16/10/2009	03/11/2010 – 02/11/2014
	Pre-IPO	700,000	–	–	–	700,000	1.65	16/10/2009	03/11/2011 – 02/11/2014
	Post-IPO	700,000	–	–	–	700,000	2.45	26/11/2009	26/11/2010 – 25/11/2012
	Post-IPO	700,000	–	–	–	700,000	2.45	26/11/2009	26/11/2011 – 25/11/2013
	Post-IPO	700,000	–	–	–	700,000	2.45	26/11/2009	26/11/2012 – 25/11/2014
Jeremy Paul Egerton HOBBINS [1]	Pre-IPO	1,000,000	–	–	–	1,000,000	1.65	16/10/2009	03/11/2011 – 02/11/2014
Continuous Contract Employees	Pre-IPO	5,299,000	–	3,953,000	10,000	1,336,000	1.65	16/10/2009	03/11/2010 – 02/11/2014
	Pre-IPO	12,391,000	–	4,953,000	420,000	7,018,000	1.65	16/10/2009	03/11/2011 – 02/11/2014
	Post-IPO	5,340,000	–	3,702,000	–	1,638,000	2.45	26/11/2009	26/11/2010 – 25/11/2012
	Post-IPO	8,330,000	–	936,000	190,000	7,204,000	2.45	26/11/2009	26/11/2011 – 25/11/2013
	Post-IPO	8,330,000	–	–	220,000	8,110,000	2.45	26/11/2009	26/11/2012 – 25/11/2014
	Post-IPO	–	1,130,000	–	410,000	720,000	8.08	11/01/2011	01/01/2012 – 31/12/2013
	Post-IPO	–	1,130,000	–	410,000	720,000	8.08	11/01/2011	01/01/2013 – 31/12/2014
	Post-IPO	–	250,000	–	–	250,000	7.71	24/03/2011	01/01/2012 – 31/12/2013
	Post-IPO	–	250,000	–	–	250,000	7.71	24/03/2011	01/01/2013 – 31/12/2014
	Post-IPO	–	1,810,000	–	30,000	1,780,000	5.61	25/11/2011	01/01/2013 – 31/12/2014
Other Participants	Pre-IPO	2,063,000	–	1,392,000	–	671,000	1.65	16/10/2009	03/11/2010 – 02/11/2014
	Pre-IPO	3,003,000	–	1,568,000	–	1,435,000	1.65	16/10/2009	03/11/2011 – 02/11/2014
	Post-IPO	1,040,000	–	450,000	–	590,000	2.45	26/11/2009	26/11/2010 – 25/11/2012
	Post-IPO	1,350,000	–	250,000	250,000	850,000	2.45	26/11/2009	26/11/2011 – 25/11/2013
	Post-IPO	1,350,000	–	–	250,000	1,100,000	2.45	26/11/2009	26/11/2012 – 25/11/2014
	Post-IPO	–	90,000	–	–	90,000	5.61	25/11/2011	01/01/2013 – 31/12/2014

Notes:

1. *Mr Jeremy Paul Egerton HOBBINS retired as a Non-executive Director of the Company on 1 June 2011.*
2. *The weighted average closing market price per share immediately before the date on which the share options were exercised by Mr Bruno Li Kwok Ho was HK$4.66.*
3. *The weighted average closing market price per share immediately before the dates on which the share options were exercised by the continuous contract employees was HK$6.76.*
4. *The weighted average closing market price per share immediately before the dates on which the share options were exercised by other participants was HK$6.84.*
5. *The above options are recognised as expenses in the consolidated financial statements in accordance with the Company's accounting policy as set out in Note 3.17(v) to the consolidated financial statements. Other details of share options granted by the Company are set out in Note 26 to the consolidated financial statements.*

Directors

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

Executive Directors

WONG Yat Ming *(Group Managing Director)*
Bruno LI Kwok Ho *(Chief Financial Officer)*
Danny LAU Sai Wing *(Chief Operating Officer)*
(appointed on 1 January 2011)
Sabrina FUNG Wing Yee

Non-executive Directors

Dr Victor FUNG Kwok King *(Chairman)*
Dr William FUNG Kwok Lun *(Deputy Chairman)*
Jeremy Paul Egerton HOBBINS
(retired on 1 June 2011)
Jose Hosea CHENG Hor Yin
Jean-Marc LOUBIER
(re-designated as Non-executive Director on 23 March 2011)

Independent Non-executive Directors

Cassian CHEUNG Ka Sing
Michael LEE Tze Hau
Eva LI Kam Fun
(appointed on 1 November 2011)
Patrick SUN

In accordance with Bye-law 84 of the Company's Bye-laws, Mr Jose Hosea CHENG Hor Yin, Mr Cassian CHEUNG Ka Sing, Mr Patrick SUN and Mr WONG Yat Ming will retire by rotation at the forthcoming Annual General Meeting, and being eligible, will offer themselves for re-election. In addition, in accordance with Bye-law 83 of the Company's Bye-laws, Ms Eva LI Kam Fun will retire at the forthcoming Annual General Meeting, and being eligible, will offer herself for re-election.

Directors' Service Contracts

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

Directors' Interests in Contracts

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year except as disclosed under Connected Transactions section stated below and Note 37 "Related party transactions" to the consolidated financial statements.

Directors' Interests and Short Positions in Securities

As at 31 December 2011, the Directors and chief executive of the Company and their associates had the following interests in the shares, underlying shares, and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"):

Long Position in Shares and Underlying Shares of the Company

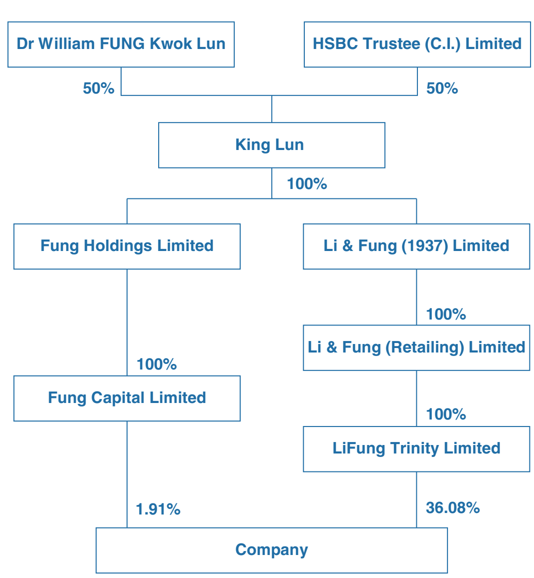
	Number of Shares					
Directors	**Personal Interest**	**Family Interest**	**Corporate/ Trust Interest**	**Equity Derivatives (share options)**	**Total**	**Approximate Percentage of Issued Share Capital (%)**
Victor FUNG Kwok King	–	–	649,027,555 [1]	–	649,027,555	37.99
William FUNG Kwok Lun	–	–	649,027,555 [1]	–	649,027,555	37.99
Sabrina FUNG Wing Yee	–	–	649,027,555 [1]	3,500,000	652,527,555	38.19
Jose Hosea CHENG Hor Yin	–	–	50,227,590 [2]	–	50,227,590	2.94
WONG Yat Ming	47,776,563	–	–	12,300,000	60,076,563	3.51
Bruno LI Kwok Ho	4,600,000	–	–	800,000	5,400,000	0.31
Danny LAU Sai Wing	–	–	–	2,000,000	2,000,000	0.11

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 (daughter of Dr Victor FUNG Kwok King and as his family member), 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 50,227,590 Shares were held by SperoTrinity Limited, a company wholly owned by Mr Jose Hosea CHENG Hor Yin. Therefore, Mr Jose Hosea CHENG Hor Yin was deemed to be interested in these Shares.*

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 2011, none of the Directors and chief executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

Substantial Shareholders' Interests and Short Positions in Securities

As at 31 December 2011, other than the Directors and chief executive of the Company, the following persons had interests or short positions in the Shares as recorded in the register required to be kept under Section 336 of the SFO:

Shareholders	Capacity	Number of Shares	Approximate Percentage of Issued Share Capital (%)
LiFung Trinity Limited	Beneficial owner [1]	616,413,760	36.08
Li & Fung (Retailing) Limited	Interest of controlled corporation [1]	616,413,760	36.08
Li & Fung (1937) Limited	Interest of controlled corporation [1]	616,413,760	36.08
King Lun	Interest of controlled corporation [1]	649,027,555	37.99
HSBC Trustee (C.I.) Limited	Trustee [2]	649,027,555	37.99

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.*

Save as disclosed above, as at 31 December 2011, 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

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

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

On 15 October 2009, the Company entered into a master agreement ("Master Agreement") with Li & Fung (1937) Limited ("LF1937"), a substantial shareholder of the Company, in respect of the provision of warehousing and logistics related services ("Services") by LF1937 and its associates to the Group in Hong Kong and the Chinese Mainland. The provision of the Services pursuant to the Master Agreement constituted continuing connected transactions under the Listing Rules. The Group incurred service charges of HK$13,013,000 for the year ended 31 December 2011. The Master Agreement was renewed on 25 August 2011 for another term of three years from 2012 to 2014.

(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 and renewed on 21 September 2010. On 25 August 2010, the Company entered into a master agreement with LF1937 for a term from 8 October 2010 to 31 December 2012. Rental for the lease arrangements were negotiated between parties with reference to the then prevailing market rates and such transactions constituted continuing connected transactions under the Listing Rules. The Group incurred rentals of HK$3,434,000 for the year ended 31 December 2011.

(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 and such licensing agreements were mutually terminated in June 2011. The licence fees charged by the Group amounted to HK$894,000 for the year ended 31 December 2011.

(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, 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 continuing connected transactions.

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 would not exceed HK$25 million respectively. The management fee charged by the Group for each of the 12-month period ended 31 August 2011 and the year ended 31 December 2011 was HK$21 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 Chinese Mainland 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 the 12-month period ending on 30 September 2010, 2011 and 2012 respectively would 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 12-month period ended 30 September 2011 and the year ended 31 December 2011 was HK$7,587,000 and HK$9,417,000 respectively.

(vi) Consultancy services

On 23 March 2011, the Group entered into a consultancy services agreement with an associate of a director of the Company for the provision of advisory services to the Group's business in Europe for 12 months from 1 April 2011 to 31 March 2012. The consultancy fee incurred by the Group amounted to HK$3,285,000 (Euro 297,000) for the 9-month period ended 31 December 2011.

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

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

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

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

Pursuant to paragraph 14A.38 of the Listing Rules, the Board of Directors engaged the Company's auditor to perform certain procedures in respect of the continuing connected transactions set out above as items (i) to (v) in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has, based on the procedures performed, issued an unqualified letter containing his findings and conclusions in respect of the continuing connected transactions to the Board of Directors. The auditor's procedures and finding on transaction item (vi) will be performed and disclosed in the Company's 2012 annual report upon completion of the 12-month service agreement.

Save as disclosed above, none of the transactions disclosed as related party transactions in Note 37 to the consolidated financial statements is a connected transaction or a continuing connected transaction for the Company as defined under the Listing Rules or they are connected transactions or continuing connected transactions for the Company exempt from the reporting requirements under the Listing Rules. The Company has complied with the disclosure requirements governing connected transactions under the Listing Rules.

Public Float

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

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these financial statements for the year ended 31 December 2011, the Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are reasonable; and have prepared the financial statements on the going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

Auditor

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

On behalf of the Board

Victor FUNG Kwok King
Chairman

Hong Kong, 13 March 2012

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羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TRINITY LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Trinity Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 63 to 127, which comprise the consolidated and company balance sheets as at 31 December 2011, 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 information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, 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, 13 March 2012

Consolidated Income Statement

For the year ended 31 December 2011

	Note	**2011** **HK$'000**	2010 HK$'000
Revenue	6	**2,607,281**	2,011,380
Cost of sales		**(503,754)**	(459,585)
Gross profit		**2,103,527**	1,551,795
Other income	8	**59,766**	57,957
Selling and marketing expenses		**(1,093,660)**	(823,722)
Administrative expenses		**(460,509)**	(377,925)
Other gains – net	9	**4,396**	21,535
Operating profit	7	**613,520**	429,640
Finance income		**5,218**	1,201
Finance costs		**(4,036)**	(5,927)
Finance income/(costs) – net	10	**1,182**	(4,726)
Share of profit of jointly controlled entities	20	**62,275**	35,971
Profit before income tax		**676,977**	460,885
Income tax expenses	11	**(163,887)**	(120,036)
Profit for the year attributable to shareholders of the Company		**513,090**	340,849
Basic earnings per share attributable to shareholders of the Company during the year (expressed in HK cents per share)	13	**30.3 cents**	21.6 cents
Diluted earnings per share attributable to shareholders of the Company during the year (expressed in HK cents per share)	13	**29.5 cents**	21.0 cents

The notes on pages 70 to 127 are an integral part of these consolidated financial statements. Details of dividends of HK$392,099,000 (2010: HK$237,602,000) are set out in Note 16 to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Profit for the year	**513,090**	340,849
Other comprehensive income		
Currency translation differences	**5,732**	25,556
Total comprehensive income for the year	**518,822**	366,405
Total comprehensive income attributable to:		
– Shareholders of the Company	**518,822**	366,405

The notes on pages 70 to 127 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2011

	Note	**2011** **HK$'000**	2010 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**311,806**	181,628
Intangible assets	18	**2,312,248**	1,629,072
Investments in jointly controlled entities	20	**229,045**	210,982
Deposit and prepayments	21	**45,695**	36,724
Deferred income tax assets	22	**94,009**	60,103
		2,992,803	2,118,509
Current assets			
Inventories	23	**605,036**	420,800
Trade receivables	24	**233,326**	214,929
Deposit and prepayments	21	**63,554**	199,038
Amounts due from related parties	37(b)	**1,153**	1,073
Cash and cash equivalents	25	**790,370**	514,799
		1,693,439	1,350,639
Total assets		**4,686,242**	3,469,148
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	26	**170,839**	158,889
Share premium	26	**2,302,656**	1,540,961
Reserves	27	**782,000**	551,038
Total equity		**3,255,495**	2,250,888

The notes on pages 70 to 127 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet *(Continued)*

As at 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
LIABILITIES			
Non-current liabilities			
Provision for long service payments	28	**9,378**	6,082
Retirement benefit obligations	29	**13,415**	13,663
Other payables and accruals	30	**31,648**	37,048
Deferred income tax liabilities	22	**230,693**	93,228
Borrowings	32	**–**	220,000
		285,134	370,021
Current liabilities			
Trade payables	31	**123,759**	95,928
Other payables and accruals	30	**529,615**	334,798
Amounts due to related parties	37(b)	**13,674**	7,580
Current income tax liabilities		**98,565**	49,933
Borrowings	32	**380,000**	360,000
		1,145,613	848,239
Total liabilities		**1,430,747**	1,218,260
Total equity and liabilities		**4,686,242**	3,469,148
Net current assets		**547,826**	502,400
Total assets less current liabilities		**3,540,629**	2,620,909

On behalf of the Board

Victor FUNG Kwok King
Director

WONG Yat Ming
Director

The notes on pages 70 to 127 are an integral part of these consolidated financial statements.

Balance Sheet of the Company

As at 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	19(a)	**1,957,477**	1,957,477
Current assets			
Prepayments		**–**	347
Amounts due from subsidiaries	19(b)	**911,495**	528,541
Cash and cash equivalents	25	**16,557**	29,738
		928,052	558,626
Total assets		**2,885,529**	2,516,103
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	26	**170,839**	158,889
Share premium	26	**2,302,656**	1,540,961
Reserves	27	**403,548**	211,904
Total equity		**2,877,043**	1,911,754
LIABILITIES			
Non-current liabilities			
Borrowings	32	**–**	220,000
Current liabilities			
Other payables and accruals	30	**8,486**	10,646
Amount due to a subsidiary	19(b)	**–**	153,703
Borrowings	32	**–**	220,000
		8,486	384,349
Total liabilities		**8,486**	604,349
Total equity and liabilities		**2,885,529**	2,516,103
Net current assets		**919,566**	174,277
Total assets less current liabilities		**2,877,043**	2,131,754

On behalf of the Board

Victor FUNG Kwok King
Director

WONG Yat Ming
Director

The notes on pages 70 to 127 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

As at 31 December 2011

		Attributable to shareholders of the Company				
	Note	Share capital HK$'000	Share premium HK$'000	Retained earnings HK$'000	Other reserves HK$'000	Total HK$'000
Balance at 1 January 2010	27	157,425	1,515,001	570,779	(227,161)	2,016,044
Comprehensive income						
Exchange differences		–	–	–	25,556	25,556
Profit for the year		–	–	340,849	–	340,849
Total comprehensive income		–	–	340,849	25,556	366,405
Transactions with owners						
Employee share option schemes						
– value of employee services		–	–	–	29,926	29,926
– exercise of share options	26	1,464	25,960	–	–	27,424
– transfer to retained earnings		–	–	8,545	(8,545)	–
Dividends paid	16	–	–	(188,911)	–	(188,911)
Total transactions with owners		1,464	25,960	(180,366)	21,381	(131,561)
Balance at 31 December 2010		158,889	1,540,961	731,262	(180,224)	2,250,888
Balance at 1 January 2011	27	**158,889**	**1,540,961**	**731,262**	**(180,224)**	**2,250,888**
Comprehensive income						
Exchange differences		**–**	**–**	**–**	**5,732**	**5,732**
Profit for the year		**–**	**–**	**513,090**	**–**	**513,090**
Total comprehensive income		**–**	**–**	**513,090**	**5,732**	**518,822**
Transactions with owners						
Issue of shares pursuant to a placement	26	**10,000**	**726,554**	**–**	**–**	**736,554**
Employee share option schemes						
– value of employee services		**–**	**–**	**–**	**17,587**	**17,587**
– exercise of share options	26	**1,950**	**35,141**	**–**	**–**	**37,091**
– transfer to retained earnings		**–**	**–**	**11,583**	**(11,583)**	**–**
Dividends paid	16	**–**	**–**	**(305,447)**	**–**	**(305,447)**
Total transactions with owners		**11,950**	**761,695**	**(293,864)**	**6,004**	**485,785**
Balance at 31 December 2011		**170,839**	**2,302,656**	**950,488**	**(168,488)**	**3,255,495**

The notes on pages 70 to 127 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2011

	Note	**2011** **HK$'000**	2010 HK$'000
Cash flows from operating activities			
Cash generated from operations	33(a)	**577,906**	573,629
Interest paid		**(1,254)**	(783)
Income tax paid		**(124,529)**	(59,927)
Net cash generated from operating activities		**452,123**	512,919
Cash flows from investing activities			
Purchase of property, plant and equipment		**(87,519)**	(69,407)
Acquisition of subsidiaries, net of cash acquired	34	**(389,873)**	(155,125)
Interest received	10	**5,218**	1,201
Dividends received from a jointly controlled entity		**29,998**	23,889
Net cash used in investing activities		**(442,176)**	(199,442)
Cash flows from financing activities			
Interest paid		**(2,574)**	(4,329)
Proceeds from issuance of ordinary shares		**787,091**	27,424
Proceeds from borrowings		**680,000**	240,000
Repayment of borrowings		**(880,000)**	(374,799)
Dividends paid	16	**(305,447)**	(188,911)
Share issuance cost		**(13,446)**	(16,303)
Net cash generated from/(used in) financing activities		**265,624**	(316,918)
Net increase/(decrease) in cash and cash equivalents		**275,571**	(3,441)
Cash and cash equivalents at beginning of the year		**514,799**	518,240
Cash and cash equivalents at end of the year	25	**790,370**	514,799

The notes on pages 70 to 127 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

Trinity Limited (the "Company") is an investment holding company and was incorporated in Bermuda as an exempted company with limited liability under Companies Act 1981 of Bermuda. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Company and its subsidiaries (together the "Group") are principally engaged in the retailing of high-end to luxury menswear in the Chinese Mainland, Hong Kong, Macau and Taiwan (the "Greater China Region"), retailing and licensing businesses in Europe. The jointly controlled entities are principally engaged in the retailing of luxury fashion and accessories in South Korea and various countries in Southeast Asia. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is at 30/F, OCTA Tower, 8 Lam Chak Street, Kowloon Bay, Kowloon, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated.

2 Basis of preparation

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

3 Summary of principal accounting policies

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

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

(a) Adoption of new/revised standards, amendments and interpretations to existing standards effective in 2011

The Group has adopted the following new/revised standards, amendments and interpretations to existing standards which are mandatory for accounting periods beginning on or after 1 January 2011 and relevant to the Group:

HKAS 24 (Revised)	Related Party Disclosures (effective for annual periods beginning on or after 1 January 2011)
Annual Improvements Project	Improvements to HKFRSs 2010

The adoption of such new/revised standards, amendments and interpretations to existing standards does not have material impact on the consolidated financial statements and does not result in substantial changes to the Group's accounting policies.

3 Summary of principal accounting policies *(Continued)*

(b) New/revised standards, amendments and interpretations to existing standards effective in 2011 but not relevant to the Group

The following new standards, amendments and interpretations to existing standards are mandatory for accounting periods beginning on or after 1 January 2011 but currently not relevant to the Group:

HKAS 32 (Amendment)	Classification of Rights Issues
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

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

HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012)
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012)
HKAS 19 (2011)	Employee Benefits (effective for annual periods beginning on or after 1 January 2013)
HKAS 27 (2011)	Separate Financial Statements (effective for annual periods beginning on or after 1 January 2013)
HKAS 28 (2011)	Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2013)
HKAS 32 (Amendment)	Presentation – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014)
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 July 2011)
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011)
HKFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013)
HKFRS 9	Financial Instruments (effective for annual periods beginning on or after 1 January 2013)
HKFRS 10	Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013)
HKFRS 11	Joint Arrangements (effective for annual periods beginning on or after 1 January 2013)

3 Summary of principal accounting policies *(Continued)*

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

HKFRS 12	Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2013)
HKFRS 13	Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013)
HK(IFRIC) – Int 20	Stripping costs in the Production Phase of a Surface Mine

In addition, HKICPA has also issued a number of amendments to existing standards under its annual improvement project in May 2011. All these amendments are effective in the financial year of 2011 or years after 2011 and these amendments are not expected to have a significant impact on the results and financial position of the Group.

3.1 Merger accounting for common control combination

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

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

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

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

3 Summary of principal accounting policies *(Continued)*

3.2 Consolidation

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

(i) Subsidiaries

Subsidiaries are all entities 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. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Profits and losses resulting from inter company transactions that are recognised in assets 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 other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Profits and losses resulting from upstream and downstream transactions between the Group and its jointly controlled entities are recognised in the Group's financial statements only to the extent of the unrelated investor's interests 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.

3 Summary of principal accounting policies *(Continued)*

3.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's senior executive management (chief operating decision makers). The Group's senior executive management are responsible for allocating resources and assessing performance of the operating segments.

3.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the 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 consolidated income statement except when deferred in equity as qualifying cash flow hedges.

Foreign exchange gains and losses are presented in the consolidated income statement.

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

(iii) Group companies

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

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

(2) income and expenses for each 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 rate on 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. Exchange differences arising are recognised in equity.

3 Summary of principal accounting policies *(Continued)*

3.5 Property, plant and equipment

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

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

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

– Buildings	10 years
– Leasehold improvements, furniture and fixtures	3 – 9 years
– Computers, equipment and air-conditioners	3 years
– Plant and machinery	6 – 9 years
– Motor vehicles	4 years

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

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

3.6 Intangible assets

(i) Goodwill

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

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

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

3 Summary of principal accounting policies *(Continued)*

3.6 Intangible assets *(Continued)*

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

Impairment testing of the investments in subsidiaries 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.

3.8 Inventories

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

3.9 Financial assets

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

Loans and receivables

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

3 Summary of principal accounting policies *(Continued)*

3.10 Derivative financial instruments

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

3.11 Trade and other receivables

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

3.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts.

3.13 Share capital

Ordinary shares are classified as equity.

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

3.14 Trade payables

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

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

3 Summary of principal accounting policies *(Continued)*

3.15 Borrowings

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

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

3.16 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in other comprehensive income or equity. In this case, the tax is also recognised in other comprehensive income or 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 consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3 Summary of principal accounting policies *(Continued)*

3.17 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. For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of services and compensation.

The liability recognised in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using 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)*

3.17 Employee benefits *(Continued)*

(ii) Pension obligations *(Continued)*

In respect of the employees of the Group in Hong Kong, the Group's net obligation in respect of long service payments on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit as calculated using the projected unit credit method is discounted to determine the present value and reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(iv) Profit-sharing and bonus plans

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

(v) Share-based compensation

The Group operates an equity-settled, share-based compensation plan under which the entity receives services from employees as consideration for equity instrument of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);

- excluding the impact of any service and non-market performance vesting conditions; and

- including the impact of any non-vesting conditions.

Non-market 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 based on the non-market performance and service conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, and a corresponding adjustment to equity (employee share-based compensation reserve) over the remaining vesting period. The amounts recognised in the employee share-based compensation reserve are transferred to the retained earnings when the options are exercised or options expire.

When the options are exercised, the Company issues new shares. The proceeds are credited to share capital (nominal value) and share premium.

3 Summary of principal accounting policies *(Continued)*

3.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns and discounts and after eliminating sales within the Group. Royalties are accounted for based on sales made by the licensees and the terms of the contract.

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

(ii) Royalty income from licensing

Royalty income is recognised based on the contract terms on an accruals basis.

(iii) 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.

(iv) Interest income

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

(v) Administration and consultancy fee income

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

3 Summary of principal accounting policies *(Continued)*

3.19 Leases

(a) As the lessee of operating leases

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

(b) As the lessor of operating leases

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

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

3.20 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.

3.21 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.

3.22 Royalty expense

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

3.23 Subsidy income

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

4 Financial risk management

4.1 Financial risk factors

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

Risk management is carried out by the Finance Department of the Group based on policies approved by the Board of Directors. The Finance Department identifies, 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 Japanese Yen ("JPY"). Foreign exchange risk arises from future commercial transactions or recognised assets or liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations.

Management has adopted a policy to require Group companies to manage their foreign exchange risk against their functional currency. To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts. As at 31 December 2011, the Group has five outstanding forward contracts with notional principal amounts of Euro 7,680,000 (buying EUR at fixed exchange rate ranging from 10.7687 to 11.0360 HKD), GBP245,000 (buying GBP at fixed exchange rate of 12.5961 HKD) and JPY161,952,000 (buying JPY at fixed exchange rate ranging from 0.0996213 to 0.10183 HKD).

At 31 December 2011, 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$16,827,000 (2010: HK$11,922,000) respectively higher or lower, mainly as a result of foreign exchange gains or losses on translation of HK$ denominated trade payables recorded in the books of the Group's entities in the Chinese Mainland.

(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 HK$.

The Group analyses its interest rate exposure on a dynamic basis. If interest rates had increased/decreased by 10 basis points and all other variables were held constant, the Group's net profit would have decreased/increased by HK$343,000 (2010: HK$490,000) for the year ended 31 December 2011.

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

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 deposit and prepayments represent the Group's maximum exposure to credit risk in relation to financial assets. As at 31 December 2011, cash and cash equivalents are deposited in major reputable financial institutions without significant credit risk.

Management does not expect any losses from the non-performance by these banks. The Group has no policy to limit the amount of credit exposure to any financial institution.

Rental deposits are placed with reputable landlords with no history of default. Management does not expect any losses from the non-performance by these counterparties.

The majority of sales made by the Group are in the form of cash and credit cards.

The Group's trade receivables comprise mainly of credit card sales, amounts owing from department stores in the Chinese Mainland and licensees in Europe with no recent history of material defaults. For those long term relationship customers, the Group offers credit terms up to 90 days. There is no recent history of material default in relation to those customers.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. Finance Department 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.

4 Financial risk management *(Continued)*

4.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

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

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

	Repayment period			
As at 31 December 2011	**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	**123,759**	**–**	**–**	**–**
Other payables and accruals	**171,670**	**10,333**	**37,417**	**25,167**
Amounts due to related parties	**13,674**	**–**	**–**	**–**
Borrowings	**380,184**	**–**	**–**	**–**
	689,287	**10,333**	**37,417**	**25,167**

	Repayment period			
As at 31 December 2010	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	95,928	–	–	–
Other payables and accruals	109,819	9,000	34,083	38,833
Amounts due to related parties	7,580	–	–	–
Borrowings	363,153	102,047	120,664	–
	576,480	111,047	154,747	38,833

Company

For the Company's balance sheet, there are no bank borrowings (2010: HK$220,000,000) repayable after one year, all other financial liabilities (including borrowings, amount due to a subsidiary) and other payables and accruals of HK$6,519,000 (2010: HK$382,439,000) 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, approximate 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 judgements

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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 CGUs are 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 indefinite useful life intangible assets in accordance with HKAS 38 "Intangible Assets". This conclusion is supported by the fact that these licences are capable of being renewed indefinitely at insignificant cost, perpetual in duration, relate to well-known and long established menswear brands, and based on past and future financial performance of the Group and they are expected to generate positive cash flows indefinitely. It is possible that this conclusion could change significantly as a result of changes in the luxury menswear industry or competitors' actions in response to severe industry cycles. Under HKAS 38, the Group re-evaluates the useful life of intangibles each year to determine whether events and circumstances continue to support the view of indefinite useful life for these assets.

(c) Net realisable value of inventories

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

5 Critical accounting estimates and judgements *(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 26.

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 periods of the relevant share options.

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

The Group accounts for the business combination as detailed in Note 34 in accordance with the accounting policy set out in Note 3.2(i). On initial recognition, it is required to recognise separately, at the date of initial recognition, the Group's share of identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria regardless of whether they have been previously recognised in acquiree's financial statements. The valuation in respect of the identifiable assets (including intangible assets recognised upon initial recognition during the year) and liabilities was referenced to the inflow of future economic benefits associated to the asset and the outflow of future economic resources required to settle the obligation based on fair value assessment which requires significant amount of judgement and estimate. An independent professional valuer was engaged to assist in determining the fair values of identifiable assets, liabilities and contingent liabilities, if any.

6 Segment information

The Group is principally engaged in the retail and wholesale of menswear under self-owned brands and licensed brands in the Greater China Region, retailing and licensing businesses in Europe, and its jointly controlled entities are retailers 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 business lines perspectives. Geographically, management considers the performance of the retail businesses in the Chinese Mainland, HK & Macau, Taiwan, Europe and others. Management also assesses the performance of the individual business line, namely retail, wholesale and licensing. Management assesses the performance of operating segments based on a measure of segment profit before tax. Corporate employee benefit expenses and overhead, finance income/(costs) and other gains-net are not allocated to segments.

Segment asset consists only of inventories.

6 Segment information *(Continued)*

(a) Segment results

The segment results for the year ended 31 December 2011 are as follows:

	HK & Macau Retail HK$'000	HK & Macau Wholesale HK$'000	Chinese Mainland Retail HK$'000	Taiwan Retail HK$'000	Europe Retail HK$'000	Europe Licensing HK$'000	Others Retail HK$'000	Total HK$'000
Segment revenue and revenue from external customers	**828,444**	**5,913**	**1,464,264**	**205,220**	**23,718**	**79,722**	**–**	**2,607,281**
Gross profit	**671,283**	**1,926**	**1,182,107**	**154,508**	**13,981**	**79,722**	**–**	**2,103,527**
Segment profit/(loss) before income tax	**312,460**	**1,926**	**527,589**	**54,004**	**(19,328)**	**64,261**	**62,275**	**1,003,187**
Segment profit/(loss) before income tax includes:								
Depreciation	**(9,178)**	**–**	**(96,282)**	**(2,573)**	**(4,200)**	**(75)**	**–**	**(112,308)**
Share of profit of jointly controlled entities	**–**	**–**	**–**	**–**	**–**	**–**	**62,275**	**62,275**
Segment asset	**196,226**	**–**	**346,469**	**55,962**	**6,379**	**–**	**–**	**605,036**

The segment results for the year ended 31 December 2010 were as follows:

	HK & Macau Retail HK$'000	HK & Macau Wholesale HK$'000	Chinese Mainland Retail HK$'000	Taiwan Retail HK$'000	Europe Retail HK$'000	Others Retail HK$'000	Total HK$'000
Segment revenue and revenue from external customers	681,384	8,415	1,143,812	176,433	1,336	–	2,011,380
Gross profit	535,897	573	892,444	122,102	779	–	1,551,795
Segment profit/(loss) before income tax	242,997	1,815	374,121	44,029	(3,963)	35,971	694,970
Segment profit/(loss) before income tax includes:							
Depreciation	(15,352)	(485)	(72,203)	(2,482)	(3,088)	–	(93,610)
Share of profit of jointly controlled entities	–	–	–	–	–	35,971	35,971
Segment asset	146,284	–	231,243	41,904	1,369	–	420,800

6 Segment information *(Continued)*

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

	2011 **HK$'000**	2010 HK$'000
Segment profit before income tax for reportable segments	**1,003,187**	694,970
Add:		
Other income	**59,766**	57,957
Other gains – net	**4,396**	21,535
Finance income – net	**1,182**	–
Less:		
Finance costs – net	**–**	(4,726)
Employee benefit expenses	**(248,301)**	(227,085)
Rental expenses	**(44,784)**	(21,655)
Depreciation and amortisation	**(28,892)**	(7,694)
Corporate and other unallocated expenses	**(69,577)**	(52,417)
Total Group's profit before income tax	**676,977**	460,885

7 Operating profit

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

	2011 HK$'000	2010 HK$'000
Cost of inventories recognised as expenses included in cost of sales (Note 23)	**521,040**	455,818
(Reversal of)/additional provision for impairment of inventories (Note 23)	**(17,286)**	3,767
Depreciation of property, plant and equipment (Note 17)	**135,132**	93,183
Reversal of provision for impairment of property, plant and equipment (Note 17)	**(10,128)**	(3,391)
Amortisation of intangible assets (Note 18)	**6,068**	8,121
Loss on disposal of property, plant and equipment	**4,784**	6,626
Operating lease rental expense – minimum lease payment	**216,575**	191,831
Operating lease rental expense – contingent rents	**327,706**	233,973
Additional provision for impairment of trade receivables, net (Note 24)	**367**	1,869
Employee benefit expenses (Note 14)	**565,918**	455,317
Advertising and promotion expenses	**138,908**	67,956
Royalty expenses	**23,636**	28,064
Auditor's remuneration:		
– audit services	**4,068**	2,898
– due diligence review	**–**	2,150
– taxation services	**801**	1,572
– other services	**280**	250
	5,149	6,870

8 Other income

	2011 HK$'000	2010 HK$'000
Subsidy income	**13,911**	17,710
Rental and license fee income (Note 37(a))	**2,255**	2,870
Management fee income (Note 37(a))	**25,444**	27,438
Claims received	**3,344**	3,169
Sales commission	**2,268**	1,713
Others	**12,544**	5,057
	59,766	57,957

9 Other gains – net

	2011 HK$'000	2010 HK$'000
Fair value loss on forward foreign exchange contracts	(7,128)	–
Net foreign exchange gains	11,524	21,535
Other gains – net	4,396	21,535

10 Finance income/(costs) – net

	2011 HK$'000	2010 HK$'000
Finance costs – Interest expenses on bank borrowings wholly repayable within five years	(4,036)	(5,927)
Finance income – Interest income on short-term bank deposits	5,218	1,201
Finance income/(costs) – net	1,182	(4,726)

11 Taxation

Income tax expenses

Hong Kong profits tax has been provided for at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries or regions in which the Group operates.

	2011 HK$'000	2010 HK$'000
Current income tax		
– Hong Kong profits tax	54,660	24,307
– Overseas taxation	97,528	72,100
Deferred income tax (Note 22)	11,699	23,629
	163,887	120,036

11 Taxation *(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:

	2011 HK$'000	2010 HK$'000
Profit before income tax	**676,977**	460,885
Tax calculated at domestic tax rates applicable to profits in the respective areas	**122,722**	95,429
Effect of withholding tax on distributable profits of the Group's Chinese Mainland subsidiaries and jointly controlled entity in Korea	**32,342**	24,467
Income not subject to tax	**(4,760)**	(2,379)
Effect of unrecognised tax losses	**(2,028)**	(8,903)
Expenses not deductible for tax purposes	**15,611**	11,422
Income tax expenses	**163,887**	120,036

The weighted average applicable tax rate for the year was 18.1% (2010: 20.7%).

The subsidiaries incorporated in the Chinese Mainland are subject to income tax rate at 25% (2010: 25%).

12 Profit for the year attributable to shareholders of the Company

The profit for the year attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK$479,504,000 (2010: HK$225,840,000).

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.

	2011	2010
Weighted average number of ordinary shares in issue	**1,695,093,000**	1,576,316,000
Profit attributable to shareholders of the Company (HK$'000)	**513,090**	340,849
Basic earnings per share (HK cents per share)	**30.3 cents**	21.6 cents

13 Earnings per share *(Continued)*

(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.

	2011	2010
Weighted average number of ordinary shares in issue	**1,695,093,000**	1,576,316,000
Adjustment for share options	**45,280,000**	48,642,000
Weighted average number of ordinary shares for diluted earnings per share	**1,740,373,000**	1,624,958,000
Profit attributable to shareholders of the Company (HK$'000)	**513,090**	340,849
Diluted earnings per share (HK cents per share)	**29.5 cents**	21.0 cents

14 Employee benefit expenses

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

	2011 **HK$'000**	2010 HK$'000
Wages, salaries and bonus	**487,318**	385,205
Pension costs – defined benefit and contribution plans	**9,420**	8,338
Social security and benefits for the Chinese Mainland employees	**51,593**	31,848
Employee share option benefit	**17,587**	29,926
Total	**565,918**	455,317

There were no forfeited contributions during the year (2010: nil).

15 Directors' and senior management emoluments

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

(i) For the year ended 31 December 2011:

Name of Director	**Fees HK$'000**	**Salary HK$'000**	**Discretionary bonuses HK$'000**	**Other benefits (note) HK$'000**	**Employer's contribution to pension scheme HK$'000**	**Total HK$'000**
WONG Yat Ming	**120**	**3,360**	**8,447**	**1,090**	**12**	**13,029**
Bruno LI Kwok Ho	**120**	**1,766**	**5,406**	**542**	**12**	**7,846**
Sabrina FUNG Wing Yee	**120**	**2,169**	**2,703**	**60**	**12**	**5,064**
Danny LAU Sai Wing	**120**	**3,000**	**6,758**	**965**	**12**	**10,855**
Victor FUNG Kwok King	**184**	**–**	**–**	**–**	**–**	**184**
William FUNG Kwok Lun	**125**	**–**	**–**	**–**	**–**	**125**
Jeremy Paul Egerton HOBBINS	**50**	**–**	**–**	**–**	**–**	**50**
Jose Hosea CHENG Hor Yin	**133**	**–**	**–**	**–**	**–**	**133**
Cassian CHEUNG Ka Sing	**269**	**–**	**–**	**–**	**–**	**269**
Michael LEE Tze Hau	**280**	**–**	**–**	**–**	**–**	**280**
Patrick SUN	**250**	**–**	**–**	**–**	**–**	**250**
Jean-Marc LOUBIER	**207**	**–**	**–**	**–**	**–**	**207**
Eva LI Kam Fun	**38**	**–**	**–**	**–**	**–**	**38**
	2,016	**10,295**	**23,314**	**2,657**	**48**	**38,330**

(ii) For the year ended 31 December 2010:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Other benefits (note) HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
WONG Yat Ming	120	2,560	5,821	903	12	9,416
Bruno LI Kwok Ho	120	1,766	3,725	535	12	6,158
Sabrina FUNG Wing Yee	120	1,836	1,863	45	12	3,876
Victor FUNG Kwok King	200	–	–	–	–	200
William FUNG Kwok Lun	120	–	–	–	–	120
Jeremy Paul Egerton HOBBINS	120	–	–	–	–	120
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	230	–	–	–	–	230
	1,910	6,162	11,409	1,483	36	21,000

Note: other benefits include insurance premium and housing allowance.

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

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

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 (2010: none).

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

	Number of individuals	
	2011	2010
Emolument bands		
– HK$3,500,001 to HK$4,000,000	**–**	1
– HK$4,000,001 to HK$4,500,000	**–**	2
– HK$4,500,001 to HK$5,000,000	**2**	1
– HK$5,000,001 to HK$5,500,000	**1**	–
– HK$5,500,001 to HK$6,000,000	**1**	1
– HK$7,000,001 to HK$7,500,000	**1**	–
	5	5

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2011 include three (2010: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two highest paid individuals (2010: three) during the year are as follows:

	2011 **HK$'000**	2010 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**6,427**	7,981
Discretionary bonuses	**4,731**	6,387
Compensation for loss of office	**8,844**	–
Employer's contribution to pension scheme	**170**	178
	20,172	14,546

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

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

The sum of HK$8,844,000 has been paid to an individual as compensation for loss of office during the year (2010: none).

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

	Number of individuals	
	2011	2010
Emolument bands		
– HK$4,000,001 to HK$4,500,000	**–**	2
– HK$4,500,001 to HK$5,000,000	**–**	–
– HK$5,500,001 to HK$6,000,000	**–**	1
– HK$7,000,001 to HK$7,500,000	**1**	–
– HK$12,500,001 to HK$13,000,000	**1**	–
	2	3

For the year ended 31 December 2011, a director and certain senior management of the Company were granted share options pursuant to the Share Option Schemes. Details of the Share Option Schemes and options granted are disclosed in Note 26.

16 Dividends

	2011 **HK$'000**	2010 HK$'000
Interim dividend declared and paid of 8.0 HK cents (2010: 5.0 HK cents) per ordinary share	**135,840**	78,713
Final dividend proposed of 15.0 HK cents (2010: 10.0 HK cents) per ordinary share based on issued share capital as at the balance sheet date	**256,259**	158,889
	392,099	237,602

At a meeting held on 13 March 2012, the Directors recommended a final dividend of 15.0 HK cents per share. The recommended dividend is not reflected as dividend payable in these consolidated financial statements as at 31 December 2011, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2012. Dividends paid by the Company to its shareholders during the year of HK$305,447,000 (2010: HK$188,911,000) related to the final dividend for prior year of HK$169,607,000 (2010: HK$110,198,000) and the interim dividend for 2011 financial year of HK$135,840,000 (2010: HK$78,713,000).

17 Property, plant and equipment – Group

	Buildings HK$'000	Leasehold improvements, furniture and fixtures HK$'000	Computers, equipment and air-conditioners HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2010						
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
Year ended 31 December 2010						
Opening net book amount	990	105,097	12,528	856	1,686	121,157
Exchange differences	–	2,454	124	–	16	2,594
Additions	–	149,209	3,702	1,384	–	154,295
Disposals	–	(6,114)	(512)	–	–	(6,626)
Reversal of impairment provision (Note 7)	–	3,391	–	–	–	3,391
Depreciation (Note 7)	(198)	(85,947)	(6,106)	(419)	(513)	(93,183)
Closing net book amount	792	168,090	9,736	1,821	1,189	181,628
At 31 December 2010						
Cost	1,716	354,877	31,113	15,986	3,045	406,737
Accumulated depreciation and impairment	(924)	(186,787)	(21,377)	(14,165)	(1,856)	(225,109)
Net book amount	792	168,090	9,736	1,821	1,189	181,628
Year ended 31 December 2011						
Opening net book amount	**792**	**168,090**	**9,736**	**1,821**	**1,189**	**181,628**
Exchange differences	**–**	**1,088**	**185**	**–**	**31**	**1,304**
Acquisition of subsidiaries (Note 34)	**–**	**40,984**	**300**	**–**	**–**	**41,284**
Additions	**–**	**201,897**	**12,465**	**2,240**	**776**	**217,378**
Disposals	**–**	**(3,093)**	**(1,488)**	**(203)**	**–**	**(4,784)**
Reversal of impairment provision (Note 7)	**–**	**10,128**	**–**	**–**	**–**	**10,128**
Depreciation (Note 7)	**(198)**	**(128,771)**	**(4,930)**	**(616)**	**(617)**	**(135,132)**
Closing net book amount	**594**	**290,323**	**16,268**	**3,242**	**1,379**	**311,806**
At 31 December 2011						
Cost	**1,716**	**580,910**	**45,548**	**15,814**	**3,673**	**647,661**
Accumulated depreciation and impairment	**(1,122)**	**(290,587)**	**(29,280)**	**(12,572)**	**(2,294)**	**(335,855)**
Net book amount	**594**	**290,323**	**16,268**	**3,242**	**1,379**	**311,806**

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:

	2011 **HK$'000**	2010 HK$'000
Cost of sales	**1,602**	465
Selling and marketing expenses	**118,767**	78,906
Administrative expenses	**14,763**	13,812
Total	**135,132**	93,183

18 Intangible assets – Group

	Licences (with finite useful lives) HK$'000	**Trademark and licences (with indefinite useful lives) (note)** HK$'000	**Goodwill** HK$'000	**Total** HK$'000
At 1 January 2010				
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
Year ended 31 December 2010				
Opening net book amount	58,203	297,506	1,271,751	1,627,460
Amortisation charge (Note 7)	(8,121)	–	–	(8,121)
Exchange differences	–	9,733	–	9,733
Closing net book amount	50,082	307,239	1,271,751	1,629,072
At 31 December 2010				
Cost	87,492	307,239	1,271,751	1,666,482
Accumulated amortisation	(37,410)	–	–	(37,410)
Net book amount	50,082	307,239	1,271,751	1,629,072

18 Intangible assets – Group *(Continued)*

	Licences (with finite useful lives) HK$'000	Trademarks and licences (with indefinite useful lives) (note) HK$'000	Goodwill HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2011					
Opening net book amount	**50,082**	**307,239**	**1,271,751**	**–**	**1,629,072**
Acquisition of subsidiaries (Note 34)	**–**	**700,477**	**–**	**6,023**	**706,500**
Reclassification	**(6,997)**	**6,997**	**–**	**–**	**–**
Amortisation charge (Note 7)	**(6,038)**	**–**	**–**	**(30)**	**(6,068)**
Exchange differences	**–**	**(16,681)**	**–**	**(575)**	**(17,256)**
Closing net book amount	**37,047**	**998,032**	**1,271,751**	**5,418**	**2,312,248**
At 31 December 2011					
Cost	**60,191**	**998,032**	**1,271,751**	**5,418**	**2,335,392**
Accumulated amortisation	**(23,144)**	**–**	**–**	**–**	**(23,144)**
Net book amount	**37,047**	**998,032**	**1,271,751**	**5,418**	**2,312,248**

Note: Indefinite life trademarks mainly represent the Group's rights and title in respect of the worldwide Kent & Curwen trademark, and the worldwide Cerruti trademarks acquired through business combination as detailed in Note 34 during the year.

Amortisation charge of HK$6,068,000 (2010: HK$8,121,000) is included in administrative expenses.

Impairment tests for goodwill and other intangible assets

Goodwill is allocated to the Group's operating segments which comprise of group of CGUs. 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 is allocated to the operating segment. An analysis of goodwill allocated to each operating segment as at 31 December 2011 is presented below.

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

18 Intangible assets – Group *(Continued)*

Impairment test for goodwill

In accordance with HKAS 36 "Impairment of Assets", the Group completed impairment tests for goodwill allocated to the Group's various CGUs identified according to the operating segment by comparing their recoverable amount to their carrying amount as at the balance sheet date. The recoverable amount of a CGU is determined based on fair value less costs to sell calculation. These calculations use cash flow projections based on one-year financial budget 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% (post-tax) and reflects market assessments of the time value and the specific risks relating to the industry. The budgeted gross margin and net profit margin were determined by management based on past performance and its expectations for market development. Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount. Judgements are required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections.

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

	Hong Kong	Chinese Mainland	Taiwan
Gross margin (note (i))	82%	81%	78%
Growth rate (note (ii))	5%	5%	5%
Discount rate (note (iii))	10%	10%	10%

Notes:

(i) Budgeted gross margin

(ii) Weighted average growth rate used to extrapolate cash flows beyond the budget period

(iii) Post-tax discount rate applied to the cash flow projections

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

Trademarks and licences

Some of the trademarks and licences acquired are deemed to have indefinite useful lives because they relate to well known and long established menswear brands that do not have any term of expiry or their renewal would be probable and would not involve significant costs, taking into account the history of renewals and the relationship with the contracting parties. The carrying amount of these trademarks and licenses is not amortised and there is no foreseeable limit on the period of time over which it is expected to generate positive cash flows. The directors have performed an impairment review of the carrying amount of trademarks and licenses at 31 December 2011 based on forecast operating performance, cash flows of the related businesses and the key assumptions as outlined above and concluded that no impairment is required.

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

(a) Investments in subsidiaries

	2011 **HK$'000**	2010 HK$'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.

Details of subsidiaries are included in Note 40.

(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$351,285,000 (2010: HK$316,285,000) 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

	2011 **HK$'000**	2010 HK$'000
Beginning of the year	**210,982**	190,097
Share of profit of jointly controlled entities	**62,275**	35,971
Dividends received	**(29,998)**	(23,889)
Exchange differences and other equity movements	**(14,214)**	8,803
End of the year	**229,045**	210,982

Balance represents Group's interests in jointly controlled entities formed with Salvatore Ferragamo group, of which the Group and Salvatore Ferragamo group each owns 50% equity interest. As announced in December 2011, the Group's exclusive distribution agreements with Salvatore Ferragamo for the sales of Ferragamo products in South Korea, Singapore, Malaysia, Thailand, and Indonesia will expire in December 2012. The Group and Salvatore Ferragamo group are currently examining ways to continue their long-standing and mutually beneficial partnership.

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

Company 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$'000	Profit/(loss) HK$'000	Interest held %	Profit/(loss) attributable to the Group HK$'000
2011										
Ferragamo (Malaysia) Sdn Bhd	1,300,000 ordinary shares of RM 1 each	Malaysia	**53,524**	**6,342**	**11,042**	**–**	**63,356**	**9,121**	**50%**	**4,560**
Ferragamo (Thailand) Limited	220,500 ordinary shares of Baht 100 each 229,500 preference shares of Baht 100 each (10 preference shares for 1 vote)	Thailand	**18,922**	**6,007**	**24,929**	**–**	**34,755**	**129**	**50%**	**–**
Ferragamo (Singapore) Pte Ltd	4,600,000 ordinary shares of S$1 each	Singapore	**69,556**	**23,534**	**47,069**	**–**	**186,964**	**9,160**	**50%**	**4,580**
Ferragamo Korea Ltd	658,240 ordinary shares of KRW 5,000 each	Korea	**348,143**	**82,919**	**67,817**	**–**	**686,410**	**106,270**	**50%**	**53,135**
			490,145	**118,802**	**150,857**	**–**	**971,485**	**124,680**		**62,275**
2010										
Ferragamo (Malaysia) Sdn Bhd	1,300,000 ordinary shares of RM 1 each	Malaysia	39,651	6,932	5,009	–	47,395	4,032	50%	2,016
Ferragamo (Thailand) Limited	220,500 ordinary shares of Baht 100 each 229,500 preference shares of Baht 100 each (10 preference shares for 1 vote)	Thailand	16,618	4,236	20,854	–	26,117	(1,488)	50%	–
Ferragamo (Singapore) Pte Ltd	4,600,000 ordinary shares of S$1 each	Singapore	50,167	29,706	42,325	–	124,213	(8,453)	50%	(4,226)
Ferragamo Korea Ltd	658,240 ordinary shares of KRW 5,000 each	Korea	277,138	109,130	43,426	–	549,344	76,363	50%	38,181
			383,574	150,004	111,614	–	747,069	70,454		35,971

21 Deposit and prepayments – Group

	2011 HK$'000	2010 HK$'000
Non-current assets		
Rental deposits	**45,695**	25,854
Prepayments	**–**	10,870
	45,695	36,724
Current assets		
Rental deposits	**18,625**	14,748
Prepayments	**44,929**	29,165
Deposit for acquisition of the Cerruti Group (note)	**–**	155,125
	63,554	199,038
Total	**109,249**	235,762

Note: As at December 2010, the Group had paid a deposit of approximately HK$155,125,000 (Euro 15,185,000) for acquisition of subsidiaries upon signing of the sale and purchase agreement on 22 December 2010. The acquisition was completed on 15 March 2011 and its details are disclosed in Note 34 to the consolidated financial statements.

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

	2011 HK$'000	2010 HK$'000
HKD	**44,872**	33,419
RMB	**36,202**	34,159
EUR	**25,677**	155,125
TWD	**1,249**	7,029
SGD	**368**	651
GBP	**107**	121
MOP	**774**	366
USD	**–**	4,892
	109,249	235,762

As at 31 December 2011, the carrying amounts of the Group's 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:

	2011 HK$'000	2010 HK$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**94,009**	60,103
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	**(230,693)**	(93,228)

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

	2011 HK$'000	2010 HK$'000
Beginning of the year	**(33,125)**	(9,496)
Charged to consolidated income statement (Note 11)	**(11,699)**	(23,629)
Acquisition of subsidiaries (Note 34)	**(102,610)**	–
Utilisation for the year	**6,717**	–
Exchange differences	**4,033**	–
End of the year	**(136,684)**	(33,125)

22 Deferred income tax – Group *(Continued)*

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

	Intangible assets-trademarks and licences 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 2010	27,720	8,889	24,836	–	61,445
Charged to the consolidated income statement	–	4,660	24,467	2,656	31,783
At 31 December 2010	27,720	13,549	49,303	2,656	93,228
Charged to the consolidated income statement	**–**	**4,423**	**32,342**	**2,676**	**39,441**
Acquisition of subsidiaries (Note 34)	**108,754**	**–**	**–**	**–**	**108,754**
Utilisation for the year	**–**	**–**	**(6,717)**	**–**	**(6,717)**
Exchange differences	**(3,532)**	**(481)**	**–**	**–**	**(4,013)**
At 31 December 2011	**132,942**	**17,491**	**74,928**	**5,332**	**230,693**

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

	Impairment of assets HK$'000	Decelerated tax depreciation allowances HK$'000	Provisions and accruals HK$'000	Unrealised profit on inventories HK$'000	Unutilised tax loss HK$'000	Others HK$'000	Total HK$'000
At 1 January 2010	8,917	2,491	5,064	32,549	–	2,928	51,949
(Charged)/credited to the consolidated income statement	(4,116)	681	2,802	(1,374)	10,658	(497)	8,154
At 31 December 2010	4,801	3,172	7,866	31,175	10,658	2,431	60,103
(Charged)/credited to the consolidated income statement	**(2,236)**	**–**	**2,309**	**27,419**	**2,522**	**(2,272)**	**27,742**
Acquisition of subsidiaries (Note 34)	**–**	**–**	**–**	**–**	**–**	**6,144**	**6,144**
Exchange differences	**78**	**(2)**	**489**	**–**	**(192)**	**(353)**	**20**
At 31 December 2011	**2,643**	**3,170**	**10,664**	**58,594**	**12,988**	**5,950**	**94,009**

23 Inventories – Group

	2011 **HK$'000**	2010 HK$'000
Raw materials	**55,674**	27,896
Work-in-progress	**25,012**	24,836
Finished goods	**524,350**	368,068
Total	**605,036**	420,800

The cost of inventories and reversal of provision for impairment of inventories recognised as expense and included in 'cost of sales' amounted to HK$521,040,000 (2010: HK$455,818,000) and HK$17,286,000 (2010: provision for impairment of HK$3,767,000) respectively (Note 7).

24 Trade receivables – Group

	2011 **HK$'000**	2010 HK$'000
Trade receivables	**242,271**	217,321
Less: provision for impairment of receivables	**(8,945)**	(2,392)
Trade receivables – net	**233,326**	214,929

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

	2011 **HK$'000**	2010 HK$'000
1 – 30 days	**180,790**	181,406
31 – 60 days	**46,505**	32,825
61 – 90 days	**1,122**	1,152
Over 90 days	**13,854**	1,938
	242,271	217,321

24 Trade receivables – Group *(Continued)*

Trade receivables that are less than three months past due are not considered impaired. Trade receivables of HK$45,269,000 (2010: HK$35,863,000) as at 31 December 2011 were past due but not impaired. These relate to a number of independent department stores for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2011 **HK$'000**	2010 HK$'000
Past due		
Up to 3 months	**44,355**	35,532
4 to 12 months	**795**	234
Over 12 months	**119**	97
	45,269	35,863

Trade receivables of HK$8,945,000 (2010: HK$2,392,000) as at 31 December 2011 were impaired and fully provided for. The individually impaired receivables are mainly arising from department stores in the Chinese Mainland and licensees in Europe. The ageing of these receivables is as follows:

	2011 **HK$'000**	2010 HK$'000
Up to 12 months	**790**	1,267
Over 12 months	**8,155**	1,125
	8,945	2,392

24 Trade receivables – Group *(Continued)*

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

	2011 **HK$'000**	2010 HK$'000
At 1 January	**2,392**	523
Acquisition of subsidiaries	**6,718**	–
Provision for receivable impairment	**4,138**	1,869
Unused amounts reversed	**(3,771)**	–
Exchange differences	**(532)**	–
At 31 December	**8,945**	2,392

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

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

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

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

	2011 **HK$'000**	2010 HK$'000
RMB	**161,988**	156,357
TWD	**36,011**	35,374
EUR	**18,600**	–
HKD	**17,074**	18,363
MOP	**7,787**	5,647
USD	**811**	1,577
JPY	**–**	3
	242,271	217,321

25 Cash and cash equivalents

	2011 HK$'000	2010 HK$'000
Group		
Cash at bank and in hand	**704,606**	514,799
Short-term bank deposits (note (i))	**85,764**	–
	790,370	514,799
Maximum exposure to credit risk	**788,596**	513,476
Company		
Cash at bank and in hand	**16,557**	29,738
Maximum exposure to credit risk	**16,557**	29,738

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

As at 31 December 2011, cash and bank balances amounting to HK$312,391,000 (2010: HK$185,575,000) were deposited in the bank accounts in the Chinese Mainland where exchange control applies.

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

	2011	*2010*
Effective interest rate	***1.41%***	–
Average maturity days of deposits	***32***	–

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

	2011 HK$'000	2010 HK$'000
RMB	**452,370**	171,410
HKD	**137,381**	270,650
USD	**95,679**	8,642
TWD	**46,341**	42,201
MOP	**16,601**	21,397
EUR	**22,414**	296
GBP	**13,357**	141
Others	**6,227**	62
	790,370	514,799

26 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 2010	4,000,000	1,574,255	157,425	1,515,001	1,672,426
Exercise of share options (note (a))	–	14,632	1,464	25,960	27,424
At 31 December 2010	4,000,000	1,588,887	158,889	1,540,961	1,699,850
Exercise of share options (note (a))	**–**	**19,504**	**1,950**	**35,141**	**37,091**
Placement of shares (note (b))	**–**	**100,000**	**10,000**	**726,554**	**736,554**
At 31 December 2011	**4,000,000**	**1,708,391**	**170,839**	**2,302,656**	**2,473,495**

Notes:

(a) During the year, 13,366,000 and 6,138,000 (2010: 10,532,000 and 4,100,000) ordinary shares were issued at an exercise price of HK$1.65 and HK$2.45 (2010: HK$1.65 and HK$2.45) per share, respectively, to the share option holders pursuant to the Share Option Schemes.

(b) Pursuant to a placing agreement dated 10 January 2011, LiFung Trinity Limited, a substantial shareholder of the Company, placed 100,000,000 existing shares of the Company to not less than six independent professional, institutional and/or individual investors at a price of HK$7.50 per share and to subscribe from the Company for the same number of shares at the same price. The net proceeds of the subscription amounted to approximately HK$736.6 million, after taking into account the placing commission and other related expenses.

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 Share Option Schemes and any other schemes must not in aggregate exceed 10% of the shares in issue as at 3 November 2009, the listing date, or 30% of the shares in issue from time to time.

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

Share Option Schemes *(Continued)*

Pre-IPO and Post-IPO Share Option Schemes *(Continued)*

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

	2011		2010	
	Number of options	**Weighted average exercise price HK$**	Number of options	Weighted average exercise price HK$
At 1 January	**68,396,000**	**2.05**	83,714,000	2.02
Share options granted on 11 January 2011	**4,260,000**	**7.35**	–	–
Share options granted on 24 March 2011	**500,000**	**7.35**	–	–
Share options granted on 25 November 2011	**1,900,000**	**7.35**	–	–
Exercised	**(19,504,000)**	**1.90**	(14,632,000)	1.87
Forfeited	**(2,190,000)**	**4.44**	(686,000)	1.86
At 31 December	**53,362,000**	**2.67**	68,396,000	2.05

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

Exercisable periods	**Exercise price**	**2011**	2010
3 November 2010 to 2 November 2014	HK$1.65	**6,457,000**	11,812,000
3 November 2011 to 2 November 2014	HK$1.65	**13,903,000**	22,344,000
26 November 2010 to 25 November 2012	HK$2.45	**4,528,000**	8,680,000
26 November 2011 to 25 November 2013	HK$2.45	**10,354,000**	12,780,000
26 November 2012 to 25 November 2014	HK$2.45	**12,310,000**	12,780,000
1 January 2012 to 31 December 2013	HK$8.08	**1,720,000**	–
1 January 2013 to 31 December 2014	HK$8.08	**1,720,000**	–
1 January 2012 to 31 December 2013	HK$7.71	**250,000**	–
1 January 2013 to 31 December 2014	HK$7.71	**250,000**	–
1 January 2013 to 31 December 2014	HK$5.61	**1,870,000**	–
At 31 December		**53,362,000**	68,396,000

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

Share Option Schemes *(Continued)*

The weighted average share price at the date of exercise of share options exercised during the year was HK$6.52.

The fair values of options granted during the year were determined using the Black-Scholes valuation model based on the following assumptions:

	Share options granted on 11 January 2011	Share options granted on 24 March 2011	Share options granted on 25 November 2011
Average fair value	**1.93**	**2.15**	**1.16**
Closing share price on date of grant	**7.55**	**7.71**	**5.24**
Exercise price	**8.08**	**7.71**	**5.61**
Expected volatility	**49.83%**	**49.83%**	**50.54%**
Expected option life	**3 – 4 years**	**3 – 4 years**	**3 years**
Risk free rate	**0.49% to 0.94%**	**0.64% to 1.13%**	**0.23%**
Expected dividend yield	**2.10%**	**2.07%**	**3.17%**

Expected volatility was determined based on the historical price volatility of shares of the Company (for options granted on 25 November 2011) or comparable companies to the Company (for options granted on 11 January and 24 March 2011). Changes in the subjective input assumptions may materially affect their fair value estimates.

During the year ended 31 December 2011, the Company granted 6,660,000 share options in aggregate of which 2,000,000 options were granted to a Director.

27 Reserves

Group	Retained earnings HK$'000	Merger reserves HK$'000 (note (a))	Other reserves HK$'000	Statutory reserves HK$'000 (note (b))	Translation reserve HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
Balance at 1 January 2010	570,779	(217,064)	(37,623)	9,717	10,439	7,370	343,618
Profit for the year	340,849	–	–	–	–	–	340,849
Exchange differences	–	–	–	–	25,556	–	25,556
Dividends (Note 16)	(188,911)	–	–	–	–	–	(188,911)
Employee share option schemes							
– value of employee services	–	–	–	–	–	29,926	29,926
– transfer to retained earnings	8,545	–	–	–	–	(8,545)	–
Balance at 31 December 2010	731,262	(217,064)	(37,623)	9,717	35,995	28,751	551,038
Profit for the year	**513,090**	**–**	**–**	**–**	**–**	**–**	**513,090**
Exchange differences	**–**	**–**	**–**	**–**	**5,732**	**–**	**5,732**
Dividends (Note 16)	**(305,447)**	**–**	**–**	**–**	**–**	**–**	**(305,447)**
Employee share option schemes							
– value of employee services	**–**	**–**	**–**	**–**	**–**	**17,587**	**17,587**
– transfer to retained earnings	**11,583**	**–**	**–**	**–**	**–**	**(11,583)**	**–**
Balance at 31 December 2011	**950,488**	**(217,064)**	**(37,623)**	**9,717**	**41,727**	**34,755**	**782,000**

27 Reserves *(Continued)*

Company

	Retained earnings HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
Balance at 1 January 2010	137,679	7,370	145,049
Profit for the year	225,840	–	225,840
Employee share options schemes			
– value of employee services	–	29,926	29,926
– transfer to retained earnings	8,545	(8,545)	–
Dividends (Note 16)	(188,911)	–	(188,911)
Balance at 31 December 2010	183,153	28,751	211,904
Profit for the year	**479,504**	**–**	**479,504**
Employee share options schemes			
– value of employee services	**–**	**17,587**	**17,587**
– transfer to retained earnings	**11,583**	**(11,583)**	**–**
Dividends (Note 16)	**(305,447)**	**–**	**(305,447)**
Balance at 31 December 2011	**368,793**	**34,755**	**403,548**

Notes:

(a) Merger reserve as at 1 January 2010 mainly represented the differences between the sum of the nominal value and share premium of the subsidiaries acquired under common control and the nominal value of shares of the Company issued in exchange on the purchase considerations.

(b) Pursuant to the relevant rules and regulations in the Chinese Mainland, these Chinese Mainland subsidiaries are required to transfer at least 10% of their profit after tax, as determined under the Chinese Mainland accounting rules and regulations, to the statutory general reserve until the reserve balance reaches 50% of the registered capital of the respective subsidiaries of the Chinese Mainland. 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.

28 Provision for long service payments – Group

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

	2011 HK$'000	2010 HK$'000
At 1 January	**6,082**	5,071
Charged to the consolidated income statement	**3,651**	1,011
Payments made during the year	**(355)**	–
At 31 December	**9,378**	6,082

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

29 Retirement benefit obligations – Group

	2011 HK$'000	2010 HK$'000
Balance sheet obligations for:		
– Pension benefits	**13,415**	13,663

	2011 HK$'000	2010 HK$'000
Income statement charge for:		
– Pension benefits (included in administrative expenses)	**397**	486

The Group has a defined benefit plan in Taiwan. The assets of the funded plans are held independently of the Group's assets in separate trustee administered funds. The latest independent actuarial valuation of the plan was at 31 December 2011 and was prepared by qualified staff of Mercer (Taiwan) Limited, which is a member of the American Academy of Actuaries, using the projected unit credit method.

29 Retirement benefit obligations – Group *(Continued)*

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

	2011 HK$'000	2010 HK$'000
Present value of funded obligations	**18,201**	18,159
Fair value of plan assets	**(4,786)**	(4,496)
Liability in the consolidated balance sheet	**13,415**	13,663

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

	2011 HK$'000	2010 HK$'000
Beginning of year	**18,159**	16,343
Current service cost	**488**	316
Interest cost	**388**	301
Actuarial losses	**(129)**	(32)
Benefits paid during the year	**–**	(484)
Exchange differences	**(705)**	1,715
End of year	**18,201**	18,159

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

	2011 HK$'000	2010 HK$'000
Beginning of year	**4,496**	4,114
Expected return on plan assets	**94**	109
Actuarial losses	**(38)**	(43)
Contributions during the year	**418**	374
Benefits paid during the year	**–**	(484)
Exchange differences	**(184)**	426
End of year	**4,786**	4,496

29 Retirement benefit obligations – Group *(Continued)*

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

	2011 **HK$'000**	2010 HK$'000
Current service cost	**488**	316
Interest cost	**388**	301
Expected return on plan assets	**(94)**	(109)
Amortisation of actuarial gains	**(60)**	(22)
Total, included in employee benefit expenses	**722**	486

The principal actuarial assumptions used were as follows:

	2011	2010
Discount rate	**1.75%**	2.25%
Expected return on plan assets	**2.25%**	2.00%
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.

30 Other payables and accruals

Group

	2011 **HK$'000**	2010 HK$'000
Non-current		
Royalties payable	**31,648**	37,048
Current		
Royalties payable	**18,664**	17,220
Value-added-tax payable	**43,793**	35,436
Sales deposits received	**14,466**	14,454
Lease incentive	**140,358**	84,840
Other payables and accruals (note)	**312,334**	182,848
	529,615	334,798
Total	**561,263**	371,846

Note: Other payables and accruals include employee benefits cost amounted to HK$166,203,000 as at 31 December 2011 (2010: HK$98,014,000).

30 Other payables and accruals *(Continued)*

As at 31 December 2010 and 2011, the carrying amounts of the Group's other payables and accruals approximated their fair values.

Company

	2011 HK$'000	2010 HK$'000
Other payables and accruals	**8,486**	10,646

31 Trade payables – Group

	2011 HK$'000	2010 HK$'000
Trade payables	**123,759**	95,928

As at 31 December 2010 and 2011, the carrying amounts of the Group's trade payables approximated their fair values.

The credit period granted by creditors generally ranges from 30 to 90 days. Ageing analysis by invoice date of trade payables is as follows:

	2011 HK$'000	2010 HK$'000
1 – 30 days	**75,017**	39,945
31 – 60 days	**14,102**	20,405
61 – 90 days	**12,677**	12,579
Over 90 days	**21,963**	22,999
	123,759	95,928

32 Borrowings

	2011 HK$'000	2010 HK$'000
Non-current		
Bank borrowings, secured	–	220,000
Current		
Bank borrowings, secured	**380,000**	360,000
Total borrowings	**380,000**	580,000

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

	2011 HK$'000	2010 HK$'000
Group		
Within 1 year	**380,000**	360,000
Between 1 and 2 years	–	100,000
Between 2 and 5 years	–	120,000
	380,000	580,000

	2011 HK$'000	2010 HK$'000
Company		
Within 1 year	–	220,000
Between 1 and 2 years	–	100,000
Between 2 and 5 years	–	120,000
	–	440,000

32 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:

	2011	2010
Group		
HKD	**1.08%**	1.16%

	2011	2010
Company		
HKD	**–**	1.15%

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

(d) The carrying amounts of the borrowings are denominated in the following currency:

	2011 **HK$'000**	2010 HK$'000
Group		
HKD	**380,000**	580,000

	2011 **HK$'000**	2010 HK$'000
Company		
HKD	**–**	440,000

(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**	
	2011 **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000
6 months or less	**380,000**	580,000	**–**	440,000

(f) All bank borrowings were secured by cross guarantees amongst group companies as at 31 December 2011.

(g) As at 31 December 2011, the Group has unutilised banking facilities amounted to HK$630 million (2010: HK$540 million).

33 Cash generated from operations

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

	2011 HK$'000	2010 HK$'000
Profit before income tax	**676,977**	460,885
Adjustments for:		
– Share of profit of jointly controlled entities	**(62,275)**	(35,971)
– Amortisation of intangible assets (Note 18)	**6,068**	8,121
– Interest income	**(5,218)**	(1,201)
– Interest expense	**4,036**	5,927
– Depreciation of property, plant and equipment (Note 17)	**135,132**	93,183
– Reversal of provision for impairment of property, plant and equipment (Note 17)	**(10,128)**	(3,391)
– Additional provision for impairment of trade receivables, net (Note 24)	**367**	1,869
– Net contributions to long service payment provision and retirement benefit obligation	**3,048**	2,445
– Employee share option benefit	**17,587**	29,926
– Loss on disposal of property, plant and equipment	**4,784**	6,626
– Foreign exchange losses	**26,652**	8,225
Changes in working capital		
– Inventories	**(178,062)**	(35,517)
– Trade and other receivables	**(19,800)**	(58,704)
– Trade and other payables	**(27,068)**	83,384
– Balances with related parties	**5,806**	7,822
Cash generated from operations	**577,906**	573,629

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

	2011 HK$'000	2010 HK$'000
Net book amount (Note 17)	**4,784**	6,626
Loss on disposal of property, plant and equipment	**(4,784)**	(6,626)
Proceeds from disposal of property, plant and equipment	**–**	–

34 Business combinations

On 15 March 2011, the Group acquired 100% equity interest in the Cerruti Group at a consideration of Euro 52.6 million (approximately HK$556.7 million). Cerruti Group is principally engaged in the management of the Cerruti trademarks and retailing of menswear products. The acquisition fits in with the Group's strategy to own intellectual property rights or take on very long term licences in high-end to luxury menswear brands with heritage.

Recognised amounts of identifiable assets acquired and liabilities assumed are as follows:

	Fair Value HK$'000
Property, plant and equipment (Note 17)	**41,284**
Intangible assets – Trademarks (with indefinite useful lives) (Note 18) (note)	**700,477**
– Others (Note 18)	**6,023**
Deposits and prepayments	**7,289**
Inventories	**14,065**
Trade receivables	**27,370**
Deferred tax assets (Note 22)	**6,144**
Other current assets	**10,612**
Cash and cash equivalents	**11,685**
Trade payables	**(42,303)**
Other payables	**(96,028)**
Current income tax liabilities	**(21,181)**
Deferred tax liabilities (Note 22)	**(108,754)**
Net assets	**556,683**

	HK$'000
Total purchase consideration – Cash	**556,683**
Deposit already paid as at 31 December 2010	**(155,125)**
Cash and cash equivalents in a subsidiary acquired	**(11,685)**
Net cash outflow on acquisition for the year ended 31 December 2011	**389,873**

Acquisition-related costs of HK$471,000 were included in administrative expenses in the consolidated income statement for the year ended 31 December 2011 (for the year ended 31 December 2010: approximately HK$10,170,000).

Note: Indefinite life trademarks represent right and title in respect of the worldwide Cerruti trademarks.

34 Business combinations *(Continued)*

(a) Revenue and profit contribution

Cerruti Group contributed revenue of HK$110,686,000 (including sales to a fellow subsidiary of the Group of HK$8,945,000) and net profit of HK$29,000 to the Group for the period from 15 March 2011 to 31 December 2011.

If the acquisition had occurred on 1 January 2011, Group revenue would have been HK$2,645,973,000; profit after tax would have been HK$433,051,000 for the year ended 31 December 2011.

(b) Acquired receivables

Fair value of the trade receivables acquired was HK$27,370,000, for which the gross contractual amount was HK$34,088,000.

35 Commitments – Group

(a) Commitments under operating leases

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

	2011 **HK$'000**	2010 HK$'000
No later than 1 year	**199,350**	180,046
Later than 1 year but no later than 5 years	**162,433**	162,627
	361,783	342,673

(b) Other commitments

	2011 **HK$'000**	2010 HK$'000
Contracted sponsorship fees		
– No later than 1 year	**–**	3,150

The Company had no commitments at 31 December 2010 and 2011.

36 Contingent Liabilities

Save as disclosed elsewhere in this report, the Group and the Company had no significant contingent liabilities as at 31 December 2010 and 2011.

37 Related party transactions – Group

(a) Significant related party transactions

All the related party transactions were entered with companies associated with or controlled by Li & Fung (1937) Limited, a substantial shareholder of the Company (collectively, the "Substantial Shareholder Group"). All related party transactions were determined on basis agreed by both parties and were conducted in the normal course of business. Other than the related party transactions disclosed elsewhere, significant related party transactions of the Group during the year were as follows:

	Note	**2011** **HK$'000**	2010 HK$'000
Purchase of goods		**9,672**	12,682
Sub-contracting fee for production of product parts		**36,346**	21,593
Management fee income for provision of accounting, information system and human resources services (Note 8)		**4,444**	6,438
Service fee expense for provision of corporate compliance services and other administrative services		**8,484**	4,509
Service fee expense for provision of warehouse and logistics services		**13,013**	9,950
Rental and license fee income (Note 8)		**2,255**	2,870
Rental and management fee expense		**3,449**	3,712
Management service fee income (Note 8)	(i)	**21,000**	21,000

Note (i)
Since 1 September 2009, the Group provided 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) to BLS (Private Labels) Holdings Limited and its subsidiaries.

(b) Year-end balance with related parties

	2011 **HK$'000**	2010 HK$'000
Due from		
Substantial Shareholder Group	**288**	122
Jointly controlled entity	**865**	951
	1,153	1,073
Due to		
Substantial Shareholder Group	**13,674**	7,580

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

37 Related party transactions – Group *(Continued)*

(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 160 million and USD1.4 million (i.e. Baht 80 million and USD0.7 million). As at 31 December 2011, the sum borrowed by Ferragamo (Thailand) Limited amounted to approximately Baht 79.5 million and USD1.555 million (approximately HK$31.5 million in aggregate) (2010: Baht 69.5 million and USD1.065 million (approximately HK$26.0 million in aggregate)).

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

38 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 2011.

39 Approval of consolidated financial statements

The consolidated financial statements have been approved for issue by the Board of Directors on 13 March 2012.

40 Details of subsidiaries

As at 31 December 2011, 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	USD1	100%	–
LiFung Trinity JV Brands Limited	12 May 2006	British Virgin Islands	Investment holding	USD1	100%	–
LiFung Trinity Services Limited	8 December 2006	British Virgin Islands	Investment holding	USD1	100%	–
A.T. Distributions Limited	3 October 2003	Hong Kong	Trading of garments	HK$1,000,000	–	100%
Cerruti 1881 SAS	23 March 1967	France	Trading of garments	EUR11,485,166	–	100%
Cerruti Investment Pte. Limited	28 January 2011	Singapore	Holding of trademarks	SGD100	–	100%
Champion Distributions Limited	6 August 1997	Hong Kong	Trading of garments	HK$1,000,000	–	100%
逸貿服飾銷售（上海）有限公司 (Champion Fashion Distributions (Shanghai) Limited) (note)	27 June 2005	PRC	Inactive	RMB3,000,000	–	100%

40 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
卓誼（澳門）有限公司 (COL (Macau) Limited)	14 March 2007	Macau	Trading of garments	MOP100,000	–	100%
Concord Distributions Limited	25 June 1997	Hong Kong	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)	18 May 2005	PRC	Inactive	RMB3,000,000	–	100%
DDL (Macao) Limited	26 January 1994	Macau	Inactive	MOP10,000	–	100%
Ferrinch (L) Limited	5 August 1996	Federal Territory of Labuan, Malaysia	Provision of marketing consultancy services & investment holding	USD3,001,500	–	100%
Golden Palace Global Inc.	4 July 2000	British Virgin Islands	Investment holding	USD2	–	100%
Golden Palace Global (H.K.) Limited	30 July 2003	Hong Kong	Investment holding	HK$1,000,000	–	100%
永圖貿易（上海）有限公司 (Golden Palace Global Trading (Shanghai) Co., Ltd.) (note)	29 December 2000	PRC	Inactive	USD200,000	–	100%
Kent & Curwen Limited	25 November 1996	England and Wales	Trading of garments	GBP1,000,000	–	100%
利邦（上海）服裝貿易有限公司 (LiFung Trinity China Distribution (Shanghai) Limited) (note)	27 October 2006	PRC	Trading of garments	RMB3,000,000	–	100%
LiFung Trinity Fashions Limited	21 December 2006	Hong Kong	Investment holding	HK$5,000,000	–	100%
LiFung Trinity (Management) Limited	6 April 2006	Hong Kong	Provision of management services	HK$1	–	100%
LiFung Trinity Management (Singapore) Pte Ltd	21 March 2007	Singapore	Holding of trademarks and provision of business management & consultancy services	SGD100	–	100%
L&F Branded Lifestyle International Limited	11 October 1999	British Virgin Islands	Investment holding	USD1	–	100%
L&F Branded Lifestyle (Singapore) Pte Limited	12 July 1994	Singapore	Provision of consultancy service	SGD500,000	–	100%
LiFung Trinity International Brands Limited	18 May 2006	Hong Kong	Investment holding and trading of garments	HK$5,000,000	–	100%
Million Venture Inc.	28 August 2000	British Virgin Islands	Investment holding	USD2	–	100%
Million Venture (H.K.) Limited	30 July 2003	Hong Kong	Investment holding	HK$1,000,000	–	100%
逸倫貿易（上海）有限公司 Million Venture Trading (Shanghai) Co., Ltd) (note)	29 December 2000	PRC	Inactive	USD200,000	–	100%

40 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
Toga Investments France SARL	20 July 2006	France	Investment holding	EUR52,470,627	–	100%
Trinity (Business Wear) Limited	2 February 1973	Hong Kong	Garment manufacturing	HK$3,900,000	–	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 and trading of garments	HK$5,000,000	–	100%
利永(上海)時裝商貿有限公司 (Trinity China Distributions (Shanghai) Limited) (note)	27 October 2006	PRC	Trading of garments	RMB3,000,000	–	100%
利宜貿易(上海)有限公司 (Trinity China Distributions Trading (Shanghai) Limited) (note)	29 December 2000	PRC	Inactive	USD200,000	–	100%
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%
Trubest Limited	25 June 1997	Hong Kong	Trading of garments	HK$200,000	–	100%

Note: These companies are foreign-owned enterprises registered in the PRC.

Financial Summary

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

	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011** **HK$'000**
Combined results					
Revenue from Continuing Operations	1,177,674	1,528,352	1,645,178	2,011,380	**2,607,281**
Operating profit	221,069	194,294	262,376	429,640	**613,520**
Profit before income tax	188,071	189,080	263,576	460,885	**676,977**
Income tax expense	(52,927)	(67,514)	(75,655)	(120,036)	**(163,887)**
Profit for the year from Continuing Operations	135,144	121,566	187,921	340,849	**513,090**
Gain/(Loss) for the year from					
Discontinued Operations	10,208	(17,765)	(18,295)	–	**–**
Disposal of Discontinued Operations	–	–	10,037	–	**–**
Profit for the year	145,352	103,801	179,663	340,849	**513,090**
Attributable to:					
Shareholders of the Company	130,719	98,035	179,663	340,849	**513,090**
Minority interests	14,633	5,766	–	–	**–**
Assets					
Non-current assets	1,880,965	2,040,115	2,022,174	2,118,509	**2,992,803**
Current assets	1,601,601	1,108,707	1,114,199	1,350,639	**1,693,439**
Total assets	3,482,566	3,148,822	3,136,373	3,469,148	**4,686,242**
Equity and liabilities					
Total equity	1,185,431	1,343,856	2,016,044	2,250,888	**3,255,495**
Liabilities					
Non-current liabilities	1,027,218	1,050,658	744,195	370,021	**285,134**
Current liabilities	1,269,917	754,308	376,134	848,239	**1,145,613**
Total liabilities	2,297,135	1,804,966	1,120,329	1,218,260	**1,430,747**
Total equity and liabilities	3,482,566	3,148,822	3,136,373	3,469,148	**4,686,242**

TRINITY LIMITED

www.trinity-limited.com

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

T (852) 2342 1151

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