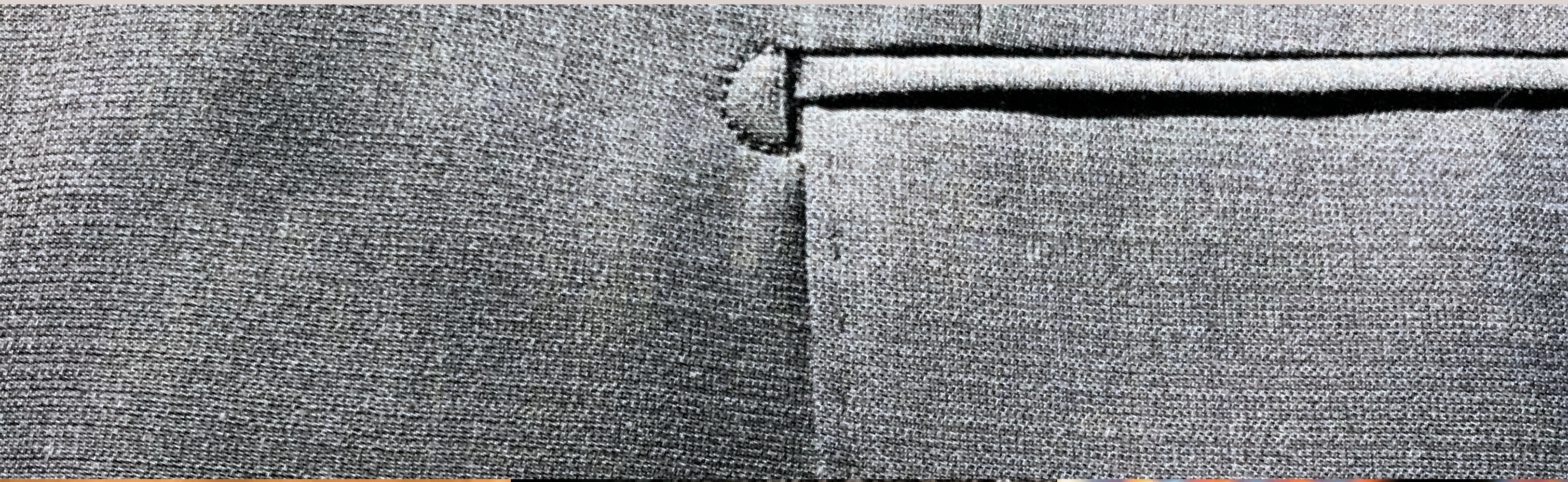
TRINITY

ANNUAL REPORT 2017

Trinity Limited

Incorporated in Bermuda
with limited liability

Stock Code: 891



The Trinity Group includes three historic menswear brands: CERRUTI 1881, Gieves & Hawkes and Kent & Curwen, as well as licensed brand D'URBAN. Individually distinctive, together they cater to the most discerning consumers.

CERRUTI 1881 GIEVES & HAWKES No.1 SAVILE ROW LONDON KENT & CURWEN ENGLAND D'URBAN

Global Offices

Chinese Mainland Beijing, Chengdu, Guangzhou, Shanghai | **France** Paris
Hong Kong, SAR | **Singapore** | **Taiwan** Taipei
United Kingdom London

Contents

A Fung Retailing Company

Corporate Information

Executive Directors

Jeremy Paul Egerton HOBBINS
(Chief Executive Officer)

Srinivasan PARTHASARATHY
(Chief Financial Officer)

Non-executive Directors

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

Sabrina FUNG Wing Yee
(Deputy Chairman)

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

Terence FUNG Yue Ming

Jean-Marc LOUBIER

WONG Yat Ming

Independent Non-executive Directors

Eva CHENG LI Kam Fun

Cassian CHEUNG Ka Sing

Michael LEE Tze Hau

Patrick SUN

Group Chief Compliance and Risk Management Officer

Jason YEUNG Chi Wai

Company Secretary

Christiana YIU Yuen Wah

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

8/F, LiFung Tower
888 Cheung Sha Wan Road
Kowloon
Hong Kong

Website

www.trinitygroup.com

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

The Bank of Tokyo-Mitsubishi UFJ, Limited

Bank of China (Hong Kong) Limited

Citibank, N.A.

Standard Chartered Bank (Hong Kong) Limited

Legal Adviser

Mayer Brown JSM

Auditor

PricewaterhouseCoopers
Certified Public Accountants

Highlights

Highlights of results for the year ended 31 December 2017

	2017	2016
Revenue *(HK$ million)*	**1,701.3**	1,777.0
Gross profit *(HK$ million)*	**1,160.3**	1,213.2
Gross margin *(%)*	**68.2%**	68.3%
Core operating profit/(loss) [1] *(HK$ million)*	**(441.0)**	(406.5)
Loss attributable to shareholders *(HK$ million)*	**(608.3)**	(441.5)
Inventories *(HK$ million)*	**621.5**	504.9
Trade receivables *(HK$ million)*	**107.6**	80.7
Trade payables *(HK$ million)*	**131.6**	62.5
Net debt [2] *(HK$ million)*	**1,169.4**	723.7
Return on equity [3] *(%)*	**–25.0%**	–15.0%
Gearing ratio [4] *(%)*	**35.0%**	21.1%
Basic loss per share [5] *(HK cents)*	**(34.8)**	(25.3)

Notes:
1. Core operating profit / (loss) includes profit / (loss) of the retail, wholesale and licensing businesses before net finance costs, income tax, gain on remeasurement of contingent purchase consideration payable for acquisition and material gains or losses which are of capital nature or non-operational related and share of results of associated companies
2. Net debt = Interest bearing bank borrowings and bank overdrafts less cash and cash equivalents
3. Return on equity = Loss attributable to shareholders / average of opening and closing balances on total equity as shown in the consolidated statement of financial position x 100%
4. Gearing ratio = Net debt / total capital x 100%; total capital is calculated as total equity plus net debt
5. Basic loss per share = Loss attributable to shareholders / weighted average number of ordinary shares in issue

Store numbers as at 31 December 2017

Kent & Curwen
102
- 77 Chinese Mainland
- 11 Hong Kong & Macau
- 13 Taiwan
- 1 Europe

Gieves & Hawkes
68
- 43 Chinese Mainland
- 9 Hong Kong & Macau
- 9 Taiwan
- 7 Europe

Cerruti 1881
97
- 72 Chinese Mainland
- 10 Hong Kong & Macau
- 10 Taiwan
- 5 Europe

D'URBAN
29
- 14 Chinese Mainland
- 8 Hong Kong & Macau
- 7 Taiwan

Hardy Amies
1
- 1 Europe

Total stores for **the Group**
297
- 283 Greater China
- 14 Europe

CERRUTI 1881

Embodying Italian panache and the spirit of la dolce vita, CERRUTI 1881 is a jewel in Trinity's crown. While remaining true to the brand's distinctive ethos of fine fabrics, meticulous craftsmanship and intelligent design, CERRUTI has embraced innovation and creativity to become the quintessential contemporary menswear and lifestyle brand.

European sartorial excellence

97
STORES

45
CITIES

1

2

CERRUTI 1881

3

–
1
Laurent Grosgogeat, Executive Vice President of CERRUTI 1881

–
2
Aubrey Wong, Senior Vice President of CERRUTI 1881

–
3
Sabrina Fung, Non-executive Deputy Chairman of Trinity, and Jason Basmajian, Chief Creative Officer of CERRUTI 1881, at the Fall/ Winter 2017 Fashion Show in Paris

–
4
Nino Cerruti, the Brand Founder, and Jason Basmajian, the brand's Chief Creative Officer, in an interview with Esquire UK at Lanificio Cerruti

–
5
(From left to right) Actor Ed Skrein, models Andres Velencoso and Atesh Salih, photographer Paolo Roversi, actor Lambert Wilson, dancer Jeremie Belingard and actor Sean Sagar at the Fall/Winter 2017 Fashion Show in Paris


16

Gieves & Hawkes has been Great Britain's most prestigious tailor for over 200 years and the brand's landmark flagship store at No. 1 Savile Row capitalises on the brand's iconic British heritage.

tradition and pedigree

68
STORES

38
CITIES

GIEVES & HAWKES
No.1 SAVILE ROW LONDON

—
1

Wan Choe, Senior Vice President (Asia), and Nick Keyte, Managing Director of Gieves & Hawkes at "The Invention of the British Gentleman Exhibition" at Harbour City, Hong Kong

—
2

Autumn/Winter 2017 Press Open House in Beijing

—
3

Gieves & Hawkes begins a new partnership with British institution Bath Rugby Club, supplying formal wear to its players

—
4

South Korean actor Ji Jin-hee at the Grand Opening of the brand's Asia flagship store in Harbour City, Hong Kong

2

3

4


KC
ENGLAND-1926
FINLEY

KENT & CURWEN
ENGLAND

Our British heritage brand proudly epitomises the essence of sporting life which makes the partnership with football and fashion legend David Beckham particularly valuable. Redesigned stores, as well as a new and iconic flagship store on Floral Street in London's Covent Garden, are attracting a younger generation of consumers.

modernity to heritage

102
STORES

45
CITIES


1

2

KENT & CURWEN
ENGLAND


3

—
1
Dilip Shivkumar Ramanathan, Executive Vice President of Kent & Curwen

—
2
Kent & Curwen launches its first new concept store in Pacific Place, Hong Kong

—
3
Fall/Winter 2017 advertising campaign featuring David Beckham

—
4
David Beckham and model/actor Hu Bing at Kent & Curwen's Spring/Summer 2018 Presentation in London


D'URBAN

Founded in 1970, D'URBAN is the number one suit brand in Japan and its ethos is to marry the best of European tailoring traditions with Japanese craftsmanship. D'URBAN is widening its appeal with leisure wear to please today's increasingly casual consumers.

sophisticated simplicity

29
STORES

14
CITIES

D'URBAN

1

May Cho, Senior Vice President of D'URBAN in Greater China

2 & **3**

Exquisite craftsmanship from Japan

4

The launch of D'URBAN's Personal Order service in Shanghai

5

D'URBAN's Personal Order Lounge in the store at the Venetian, Macau

4


5

A promising future

We are building a sustainable company that is well equipped for the digital age.

Victor FUNG Kwok King
Chairman

A promising future

On behalf of the board of directors (the "Board") of Trinity Limited (the "Company" or "Trinity", together with its subsidiaries, the "Group"), I hereby present the Company's annual results for the year ended 31 December 2017.

In November 2017, there was a significant event that I am confident will improve the Group's standing and long-term competitiveness. The Board received an approach from textile manufacturer Shandong Ruyi International Fashion Industry Investment Holding Company Limited ("Ruyi") to subscribe to new shares of the Company. At the time of writing of this statement, the proposed subscription of shares, the whitewash waiver and the increase in authorised share capital have been approved by shareholders at a Special General Meeting.

This is a major opportunity for Trinity. Ruyi has significant strength in the ready-to-wear fashion industry and its brands include Sandro, Maje and Claudie Pierlot, together with Aquascutum, a British heritage brand. Ruyi also owns Renown Incorporated in Japan from whom we have licensed D'URBAN for many years. In addition, the company is one of China's largest textile producers, with interests in cotton and wool producers in Bulgaria and Australia, as well as cloth and textile makers in Scotland.

I am certain that our relationship with Ruyi will be rewarding. It will create opportunities for Trinity to expand brands into different categories and geographies, as well as benefit from Ruyi's knowledge of the China market and their global textile, distribution and sales network. Importantly Fung Retailing Group and the Fung family will remain substantial shareholders in Trinity and be active on the Board.

Creating the right platform for growth

As well as this important development, in 2017 there were signals that the economic uncertainty that has affected Trinity over the past few years is stabilising; while the Group continued to face challenges, we believe we are seeing signs of recovery with results from the second half of the year particularly encouraging. The Group reported retail revenue growth of 1.4% in the second half of 2017 compared to the same period last year.

Overall revenue however remained down in full year 2017. Against this backdrop, the management have spent the past 12 months putting into place a number of key initiatives that establish the right platform for Trinity to return to profitability. These initiatives include restructuring our management, making cost reductions and fundamentally changing our supply chain. We are intent on building a sustainable company that is well equipped for the digital age and which meets the dynamic demands of our customers.

Our most important market is China and we are encouraged by a recent report which predicts that total retail sales in China are on track to hit just over US$5.8 trillion in 2018, equalling sales in the United States for the first time[1]. Also, the global menswear market is expected to reach US$438 billion by 2020, according to Euromonitor. The restructuring at Trinity over 2016 and 2017 places us in a good position to benefit should these economic predictions come to pass.

We are seeing some signs of growth in Chinese Mainland, but we are not seeing the same in other markets such as Hong Kong, Macau and Taiwan. While the number of Hong Kong tourist arrivals went up 3.2% in 2017, the type of tourist has changed and their shopping motivation with the luxury goods sector the hardest hit. Chinese shoppers have evolved: they are now more comfortable buying luxury brands online or at home and have become more price conscious when shopping overseas. The intense competition in the premium menswear industry, rising landlord rents along with changes in the preferences of Chinese tourists towards a more casual look have all impacted our sales in these markets.

[1] https://www.washingtonpost.com/news/wonk/wp/2018/01/11/the-chinese-are-now-buying-as-much-stuff-as-americans-a-game-changer-for-the-world-economy/?utm_term=.88c4b3b4f94d

Preparing for a new retail era

Jeremy Hobbins as the Group's Chief Executive since 2016 has, with the support of the Board, put Trinity on the path for future growth, including restructuring our supply chain network as well as closing our operation in Singapore. We believe these changes were necessary for the long-term health of the business.

We have also responded to the fundamental changes in menswear by repositioning the brands and changing product mixes to cater to the world's increasingly casual consumers. We are intent on having the right stores in the right places which is why we have closed underperforming stores across all brands and opened new stores in key retail destinations, such as the flagship Kent & Curwen store on Floral Street in London's Covent Garden, a prominent Gieves & Hawkes store in Plaza 66 in Shanghai and new Cerruti 1881 stores in four Galeries Lafayette locations across France including the flagship in Paris. Our next steps are to make sure our stores remain relevant to the changing needs and habits of our customers in a digital world and ensuring we are wherever they wish to shop, be that online or in bricks and mortar stores, and in key shopping destinations in Asia and Europe.

Building brands for today's world

In 2017 Trinity re-established the brand management structure in Asia. I believe this was a positive step as our heritage brands are what make Trinity distinctive. As individual brands Cerruti 1881, Gieves & Hawkes and Kent & Curwen have distinct DNA, as does D'URBAN with its unique blend of European style and Japanese artistry. Together they can cater to the most demanding of consumers, whatever he wishes to wear for whichever occasion.

e-Commerce and AI are transforming retail

The last few years have seen profound changes in retail and at Trinity, with technology transforming the way that people shop. Trinity has already initiated projects exploring how artificial intelligence can benefit our Company, in particular in relation to our supply chain, store layout and design. We are also increasingly using social media to respond to our customers' desires. The importance of e-Commerce means that building and strengthening relationships with key online platforms around the world is an absolute priority and our refreshed brand websites are also proving to be a success. I am pleased to report that in 2017 our e-Commerce sales more than doubled from 2016. One third of Chinese customers are already accustomed to purchasing luxury goods online, according to a white paper published by Tencent, Secoo, and Deloitte[2], so we must make sure we offer a cohesive omnichannel experience. Together with our well curated store network, this means we are present wherever our customers want us to be.

[2] http://www.100ec.cn/detail--6427775.html

This reporting year has seen some challenges; however, I believe that Trinity is now in a very different position from a year ago and is set to compete with its contemporary collections, modern supply chain and increasingly strong digital capabilities. Our new relationship with Ruyi is also reason for optimism. My colleagues at Trinity are dedicated to our business and I remain deeply impressed with the commitment they show. I am confident that together we can meet the many challenges ahead. I would like to thank them and our shareholders for their support.

Victor FUNG Kwok King
Chairman

Hong Kong, 26 March 2018

Foundations for Growth

Jeremy Paul Egerton HOBBINS
Chief Executive Officer

Overall revenue was up in the second half of 2017, with retail sales up 1.4% from the second half of 2016.

Foundations for Growth

The year of 2017 was a time of change at Trinity. I returned to the Company as Chief Executive Officer in June 2016, and my priority has been a programme of restructuring to ensure that our Group has strong and resilient foundations.

Men's fashion is in transition and moving towards more casual styles where competitive pricing is a key driver. China is our most important market and revenue in 2017 was comparable to 2016. Sales in other markets including Hong Kong, Macau and Taiwan were down, with retail in Hong Kong particularly challenging. Trinity brands are not alone in this as Hong Kong visitor demographics and consumer demand have changed.

Excluding the effects of foreign exchange fluctuations, retail revenue decreased by 0.3%. When we include the impact, revenue decreased by 4.3% to HK$1,701.3 million in 2017. While these figures are disappointing, I believe there are some promising signs that we have turned a corner. I am pleased to report that overall revenue was up in the second half of 2017, with retail sales up 1.4% from the second half of the prior year.

It is my view that the structural changes that we have made in 2016 and 2017 have strengthened the Group's foundations to lay the basis for a positive future. This significant restructuring was focussed on three main areas:

- Changes to a brand-focussed management structure
- Significant cost reductions
- A more efficient supply chain

Structural changes

In 2017, we appointed four brand heads in Asia to drive the business forward and accelerate the decision-making process, replicating the structure which already exists in Europe. Our brand heads in Asia have full profit and loss responsibility and oversee key functions in Asia including buying, marketing and retail execution. They are actively involved in design to ensure that during the creative process Asian consumers are top of mind. The brand teams in Europe and Asia work closely together.

Cost reductions

A raft of measures has enabled us to make significant savings. These measures have included further closures of loss-making stores. In 2017 the Group's headquarters relocated to a lower cost location in Hong Kong. During 2017, there were also a number of one-time costs aimed at reducing our long term cost base. These include expenses related to the closure of our Hong Kong factory and the reorganisation of our sourcing and termination costs. Some of these savings have been offset by costs connected with the reductions, but the benefits will be felt in the years ahead.

Building a supply chain for the future

During the reporting period, supply chain specialists Li & Fung Limited became responsible for our sourcing, manufacturing and delivery. This partnership has reaped immediate benefits: our on-time delivery rates are significantly improved, ensuring that our brands have the quality products in-store and online at the right time while simultaneously reducing our costs.

Driving the brands forward

Our heritage brands have a unique positioning in the market and dedicated management within our company. In 2017 we took steps to ensure that the brands responded to the growing trend towards casual wear in their own distinct ways. Striking the balance between the past and the present is an ongoing task.

I am optimistic that the Group is well-placed to build and grow.

Cerruti 1881

Embodying Italian style, in 2017 Cerruti celebrated its 50th anniversary, and I am pleased to say that in the reporting period Cerruti performed particularly strongly. In order for the brand to appeal to China's rapidly growing number of menswear consumers, we are ensuring that the design team focuses on the Asia market and works closely with the Asia brand teams. Like all our brands, the designers have taken note of the increasing interest in casual wear and are responding to this trend with a shift towards more relaxed looks.

Kent & Curwen

Our heritage brand proudly epitomises the essence of British sporting life which makes the ongoing partnership with football and fashion legend David Beckham particularly relevant and valuable. In 2017 the full Beckham collection was launched in all our major markets and is now highly visible. David Beckham made a number of visits to China which generated a good deal of buzz online and awareness of the change in brand direction. Kent & Curwen is increasingly catering to a younger, increasingly fashionable clientele.

In 2017 Kent & Curwen opened ten stores globally, including an iconic flagship store on Floral Street in London's Covent Garden, a key shopping destination that capitalises on the brand's authentic British heritage. All the new stores have a younger feel in keeping with the brand's modern customers. Kent & Curwen is also attracting a greater number of consumers online using platforms including its own www.kentandcurwen.com site, JD.com and Tmall.com in China and Mr Porter and Farfetch in other markets.

Gieves & Hawkes

Gieves & Hawkes has been Great Britain's most prestigious tailor for over 200 years and has held Royal Warrants since 1809. We continue to be dedicated to ensuring that this historic brand remains relevant to existing clients while also attracting a new generation of consumers and are pleased to say that retail sales in the second half of the year showed good growth. In 2017 Gieves & Hawkes opened its own e-Commerce site in Asia which is seeing positive retail sales, and the product mix is gradually evolving to include a more relaxed 'country gentleman' style. However, formal wear remains at the heart of the brand, and our private tailoring service is appealing to our most important customers.

D'URBAN

Founded in 1970, Trinity's licensed brand D'URBAN is the number one suit brand in Japan and its ethos is to marry the best of European tailoring traditions with Japanese craftsmanship. In 2017 we began the process of repositioning the brand towards casual wear, adding a sports wear range and introducing more competitive price points. During the reporting year the brand marked the 20th anniversary of its 'Monsoon' collection and the range, which is designed for hot and humid climates, is now available year-round. In 2017 D'URBAN's personal order service proved popular with customers finding its 'Made in Japan' brand image an appealing attribute.

Creating luxury online

Our e-Commerce platform saw significant growth in 2017 with revenue doubling from 2016. We are seeing incremental growth, although from a small base. We continue to invest in our platforms and now have an integrated team that works closely with the brands to drive the online presentation of our products. We are fully aware of the importance of e-Commerce in China, where the sector is equivalent to the combined size of the next six biggest markets. By 2025, management consultancy firm Bain & Co. estimates online will make up 25% of all luxury purchases. As it is clear that the world of luxury is going digital, we will continue to focus on being wherever the consumer wants us to be.

Strong foundations

I am confident that the significant restructuring that we have been through in 2017 puts in place a strong foundation to build upon in 2018 and beyond. There are already green shoots and we are confident our company's performance will continue to improve. Now that we have upgraded our supply chain, improved efficiency and introduced a clear brand structure, in 2018 investing in our brands and creating an outstanding customer experience in store and online is our primary focus.

Through this time of change, I would like to take this opportunity to thank our colleagues for all their loyalty and hard work. There may be more challenges ahead in 2018, but I know that we will all work closely together over the coming months to return our business to full health. I am optimistic that the company is well-placed to build and grow.

Jeremy Paul Egerton HOBBINS
Chief Executive Officer

Hong Kong, 26 March 2018

Discussion and Analysis

Key Performance Indicators	**2017 HK$'000**	2016 HK$'000
Revenue	**1,701,334**	1,776,962
Gross profit	**1,160,345**	1,213,238
Gross margin	**68.2%**	68.3%
Core operating profit/(loss)	**(440,993)**	(406,485)
Loss attributable to shareholders	**(608,348)**	(441,476)
Inventories	**621,473**	504,940
Inventory turnover days	**380**	356
Trade receivables	**107,607**	80,663
Trade payables	**131,606**	62,518
Net debt	**1,169,379**	723,678
Return on equity	**–25.0%**	–15.0%
Gearing ratio	**35.0%**	21.1%

The above Key Performance Indicators (KPIs) are the common KPIs used in the retail industry. We select and adopt the above capital structure and business KPIs to assess our business performance.

Revenue

Revenue was HK$1,701.3 million in 2017, a 4.3% decrease from 2016. Excluding the effect of exchange rate differences, retail revenue decreased by a marginal 0.3%. The full year retail sales and same-stores sales both decreased by 1.6%. The decline was primarily caused by the ongoing depressed state of the Hong Kong and Macau markets. Due to increased promotional activities and some improvement in consumer sentiment in the Chinese Mainland, the 2017 financial year was marked by contrasting halves; the Group reported retail revenue growth of 1.4% in the second half after a 4.5% decline in the first half.

Revenue by geographical location

Retail Sales

| Chinese Mainland |

Retail sales in the Chinese Mainland remained stable in 2017; sales were HK$737.7 million in 2017 compared to HK$739.9 million in 2016. Chinese Mainland retail revenue increased 2.3% in the second half after a 2.8% decline in the first half. Same-store sales increased by 1.1%. Excluding the effect of exchange rate differences, revenue increased by 2.3%. We continued to streamline our store network by opening in new prime locations and closing unprofitable stores; this resulted in a net closure of 24 stores in 2017 with the network now numbering 206 stores. While the consolidation slowed down our sales growth in the short term, our store profitability in the Chinese Mainland has improved.

The new share subscription will significantly improve our cash position.

| Hong Kong & Macau |

Retail sales in Hong Kong & Macau were HK$506.0 million, 3.6% lower than the previous year. Same-store sales decreased by 3.4%. This was due to changes in the preferences of Chinese Mainland tourists towards casual wear at lower price points. The keen price competition in the region also adversely affected our performance. The number of stores remained at 38.

| Taiwan |

Taiwan retail sales slightly declined from HK$129.4 million in 2016 to HK$127.8 million in 2017 with same-store sales down 0.8%. The Taiwan market was relatively stable but continued to suffer from heavy discounting activities. The number of stores in 2017 was 39 down from 40 in 2016.

| Europe |

Retail sales in Europe were HK$135.5 million, a decrease of 2.0% from 2016. However, excluding the effect of exchange rate differences, revenue increased by 3.1%. Our iconic Gieves & Hawkes flagship store in Savile Row continued to be the major source of our retail revenue in Europe.

Wholesale and licensing

| Greater China |

Wholesale revenue in Greater China decreased from HK$99.2 million in 2016 to HK$68.3 million in 2017. This was mainly due to lower stock clearance through a wholesale channel in the Chinese Mainland.

| Europe |

Europe saw wholesale revenues decrease from HK$53.3 million to HK$38.8 million and licensing revenue slightly decrease from HK$85.1 million to HK$79.0 million. The change in licensing revenue was mainly due to the termination of our Cerruti casual wear licensing agreement, which we are replacing with our own designed and sourced collection.

Gross profit

The gross profit for the Group was HK$1,160.3 million in 2017 compared to HK$1,213.2 million in the previous year, a decline of 4.4%.

The Group's gross profit margin remained stable year-on-year: 68.2% in 2017 against 68.3% in 2016.

The retail gross profit margins for Greater China slightly decreased from 70.0% to 69.4% compared to the previous year as a result of sales discounting, changes in product mix and inventory clearance.

Segmental contributions

The retail segmental contribution of the Chinese Mainland improved from HK$30.0 million to HK$44.7 million as a result of the closure of loss-making stores while retail contribution in Hong Kong, Macau and Taiwan declined as a result of lower sales and heavy discounting.

The decline in wholesale contribution from Europe was mainly due to non-recurring costs. The segmental contributions for Asia and Europe were HK$87.4 million and HK$29.8 million in 2017 compared to HK$116.4 million and HK$55.7 million in 2016 respectively.

Other income

Other income increased from HK$15.8 million in 2016 to HK$16.4 million in 2017. This was mainly due to an increase in tax subsidies received in the Chinese Mainland.

Selling, marketing and distribution expenses

Selling, marketing and distribution expenses slightly increased by 0.4% to HK$1,119.8 million compared to HK$1,114.8 million in 2016, which was primarily a result of the full year impact of costs relating to the arrangement with Seven Global LLP/David Beckham. In 2017, management continued efforts to streamline the store network. The number of stores was 297 as of 31 December 2017, down from 321 stores as of 31 December 2016.

General and administrative expenses

General and administrative expenses amounted to HK$497.9 million, versus HK$520.7 million in 2016, a 4.4% decrease. This was largely due to the reduction in staff costs arising from restructuring and the Group's continuous efforts to reduce costs.

Core operating profit/(loss)

The Group's core operating loss was HK$441.0 million, as compared to HK$406.5 million in the previous year.

Other losses – net

Net other losses amounted to HK$65.3 million in 2017 compared to HK$7.7 million in 2016. Net other losses in 2017 represented the net impact of provision for impairment of investment in British Heritage Brands, Inc. ("BHB") which comprise loan receivables, conversion right embedded in convertible promissory note and the interest receivables due from BHB offsetting by the write back on the contingent purchase consideration payable relating to the acquisition of Gieves & Hawkes. Other losses in 2016 represented the non-recurring compensation to a landlord for surrendering the indefinite lease rights for a store in France.

Restructuring costs

Restructuring costs of HK$72.8 million were incurred due to the closure of our business wear production line in Hong Kong and business operations in Singapore as well as the restructuring of our supply chain functions.

Net finance costs

Net finance costs were HK$28.5 million in 2017, whereas net finance costs of HK$19.0 million were reported in 2016. The increase was primarily due to increased bank borrowings and higher interest rates.

Income Tax

Income tax expense was HK$0.9 million, whereas an income tax expense of HK$0.6 million was reported in 2016.

Loss attributable to Shareholders

In 2017, the Group incurred a loss for the year of HK$608.3 million, which translates into a loss of 34.8 HK cents per share.

Working Capital Management

The early and on time arrival of Spring/Summer 2018 products led to an increase in inventory balance, which was HK$621.5 million in December 2017 compared to HK$504.9 million in December 2016. Inventory turnover days were 380 days as at 31 December 2017, compared to 356 days as at 31 December 2016.

The Group's trade receivables as of December 2017 were HK$107.6 million, compared to HK$80.7 million in 2016. The Group's trade receivable turnover days were 20 days in 2017, compared with 18 days in 2016.

The Group's trade payables were HK$131.6 million in 2017, compared to HK$62.5 million in 2016. The Group's trade payable turnover days were 65 days in 2017, compared to 43 days in 2016.

Financial Position and Liquidity

Net cash outflow in the Group's operating activities was HK$366.5 million mainly due to the increase in operating loss.

At the end of December 2017, cash and cash equivalents were HK$390.9 million and interest bearing bank borrowings and bank overdrafts were HK$1,560.3 million. The net debt of the Group was HK$1,169.4 million and the gearing ratio, equal to net debt divided by total capital, was 35.0%. The comparable position for June 2017 and December 2016 was 26.4% and 21.1% respectively. Net debt is calculated as interest bearing bank borrowings and bank overdrafts less cash and cash equivalents. Total capital is calculated as total equity, as shown in the consolidated statement of financial position, plus net debt.

As at 31 December 2017, the Group had bank lines of HK$2,305.7 million of which HK$570.0 million was in committed facilities while HK$1,735.7 million was uncommitted. The Group had utilised 68.4% of the total facilities available at the end of the year, including HK$864.4 million in revolving loans that the Group had drawn down, HK$570.0 million in committed facilities and HK$141.8 million for trade financing and bank overdrafts. The undrawn facilities at year end amounted to HK$729.5 million.

Of the loans drawn down, HK$1,024.4 million would be repayable within one year and HK$410.0 million repayable between one and five years.

On 8 November 2017, the Company conditionally agreed to allot and issue to Shandong Ruyi International Fashion Industry Investment Holding Company Limited (the "Subscriber"), and the Subscriber has conditionally agreed to subscribe for 1,846,000,000 shares respectively at the Subscription Price of HK$1.20 per share (the "Subscription").

The gross proceeds and the net proceeds from the Subscription will be approximately HK$2,215 million and HK$2,206 million respectively. It will significantly improve our cash position. It is intended that the net proceeds from the Subscription will be utilised to grow Trinity's business, fund possible acquisitions, supplement general working capital and adjust the capital structure.

Credit Risk Management

The major credit risk of the business includes trade receivables from department stores and receivables from wholesale customers and licensees. The Group has established procedures to evaluate and monitor the credit risk of department stores, wholesale customers and licensees in order to control its exposure in this area. Appropriate actions have been taken to collect the overdue receivables.

The Group's cash and cash equivalents were deposited with major international banks.

Foreign Exchange and Interest Rate Management

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

The Group evaluates interest-rate risks periodically to determine the need to hedge against adverse interest-rate movements. As the Group's interest-rate exposure was expected to be limited, no hedging activities were undertaken during the reporting year.

Human Resources and Training

As at 31 December 2017, the total workforce for the Group was 2,283 employees, compared with 2,633 a year earlier, a 13.3% decrease. This reduction in headcount was largely due to the closure of non-performing stores and our business wear production line at the Hong Kong factory and the restructuring of the Group's sourcing.

Our workforce comprises 474 employees in Hong Kong and Macau, 1,412 in the Chinese Mainland, 175 in Taiwan and 222 in other countries. Total staff costs were HK$593.4 million compared with HK$616.1 million in 2016. The decrease in staff costs was mainly caused by the reduction in staff headcount associated with the restructuring of the Group's sourcing function and the closure of the Hong Kong business wear production line in 2017.

The Group offers competitive remuneration packages, share options and development opportunities to its employees. Performance- and results-based bonuses and share options are granted as a means to reward and retain a high-calibre team.

Cultivating our highly skilled workforce and supporting employees' long-term career goals is integral to sustaining and strengthening our economic performance. The Group offers a wide array of professional development programmes, from leadership training to seasonal product training. Our Study Sponsorship Policy is one of our keystone development programmes. This policy encourages staff to build upon their existing skill sets by granting sponsorship to support external job-related training and studies. It covers a wide range of external training, including courses, seminars, conferences, workshops, skills training, experiential learning and experience sharing sessions.

Relationships with Suppliers and Customers

The Group aims to develop long-term relationships with suppliers under a fair and open competition environment. We maintain the highest ethical standards in our supplier evaluation process. The contracting of services and the purchase of goods are based solely on need, quality and price. This ensures compliance with procurement policies and fosters positive and open competition. It also assures high product quality to gain the confidence of customers, suppliers and the public.

The Group aims to provide customers with the highest quality products at fair prices which allow the Group a reasonable profit in relation to the value provided.

The Group provides responsive customer service to maintain customer satisfaction. Customers have access to information about the operation and development of the Group through the Company's website and social media platforms.

Sustainability

Trinity staff continued to participate in meaningful community events throughout 2017. Wellness programmes were designed to prepare our staff to be more resilient and cope with change. In 2017, Trinity employees participated 1,645 times in a total of 74 events across the Greater China region, and invested a total of 1,325 hours in community service.

Our environmental policy established in 2012 sets out our commitment to fulfilling the requirements of local and international environmental and related laws and regulations and to protecting the environment. This applies to all areas of our operations and practices. As such, closure of the remaining factory and relocation of our Hong Kong Headquarters inevitably generated redundant materials for disposal. In order to minimise our impact to the environment, we reused and recycled where possible. We reused furniture from the Fung Group and preserved existing fixtures and fittings in the new location where possible. Trinity's surplus furniture was also reused by other Fung Group companies. We delivered unneeded books, reusable consumables and electrical appliances from our office relocation to NGO partners to ensure these items can be reused by people in need.

We have expanded our data collection coverage to Taiwan, the Chinese Mainland and the United Kingdom. This means we have deeper understanding of resource usage, allowing us to more effectively manage consumption, and be better prepared for the implementation of the Hong Kong ESG (Environmental, Social, and Governance) reporting requirements. Trinity also joined the CLP Green Plus Energy Billboard, an online energy benchmarking tool in Hong Kong, to monitor our retail store energy consumption in the CLP coverage area. By establishing deeper understanding of participating stores' electricity consumption patterns, we will be able to set improvement targets, if required.

We outsource our production to Li & Fung Limited who have a system in place to ensure suppliers are socially compliant. It is our policy to work only with suppliers who comply with our 'zero tolerance' policy towards social issues. We have also introduced a new policy on non-acceptance of fur from endangered species, and of mulesing within our supply chain management system. This policy required our suppliers to adopt and implement highly practical and commercially viable standards on animal welfare across our source of supply from the end of 2017. It is expected that a step by step pragmatic approach will be adopted in implementing this policy, and we do not have any illusions that this can be achieved without challenges. However, it is our belief that having a policy in place is a first step in paving the way for more sustainable products in the future.

For more information on Trinity's sustainability efforts, please refer to the Sustainability Section on our website at *www.trinitygroup.com* and also our second ESG report under the Investor Relations Section found on our website.

Principal risks and uncertainties

The evolving economic and regulatory environment, together with intensifying competition in premium menswear, exposes the Group to some risks. Set out below are the principal risks that currently impact the Group and any mitigating measures against those risks.

Operational Risk Management

Corporate policies and procedures covering key risks and control standards have been established and implemented. Such policies and procedures are reviewed regularly to ensure their effectiveness. Control procedures are put in place in connection with the approval of the Group's major business transactions and investments, and the monitoring of daily operations of the Group's business.

Fashion and Design

The premium menswear industry is susceptible to changes in fashion trends and fluctuations in consumer preferences and demands.

The Group counters these risks with in-depth analysis of our target customers and their tastes. Greater proximity to customers through the retail business and our digital channels also makes a major contribution toward quickly channelling information on trends and consumer behaviour into our collections.

Brand and reputation risk

The strength of our brands and their reputations are important to our business. There is a risk that our brands may be undermined or damaged by our actions or those of our partners. The counterfeit production of our brands or improper management of social media interactions could also have an adverse effect on our reputation.

In this regard, the Group places a high priority on protecting and maintaining brand image. Strategic measures are taken for this purpose, including but not limited to continuous monitoring of markets and media, clearly differentiated brand positioning supported by targeted marketing activities and a globally consistent brand presence. In addition, legal trademark protection and the prosecution of product piracy are two of the steps we undertake to secure brand image.

Store network

Our store network is one of the most important assets of the Group. As the prime locations for premium men's fashion are generally limited in the regions in which we operate, the availability of first tier locations and favourable lease terms is highly attributable to uncontrollable factors such as the economic environment and emerging brands.

To secure key locations, we have an established leasing team to focus on managing lease negotiations with landlords. Formal assessment procedures have been established to ensure all new, renewals or terminations of leases are approved by senior management.

Macro-economic environment

The performance of the Group is highly correlated to the economic environment of our core market – Greater China. The recent economic slowdown, volatile stock market and changing political environment in the region can have adverse effects on the retail industry. The rising volatility of the foreign currencies also exposes the Group to higher exchange risk.

To maintain optimal inventory levels under the current challenging environment, the Group continues to closely monitor the market and sales trends. The Group has also initiated structural measures to tighten cost controls. In addition, the Group has continued to optimise the store network by closing loss-making stores. The Group has established a formal hedging policy to mitigate the exchange risk.

Evolving business model and distribution channels

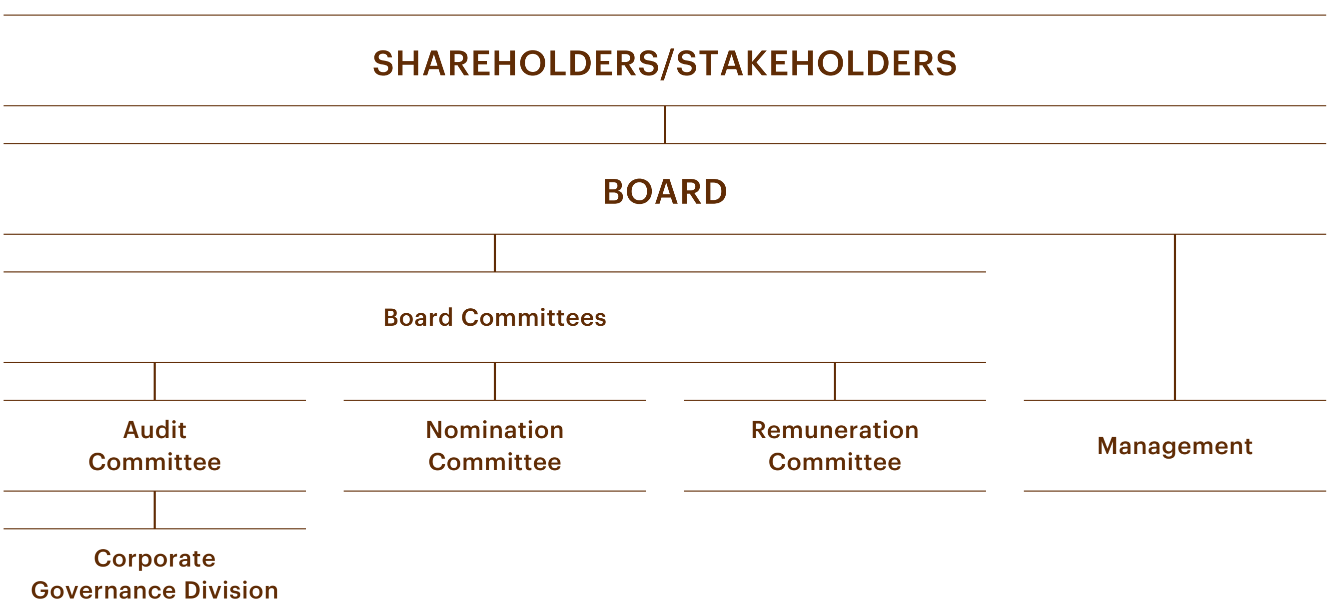
The rising popularity of online shopping in Greater China has created new challenges to the premium fashion industry, which has traditionally centred on physical stores. To cater to changing consumer demand and capture the extensive opportunities online, an e-Commerce division has been developed to support the expansion of online distribution channels and digital marketing.

Compliance with relevant laws and regulations

Trinity promotes an organisational culture that encourages the highest ethical standards of business conduct and a commitment to compliance with prevailing laws and regulations wherever we operate.

The Group fully complies with all occupational health and safety legislation, product safety and environmental protection regulations. We have not identified any material non-compliance during the year.

The Board of Directors and Management are committed to principles of good corporate governance consistent with prudent management and enhancement of shareholder value. These principles emphasise transparency, accountability and independence, and are consistent with the principles set out in the Corporate Governance Code (“CG Code”) 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 its members have 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, two Executive Directors ("ED"), five Non-executive Directors ("NED") and four Independent Non-executive Directors ("INED"). Biographical details and relevant relationships of the Board members are set out in the Directors and Senior Management section on pages 50 to 57.

Roles and Responsibilities of the Board

The Board is responsible for setting the overall group strategy and to ensure effective execution by management through regular review of the results of the operation and financial performance of the Group. The Board reserved for its decision covering overall Group strategy, material connected or notifiable transactions, 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 is separate from that of the Chief Executive Officer ("CEO") 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, as well as a culture of openness and debate whilst the CEO, with the support from the senior management team, 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 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 in serving boards of listed companies and are able to provide independent 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.

Board Evaluation

The Board recognises the importance of conducting regular evaluation of its performance to ensure effectiveness of its functioning. The Board has been conducting annual evaluation on its performance since 2012 and starting 2016, evaluation also covers the three Board Committees. A questionnaire is sent to members of the Board and the respective Board Committees seeking their views on issues including the overall performance of the Board or the respective Board Committees, with respect to Board composition, conduct of meetings and provision of information. Results of the 2017 evaluation indicated that the Board and its Board Committees as a whole are functioning satisfactorily.

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 the overall strategy, the general management and day-to-day decisions and matters are delegated to the Management, 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 the Management fully understand their respective roles and are supportive of the development of a healthy corporate governance culture.

Independence of Independent Non-executive Directors

The Independent Non-executive Directors are required to confirm their independence upon their appointment and on an annual basis, and to inform the Company as soon as practicable if there is any change that may affect their independence. The Board has received from each Independent Non-executive Director written confirmation of independence for the year ended 31 December 2017 in accordance with the relevant requirements of the Listing Rules. The Company considers all of the Independent Non-executive Directors to be independent during the year ended 31 December 2017.

Corporate Governance Measures to Safeguard the Independent Shareholders' Interests

The Board has reviewed and confirmed that the various corporate governance measures including the following as stated in the Company's prospectus dated 21 October 2009 were duly complied with during the year ended 31 December 2017:

- Directors are required to declare their direct or indirect interests, if any, in any proposals or transactions to be considered by the Board at Board meetings. They will not vote on any resolution nor be counted in the quorum at any Board meeting for approving any transaction in which they have material interests.
- The Board will ensure that any material conflict or material potential conflict of interests which may affect the independent shareholders' interests will be reported to the Independent Non-executive Directors as soon as practicable when such conflict or potential conflict is discovered.

- 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.

Information and Continuous Professional Development

All new Directors shall receive an induction briefing on the Group's structure, businesses and governance practices to enhance their knowledge and understanding on the Group's operation.

All Directors are kept informed on a periodic basis of major changes that may affect the Group's businesses, including relevant rules and regulations. The Board and each Director have separate and independent access to the Chairman, CEO, Chief Financial Officer ("CFO"), Group Chief Compliance and Risk Management Officer ("GCCRMO") 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, three separate meetings were held during 2017 between the 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 2017.

All Directors are encouraged to participate in continuous professional development so as to refresh their knowledge and skills for discharging their duties and responsibilities as Directors of the Company. During 2017, the Directors attended relevant training programmes provided by the Company and/or participated in other training sessions, forums or talks organised externally. Relevant training records have been received.

Appointment and Re-election of the Directors

Appointment of a new director must be approved by the Board or by the shareholders. The Board has delegated the Nomination Committee to select and recommend candidate(s) for directorship including the consideration of referrals and engagement of external recruitment professionals when necessary.

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

During the AGM held in May 2017, Dr William FUNG Kwok Lun, Mr Cassian CHEUNG Ka Sing, Mr Michael LEE Tze Hau, Mr Patrick SUN, Mr Jeremy Paul Egerton HOBBINS and Mr Terence FUNG Yue Ming retired and offered themselves for re-election.

As disclosed in the Company's announcement dated 9 November 2017 and circular dated 22 December 2017, there will be changes in the Board composition after completion of the subscription of 1,846,000,000 new shares ("Completion") as follows:

- Ms Sabrina FUNG Wing Yee, Dr William FUNG Kwok Lun, Mr Terence FUNG Yue Ming, Mr Jean-Marc LOUBIER, Mr Srinivasan PARTHASARATHY, Mr WONG Yat Ming and Mr Cassian CHEUNG Ka Sing will resign as Directors; and
- Mr QIU Yafu, Ms QIU Chenran, Mr Kelvin HO Cheuk Yin, Mr Paul David HAOUZI, Mr Minoru KITABATAKE, Mr Daniel LALONDE and Ms SUN Weiying will be appointed as Directors, all of whom will be subject to retirement and re-election provisions in accordance with the Company's Bye-laws.

Independent Reporting of Corporate Governance Matters

The Board recognises the importance of the independent reporting of the corporate governance function. The GCCRMO (being Head of Corporate Compliance) is invited to attend Board and Board Committees' meetings to advise on corporate governance matters covering risk management, internal controls, and relevant compliance issues relating to business operations, accounting, and financial reporting and on regulatory compliance matters.

Liability Insurance for the 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 held nine meetings in 2017 (with an average attendance rate of about 89%). Regular board meetings are scheduled a year ahead to facilitate maximum 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 with sufficient details 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 and available for inspection by Directors.

A summary of attendance at the meetings held in 2017 is set out in the following table:

	Number of meetings attended/held				
	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting
Non-executive Directors					
Victor FUNG Kwok King[1]	9/9	–	2/3[5]	2/2	1/1
Sabrina FUNG Wing Yee	8/9[6]	–	–	–	1/1
William FUNG Kwok Lun	9/9	–	3/3	–	1/1
Terence FUNG Yue Ming	8/9[6]	4/4	–	–	1/1
Jean-Marc LOUBIER	5/9[6]	4/4	–	–	1/1
WONG Yat Ming	9/9	–	–	–	1/1
Independent Non-executive Directors					
Eva CHENG LI Kam Fun	9/9	4/4	–	2/2	1/1
Cassian CHEUNG Ka Sing[2]	8/9[6]	4/4	3/3	2/2	1/1
Michael LEE Tze Hau[3]	7/9[6]	4/4	3/3	2/2	1/1
Patrick SUN[4]	6/9[6]	4/4	3/3	–	1/1
Executive Directors					
Jeremy Paul Egerton HOBBINS	9/9	4/4[5]	–	2/2[5]	1/1
Srinivasan PARTHASARATHY	9/9	4/4[5]	–	–	1/1
Head of Corporate Compliance					
Jason YEUNG Chi Wai[5]	9/9	4/4	3/3	2/2	1/1
Dates of Meeting	16/3/2017 7/6/2017 24/7/2017 23/8/2017 8/10/2017 7/11/2017 8/11/2017 24/11/2017 19/12/2017	14/3/2017 6/6/2017 21/8/2017 6/11/2017	16/3/2017 7/11/2017 19/12/2017	16/3/2017 7/6/2017	7/6/2017
Attendance rate of Directors	**89%**	**100%**	**100%**	**100%**	**100%**

1. Chairman of the Board
2. Chairman of Remuneration Committee
3. Chairman of Nomination Committee
4. Chairman of Audit Committee
5. Attended meetings by invitation as non-member
6. Directors' absences from meetings were due to other commitments, being abroad or poor weather condition, whereas they were briefed of those major businesses to be discussed at the respective meetings. They also rendered their views and comments to the Board through the Board Chairman or the Company Secretary

Board Committees

The Board has established the following committees on 1 January 2009 with defined terms of reference (available on the websites of the Company and The Stock Exchange of Hong Kong Limited), which are of no less exacting terms than those set out in the CG Code:

- Audit Committee
- Nomination Committee
- Remuneration Committee

All the three Committees comprise a majority of Independent Non-executive Directors and to further reinforce independence, all these 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 these meetings are made available to all Board members. Details and reports of the Committees are set out below.

Audit Committee

The Audit Committee was established on 1 January 2009. Its terms of reference cover the review of the Group's financial information, risk management, internal control and financial reporting systems, corporate governance matters, the Group's relationship with external auditor, and providing advice and making relevant recommendations to the Board. Majority of the Committee members are Independent Non-executive Directors, except Mr Jean-Marc LOUBIER and Mr Terence FUNG Yue Ming, who are Non-executive Directors:

Mr Patrick SUN *(Chairman)*
Mrs Eva CHENG LI Kam Fun
Mr Michael LEE Tze Hau
Mr Cassian CHEUNG Ka Sing
Mr Terence FUNG Yue Ming
Mr Jean-Marc LOUBIER

All Committee members possess appropriate professional qualifications or accounting or related financial management expertise or industry expertise to advise on all the above matters.

The Audit Committee met four times in 2017 (with an attendance rate of 100%) to consider and review, with senior management, the Company's Corporate Governance Division ("CGD"), and external auditor, the internal audit plan, the Group's significant internal controls, risk management, and the financial matters as well as policies relating to corporate governance 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 GCCRMO, is responsible for performing the internal audit according to the audit plan approved by the Audit Committee.

In 2017, the Committee's review covered the audit plans and reports from CGD and external auditor, external auditor's independence, the Group's accounting principles and practices, internal controls, risk management, financial reporting matters (including the annual and interim financial statements before recommending them to the Board for approval), listing rules and regulatory compliance, material connected transactions, and the adequacy of resources, qualification, and experience of staff of the Group's internal audit 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 the 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 GCCRMO. Any shareholders or stakeholders can also report similar concerns by writing in confidence to our GCCRMO at the Company's business address in Hong Kong. In 2017, no incident of fraud or misconduct was reported from employees, 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, PricewaterhouseCoopers ("PwC"), the Company's external auditor, was invited to attend all the Audit Committee meetings in 2017. During the year under review, two separate sessions were 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 will not constitute adverse impact on their independence as an external auditor. Under this policy, certain specified non-audit services are prohibited, whilst other non-audit services (with a fee above a threshold) require prior approval of the Audit Committee. The permitted services conducted by PwC and the related fees for the year ended 31 December 2017 were:

Services rendered	**2017** **HK$'000**
Audit services	**5,956**
Non-audit services	
Taxation	**1,053**
Others	**416**
Total	**7,425**

The nature and ratio of annual fees to the external auditor for audit and non-audit services are subject to scrutiny by the Audit Committee. Prior to the commencement of the audit of the Company's 2017 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").

Members of the Committee are satisfied with the effectiveness of the audit process, as well as technical competence, professional ethics, independence and objectivity of PwC. The Committee has approved the audit fees for 2017 and also recommended to the Board the re-appointment of PwC as the Company's external auditor for the financial year ending 31 December 2018 at the coming AGM.

Nomination Committee

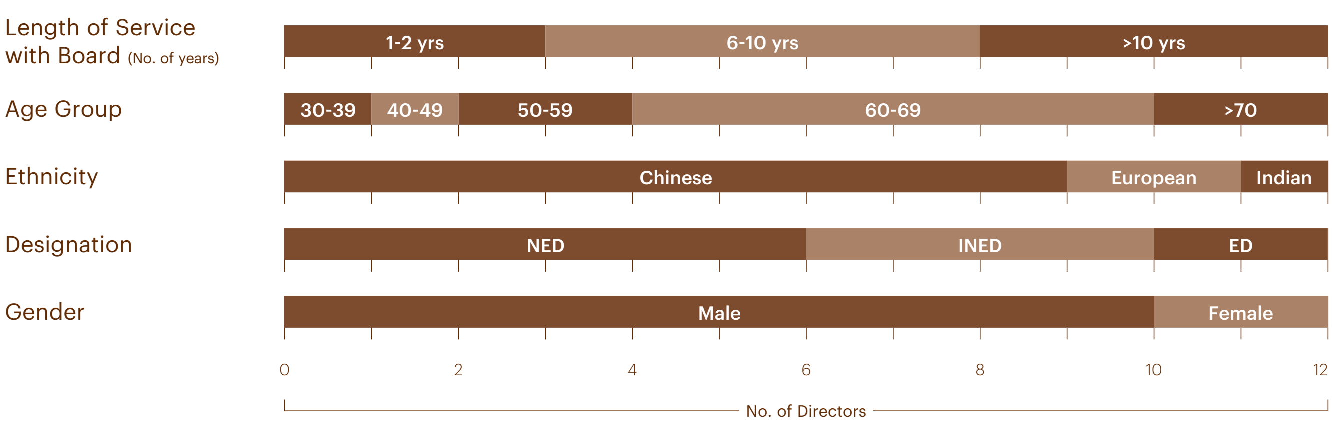
The Nomination Committee was established on 1 January 2009. All members are Independent Non-executive Directors, except Dr William FUNG Kwok Lun who is a Non-executive Director:

Mr Michael LEE Tze Hau *(Chairman)*
Mr Patrick SUN
Mr Cassian CHEUNG Ka Sing
Dr William FUNG Kwok Lun

The Committee's written terms of reference cover recommendations to the Board on the appointment of Directors, evaluation of board composition (including diversity), assessment of the independence of independent non-executive directors, monitoring of continuous professional development of Directors and senior management, 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.

The Company recognises and embraces the benefits of having a diverse Board. A Board Diversity Policy was approved by the Board in May 2013. In reviewing Board composition, the Nomination Committee will consider the benefits of all aspects of diversity including, but not limited to, skills, regional and industry experience, background, ethnic background, age, culture and gender, so as to maintain an appropriate range and balance of skills, experience and background on the Board. Based on the latest review, the Nomination Committee considers the Board to be diverse in respect of the aforesaid evaluation criteria.

An analysis of the Board's composition as at 31 December 2017 is set out in the following chart:



The Nomination Committee met three times in 2017 (with an attendance rate of 100%) to review the Board's composition (including diversity), assess the independence of Independent Non-executive Directors, review the re-appointments of retiring Directors at the AGM held in May 2017, monitor and review the continuous professional development and training of the Directors and senior management, review and consider the nomination of seven candidates by the subscriber as new directors of the Company upon Completion, and review the results on the performance evaluation of the Board and Board Committees.

Remuneration Committee

The Remuneration Committee was established on 1 January 2009. All members are Independent Non-executive Directors, except Dr Victor FUNG Kwok King who is a Non-executive Director:

Mr Cassian CHEUNG Ka Sing *(Chairman)*
Mrs Eva CHENG LI Kam Fun
Dr Victor FUNG Kwok King
Mr Michael LEE Tze Hau

The Committee's responsibilities as set out in its written terms of reference include the review of the Group's remuneration policy and approval of the remuneration policy for all Directors and senior management, the determination (with delegated responsibility) of the remuneration packages of individual executive directors and senior management, and review and recommend on proposals relating to the granting and allocation of share options under the Company's share option scheme.

The Remuneration Committee met two times in 2017 (with an attendance rate of 100%) to review the remuneration packages of senior management, as well as to review the proposal on grant of share option.

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 14 to the consolidated financial statements on pages 123 to 125.

Remuneration Policy for Non-executive Directors

The remuneration, comprising Directors' fees, of non-executive Directors is determined by the Board and approved by the Shareholders from time to time with reference to the range of remuneration of other companies listed on the Stock Exchange with similar market capitalisation. 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 14 to the consolidated financial statements on pages 123 to 125.

Company Secretary

The Company Secretary reports to the Chairman on Board governance matters. She is responsible for ensuring that Board policies and procedures are followed. All Board members have access to her advice and services. She also facilitates induction activities for new Directors and assists with the continuing professional development of Board members. In 2017, the Company Secretary undertook over 15 hours of professional training to update her skills and knowledge.

RISK MANAGEMENT AND INTERNAL CONTROL

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 evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives. It is also responsible for ensuring that the Group maintains a sound and effective system of risk management and internal control, 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 the Management in design, implementation, and ongoing monitoring of such system of risk management and internal controls covering financial, operational and compliance requirements. Qualified personnel throughout the Group maintain and monitor this system of controls on an ongoing basis.

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

Control Environment

The Group operates within an established risk management and internal 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 risk management and internal controls of the Group covers three major areas: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

Governance Structure

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 CFO, was established to centralise the operating functions, risk management processes and internal 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.

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. The 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 102 to 105.

Regulatory Compliance Control Management

The Corporate Compliance Group (comprising the CGD and Corporate Secretarial Division), under the supervision of the GCCRMO, in conjunction with our external advisers, reviews the adherence to relevant laws and regulations, listing rules compliance, public disclosure requirements, and our standards of compliance practices as set out in the Internal Audit Charter.

Code of Conduct and Business Ethics

The Group places great emphasis on staff's ethical standards and integrity in all aspects of its operations. 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 comply with them at all times.

Directors' and Relevant Employees' 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 possess inside 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 Directors and relevant employees to confirm compliance with the Model Code for 2017. No incident of non-compliance by Directors and relevant employees was noted by the Company in 2017.

The Company has adopted the Policy on Inside Information, and handles and disseminates inside information in accordance with the requirements of the Securities and Futures Ordinance and the Listing Rules.

Internal and External Audits

The CGD independently reviews the risk management and internal controls processes and evaluates their adequacy, effectiveness, and compliance. The Audit Committee reviews and endorses the execution of the CGD Internal Audit Plan that is strategically linked to the Group's Business Plan. The CGD Audit Plan is prepared under a risk-based assessment methodology that covers the review and assesses the effectiveness of capabilities in the business risk management and adequacy of internal control processes of the Group's significant operations over a three-year cycle period.

The scope of work covers financial, operations, and compliance matters. The CGD has unrestricted access to all the information needed for review. Our GCCRMO 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 engages the 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 risk management and adequacy of internal controls, CGD independently reviews the Internal Control and Risk Management Self-Assessment Checklist completed by the Management, to assess its effectiveness and adequacy.

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 risk management and internal control system that may come to their attention during the course of their audit.

Based on the respective assessments made by the 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 2017, the Audit Committee is satisfied that:

- the risk management, internal controls systems as well as the internal audit function of the Group are in place and functioning effectively. They 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 internal audit 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 64 and 65. 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 2017.

Directors' Responsibility and Auditor's Responsibility for Financial Statements

The Directors' responsibility for preparing the financial statements are set out on page 70 and the auditor's reporting responsibility is set out on pages 74 and 75.

Compliance with the CG Code

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2017.

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 2017, the Company held analysts' briefings after its annual results announcement and held regular meetings with institutional shareholders, fund managers, and analysts. In order to promote effective communication, the Company maintains a website (www.trinitygroup.com) to disseminate announcements, shareholder information, and other relevant financial and non-financial information electronically on a timely basis. Webcasts of results presentation is also made available on the Company's website. The Company is aware of its obligation under the Securities and Futures Ordinance and the Listing Rules, including the overriding principle that information which is expected to be inside information should be announced promptly and to prevent selective or inadvertent disclosure of inside information. Only selected members of the Management are authorised to act as spokespersons and respond to related external enquiries.

The Company regards the AGM as an important event as it provides an opportunity for the Board to communicate with the shareholders. The Chairman of the Board, the Chairman of the Committees (in their absence, their duly appointed delegates) and external auditor attend the AGM to answer any questions from the shareholders. All Directors attended the AGM held in May 2017. 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 clear business days before the meeting. Vote of shareholders at a general meeting is taken by poll and the results are published on the websites of the Company and the Stock Exchange.

In 2017, 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 2017, are set out in the Information for Investors section on page 58.

Internal Communication

Effective communication between the Management and staff is vital to the Group's success. Executive Committee Meetings are held regularly for senior executives to review the Group's operating results, performance, efficiency and effectiveness, and to formulate Group-wide policies and practices, as well as to report and discuss significant issues affecting the Group. Monthly financial updates prepared by finance team are distributed to senior executives. Management Forum was also organised during the year for the Group's senior executive and managers 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 regularly publishes newsletters 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 Discussion and Analysis section on page 32.

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.

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 Discussion and Analysis section on page 33.

Directors and Senior Management

Executive Directors

Jeremy Paul Egerton Hobbins

Chief Executive Officer

Srinivasan Parthasarathy

Chief Financial Officer

Senior Management

Agnes Shen

Chief Operating Officer

Raymond Mark Clacher

Executive Vice President – Gieves & Hawkes and Kent & Curwen

EXECUTIVE DIRECTORS

Jeremy Paul Egerton HOBBINS
Chief Executive Officer

Aged 70, was appointed as the Company's Executive Director and the Group's Chief Executive Officer on 4 June 2016. He is responsible for managing the Group's business, including the implementation of major strategies and initiatives.

Mr Hobbins joined the Fung group in 1999. He was Group Managing Director of Fung Retailing Limited and a director of Fung Holdings (1937) Limited, both companies are substantial shareholders of the Company, and was Deputy Chairman of Fung Distribution International Limited. He was also a Director of the Company (December 2006–June 2011) and its Group Managing Director (March 2007–May 2009), and a non-executive director of the publicly listed Convenience Retail Asia Limited (October 2004–May 2017).

Prior to joining the Fung group, Mr Hobbins has held a number of management positions in a variety of companies including Chief Executive of Inchcape Marketing Services–Asia Pacific and its listed subsidiary in Singapore, Chief Executive of Inchcape Buying Services based in Hong Kong, President of the Campbell Soup Company, United Kingdom, and President of Ault Foods, Canada. He had also held a number of senior management positions in Procter & Gamble, Hutchison Whampoa and Cadbury Schweppes where he started his career in brand management.

Srinivasan PARTHASARATHY
Chief Financial Officer

Aged 60, was appointed as the Company's Executive Director on 23 May 2016 and has been the Group's Chief Financial Officer since 1 July 2015. He is responsible for overseeing the Group's finance, accounting, human resources and information technology functions.

Mr Parthasarathy, who has more than 30 years of professional experience, has held various financial, compliance and commercial positions with the Fung group since 1999, and the Inchcape group before that in Hong Kong, Singapore, the United Kingdom and the Middle East. He has previously served as chief financial officer of two listed companies in Singapore and Hong Kong.

Mr Parthasarathy 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.

NON-EXECUTIVE DIRECTORS

Dr Victor FUNG Kwok King *GBM, GBS, CBE*
Non-executive Chairman

Aged 72, brother of Dr William Fung Kwok Lun, father of Ms Sabrina Fung Wing Yee and uncle of Mr Terence Fung Yue Ming, has been the Chairman of the Company and a Non-executive Director since December 2006. Dr Fung is Group Chairman of the Fung group, a Hong Kong-based multinational group which comprises major operating groups engaging in trading, logistics, distribution and retailing. They include publicly-listed Li & Fung Limited, Global Brands Group Holding Limited, Convenience Retail Asia Limited and the Company. Dr Fung has become Honorary Chairman of Li & Fung Limited after stepping down as its Group Chairman since May 2012. He is also a director of King Lun Holdings Limited, Fung Holdings (1937) Limited, Fung Retailing Limited and Fung Trinity Investments Limited, which are substantial shareholders of the Company. Dr Fung holds Bachelor's and Master's 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 Chow Tai Fook Jewellery Group Limited (Hong Kong) and Koç Holding A.Ş. (Turkey). He was an independent non-executive director of China Petrochemical Corporation (April 2012–January 2016). In July 2015, Dr Fung was appointed Chairman of the Advisory Board of the Asia Global Institute at The University of Hong Kong, a multi-disciplinary think-tank to assume and carry forward the mission and operations of Fung Global Institute, of which Dr Fung was Founding Chairman (July 2010–June 2015). In public service, Dr Fung is the Chairman of the Steering Committee on the Hong Kong Scholarship for Excellence Scheme and an adviser of the Infrastructure Financing Facilitation Office of The Hong Kong Monetary Authority. Dr Fung was also appointed as a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development on 21 March 2018. Formerly, he was a member of the Chinese People's Political Consultative Conference (2003–2018), a member of the Economic Development Commission of the Hong Kong Government (2013-2018), 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), Chairman of the Greater Pearl River Delta Business Council (2004–2013), a member of the Commission on Strategic Development of the Hong Kong Government (2005–2012), Chairman of the International Chamber of Commerce (2008–2010), a member of WTO Panel on Defining Future of Trade (2012–2013), and a vice chairman of China Centre for International Economic Exchanges (2009–2014). In 2003 and 2010, the Hong Kong Government awarded Dr Fung the Gold Bauhinia Star and Grand Bauhinia Medal, respectively, for his distinguished service to the community.

Sabrina FUNG Wing Yee
Non-executive Deputy Chairman

Aged 46, daughter of Dr Victor Fung Kwok King, niece of Dr William Fung Kwok Lun and cousin of Mr Terence Fung Yue Ming, is the Deputy Chairman and a Non-executive Director. She was appointed as a Director in September 2007 and re-designated as a Non-executive Director in February 2014, and as the Deputy Chairman in August 2016.

Ms Fung is the Group Managing Director of Fung Retailing Limited, a substantial shareholder of the Company. She is a director of Macy's China Limited, which is a joint venture between Macy's Inc and Fung Retailing Limited. She started her career at the private investment arm of 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 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, the Advisory Committee of the Tanoto Center for Asian Family Business and Entrepreneurship Studies at HKUST, the Hong Kong-Europe Business Council (HKEBC), the Hong Kong-France Business Council and the Board of Trustees of The Carnegie Hall Corporation (Class of 2020). She is also a member of an executive committee of the International Advisory Council of the Faculty of Business and Economics and a member of the University Court respectively at The University of Hong Kong. In addition, Ms Fung is the Co-Chair of Asia Council of St Paul's School in New Hampshire, the US, and previously served on its Board of Trustees. She was a member of the Mainland Business Advisory Committee of Hong Kong Trade Development Council.

Dr William FUNG Kwok Lun *SBS, OBE, JP*
Non-executive Director

Aged 69, brother of Dr Victor Fung Kwok King, father of Mr Terence Fung Yue Ming and uncle of Ms Sabrina Fung Wing Yee, has been a Non-executive Director since December 2006 and was a Deputy Chairman of the Company (December 2006–August 2016).

Dr Fung is the Group Chairman of Li & Fung Limited, Chairman and non-executive director of Global Brands Group Holding Limited and a non-executive director of Convenience Retail Asia Limited, all within the Fung group. He is a director of the substantial shareholders of the Company, namely King Lun Holdings Limited, Fung Holdings (1937) Limited, Fung Retailing Limited and Fung Trinity Investments Limited.

Dr Fung held key positions at major trade and business organisations. He is past Chairman of the Hong Kong General Chamber of Commerce (1994–1996), the Hong Kong Exporters' Association (1989–1991) and the Hong Kong Committee for Pacific Economic Cooperation (1993–2002). He was a Hong Kong Special Administrative Region delegate to the Chinese People's Political Consultative Conference (1998–2003). Dr Fung was awarded the Silver Bauhinia Star by the Hong Kong Government in 2008. 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 awarded the degrees of Doctor of Business Administration, *honoris causa*, by The Hong Kong University of Science and Technology, by The Hong Kong Polytechnic University and by Hong Kong Baptist University. Currently, 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. Formerly, he was an independent non-executive director of Singapore Airlines Limited (December 2009–July 2017).

Terence FUNG Yue Ming
Non-executive Director

Aged 38, son of Dr William Fung Kwok Lun, nephew of Dr Victor Fung Kwok King and cousin of Ms Sabrina Fung Wing Yee, is a Non-executive Director appointed on 10 August 2016.

Mr Fung is the Executive Vice-President of Fung (1937) Management Limited, a privately held entity based in Hong Kong and a member of the Fung group of companies which comprise major operating groups engaging in trading, logistics, distribution and retailing. He is in charge of Fung group's corporate services including corporate communications, public relations, strategic engagement and general administration functions. Mr Fung joined Li & Fung group in 2004 and later held the post of Executive Vice-President of Corporate Services of Li & Fung (Trading) Limited until September 2017. Li & Fung (Trading) Limited is a wholly-owned subsidiary of Li & Fung Limited, a listed company on the Hong Kong Stock Exchange and a member of the Fung group. He attended Princeton University and Boston College in the United States.

WONG Yat Ming
Non-executive Director

Aged 67, was appointed as a Director in December 2006 and re-designated as a Non-executive Director in May 2014, and was the Group Managing Director from June 2009 to May 2014. Mr Wong is a director of Fung Retailing Limited, a substantial shareholder of the Company, and also a managing director of Heritage Foods (Hong Kong) Limited.

Mr Wong joined the Fung group in 1999 as Regional Director of Fung Distribution International Limited. Previously, he was the Chief Executive, Consumer and Healthcare of Greater China of Inchcape Marketing Service, and a director of Inchcape Pacific Limited. He has more than 30 years of experience in the distribution of consumer products including fast-moving consumer products in the Asia-Pacific Region. He has ample experience in the marketing of consumer brands and successfully marketed many well-known consumer brands in the Asia-Pacific Region.

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

Jean-Marc LOUBIER
Non-executive Director

Aged 62, 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 also the Chief Executive Officer of RC Holdings SAS, which operates the footwear and accessories brand, Robert Clergerie. Mr Loubier is the President of First Heritage Brands Advisory SAS and Delvaux Design Coordination & Finance NV and the Chairman of Sonia Rykiel Creation et Diffusion de Modeles SA. He is a Board Member of Federation Francaise de la Couture et du Pret-a-Porter, a Vice President of Chambre Syndicale du Pret-a-Porter and a Director of Comite Colbert, French Association of Luxury Companies. He is also a supervisory board member of AdVini SA which is a company listed in France.

Mr Loubier was an independent non-executive director of Harry Winston Diamond Corporation (which changed its name to "Dominion Diamond Corporation" after its sale of retail business), a company listed on the Toronto Stock Exchange and the New York Stock Exchange (December 2010–July 2013). He was the Chief Executive Officer of Escada AG, a company listed on the Frankfurt Stock Exchange (1 June 2007–30 June 2008) and was a member of its supervisory board and chairman of its strategy committee (November 2006–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 (2000–2006). 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

Eva CHENG LI Kam Fun
Independent Non-executive Director

Aged 65, was appointed an Independent Non-executive Director on 1 November 2011. Mrs Cheng is an executive director of Our Hong Kong Foundation, which is a non-government, non-profit institute – a think tank dedicated to independent research focused on Hong Kong's near and long-term development needs.

Mrs Cheng began her career with Amway in Hong Kong in 1977 and was promoted to the rank of Corporate Executive Vice President of Amway in 2005. She had direct responsibility for all Amway markets in the Greater China and Southeast Asia regions. She is best known for leading Amway's entry into China in 1991, and served concurrently as Executive Chairwoman of Amway China Co. Ltd. until her retirement in the spring of 2011. Under her leadership, Amway China overcame significant regulatory and operating challenges and grew to become a business enterprise with RMB21.9 billion in revenues in 2010. In 2007, CNBC presented Mrs Cheng 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".

Mrs Cheng is the Founding Chairwoman & Honorary Chairwoman of the Amway Charity Foundation and Member of the Executive Committee of the All-China Women's Federation. She currently serves as independent non-executive director on other publicly listed company boards of Haier Electronics Group Co., Ltd. in Hong Kong, Amcor Limited in Australia and Nestlé S.A. in Switzerland. She was an independent non-executive director of Amway (Malaysia) Holdings Berhad (a listed company in Malaysia), Esprit Holdings Limited (a listed company in Hong Kong) and The Link Management Limited (the manager of The Link Real Estate Investment Trust which is listed in Hong Kong).

Mrs Cheng graduated from The University of Hong Kong and holds a Bachelor of Arts (Hons) Degree and a Master of Business Administration Degree.

Cassian CHEUNG Ka Sing
Independent Non-executive Director
Chairman of Remuneration Committee

Aged 62, was appointed an Independent Non-executive Director on 1 October 2008. Until January 2018, Mr Cheung was an executive director and Group Chief Executive Officer of Next Digital Limited, a company listed on the Main Board of the Stock Exchange, and he was its Interim Group Chairman from December 2014 to June 2016.

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 Nestlé Company from 1978 to 1994, and was the Chief Operating Officer-PRC for Nestlé (China) Ltd from 1992 to 1994.

Mr Cheung is a member of the Global Advisory Board of the Kellogg School of Management at Northwestern University, and is a past member of the Board of Trustees of St. Joseph's College, USA. He is also an advisory member of the Global Business program and an adjunct professor at the Business School of the Hong Kong University of Science and Technology.

Mr Cheung received a Master of Business Administration degree from the Kellogg School of Management, Northwestern University and an honorary degree of Doctor of Humane Letters from St. Joseph's College, Indiana, USA.

Michael LEE Tze Hau

Independent Non-executive Director
Chairman of Nomination Committee

Aged 56, was appointed an Independent Non-executive Director on 1 October 2008. Mr Lee is a director of Oxer Limited, a private investment company.

Mr Lee started his career in the investment industry in 1987 and has since held senior management positions in multinational investment companies including Indosuez Asia Investment Services Limited and Lloyd George Management. He also co-founded Asia Strategic Investment Management Limited in 1995.

He is a non-executive director of Hysan Development Company Limited and an independent non-executive director of Chen Hsong Holdings Limited, both of which are listed on the Stock Exchange. He is also a Steward of The Hong Kong Jockey Club. Mr Lee was a member of the Main Board and Growth Enterprise Market Listing Committee of The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission (HKEC Listing) Committee. He was an independent non-executive director of Hong Kong Exchanges and Clearing Limited, and the chairman and independent non-executive director of OTC Clearing Hong Kong Limited.

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.

Patrick SUN

Independent Non-executive Director
Chairman of Audit Committee

Aged 59, was appointed an Independent Non-executive Director on 1 October 2008. He is currently an independent non-executive director of Sihuan Pharmaceutical Holdings Group Ltd, China NT Pharma Group Company Limited, China Railway Signal & Communication Corporation Limited and Kunlun Energy Company Limited, all of which are listed in Hong Kong. He is also an independent non-executive director of CRRC Corporation Limited and China Railway Construction Corporation Limited, both of which are listed on the Stock Exchanges of Hong Kong and Shanghai. He is a vice-chairman of The Chamber of Hong Kong Listed Companies and was its chairman (2013–2015) and Honorary Chief Executive Officer.

Mr Sun was an independent non-executive director and non-executive chairman of Solomon Systech (International) Limited, a non-executive director of Renhe Commercial Holdings Company Limited, an executive director of Value Convergence Holdings Limited and SW Kingsway Capital Holdings Limited (all of which are listed companies in Hong Kong), and an independent non-executive director of China Railway Group Limited (listed on the Stock Exchanges of Hong Kong and Shanghai), China CNR Corporation Limited (which was delisted in May 2015 due to merger with CRRC Corporation Limited) and The Link Management Limited (the manager of The Link Real Estate Investment Trust which is also listed 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.

GROUP CHIEF COMPLIANCE AND RISK MANAGEMENT OFFICER

Jason YEUNG Chi Wai

Aged 63, was appointed as the Group Chief Compliance and Risk Management Officer of the Company in July 2015. He is also the Group Chief Compliance and Risk Management Officer of Fung Holdings (1937) Limited, a substantial shareholder of the Company, and its publicly-listed companies in Hong Kong.

He has extensive experience in handling legal, compliance and regulatory matters, and worked previously in both the public and private sectors practising corporate, commercial and securities law.

Prior to joining the Fung group, he was Deputy Chief Executive (Personal Banking) of Bank of China (Hong Kong) Limited ("BOCHK") with responsibility for the overall performance of the personal banking businesses of BOCHK.

Mr Yeung graduated from The University of Hong Kong with a Bachelor's degree in Social Sciences. He also graduated from The College of Law, United Kingdom and holds a Bachelor's degree in Law and a Master's degree in Business Administration from The University of Western Ontario, Canada.

SENIOR MANAGEMENT

Agnes SHEN
Chief Operating Officer

Aged 63, is also a director of two retail subsidiaries of the Company. Ms Shen joined Trinity Retail (H.K.) Limited in 1978. She was the Director of Merchandising responsible for product development, merchandising, and retail operations between 1987 and 1996. She was the Managing Director of Cerruti 1881 and the Executive Vice President – Retail Operations. Prior to her present role, she was Executive Vice President – Asia Retail (Hong Kong, Macau and Taiwan). Ms Shen has extensive knowledge of the premium menswear retail industry and the scope of her experience spans all aspects of the business.

Ms Shen holds a Bachelor of Science degree in Business Administration (Economics) from the University of San Francisco, the United States.

Raymond Mark CLACHER
Executive Vice President – Gieves & Hawkes and Kent & Curwen

Aged 54, joined the Company in 2009. He is responsible for designing the collection, product development, brand marketing, store concept, licensing, and for retail and wholesale activities of Gieves & Hawkes and Kent & Curwen in markets outside Asia. Prior to his current role, he was the Executive Vice President – Retail (Hong Kong & Macau); Taiwan and also the Managing Director of Gieves & Hawkes. Mr Clacher has a retail career spanning 30 years including senior management positions in Asia and Europe. He was the Commercial Director of Gieves Limited from 2006 until joining Trinity Limited in 2009. He was the Retail Operations Director for United Colors of Benetton from November 2000 to July 2002 and prior to that, held senior management positions with UK retail companies such as House of Fraser, BHS and Littlewoods.

Mr Clacher holds a national business diploma from the Business Education Council.

Information for Investors

Listing Information

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

Financial Calendar

26 March 2018
Announcement of 2017 Final Results

11 May 2018
Record Date for determining Members' right to attend Annual General Meeting

17 May 2018
Annual General Meeting

Share Registrar and Transfer Offices

Principal:

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08
Bermuda

Hong Kong Branch:

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong
Telephone number: (852) 2980 1333
e-mail: is-enquiries@hk.tricorglobal.com

Share Information

Board lot size
2,000 shares

Shares outstanding as at 31 December 2017
1,746,528,883

Market capitalisation as at 31 December 2017
HK$1.327 billion

Enquiries Contact

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

Trinity Limited

8/F, LiFung Tower
888 Cheung Sha Wan Road
Kowloon
Hong Kong

Website

www.trinitygroup.com

Directors' Report

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2017.

Principal Activities and Business Review

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 39 to the consolidated financial statements.

A fair review and analysis of the Group's business, including a discussion of principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of 2017 and an indication of likely future development in the Group's businesses, can be found in Chairman's Statement on pages 20 to 23, Chief Executive Officer's Overview on pages 24 to 27, Discussion and Analysis section on pages 28 to 35 and Notes 4.1 and 38 to the consolidated financial statements. These review and analysis form part of this report.

Geographical Analysis of Operations

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 76. The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2017.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in Notes 26 and 37 to the consolidated financial statements respectively.

Distributable Reserves

As at 31 December 2017, the Company's distributable reserves available for distribution to shareholders under the Companies Act 1981 of Bermuda (as amended) amounted to HK$353,101,000 (2016: HK$769,632,000).

Donations

Charitable and other donations made by the Group during the year amounted to HK$10,000 (2016: HK$29,000).

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in Note 16 to the consolidated financial statements.

Share Capital

Details of the movements in share capital of the Company during the year are set out in Note 25 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 for the last five financial years is set out on page 163.

Purchase, Sale or Redemption of Securities

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

Subscription Agreement

On 8 November 2017, the Company entered into a subscription agreement ("Subscription Agreement") with Shandong Ruyi International Fashion Industry Investment Holding Company Limited ("Subscriber") and Fung Trinity Investments Limited. Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue to the Subscriber (or its designated nominee), and the Subscriber has conditionally agreed to subscribe for (or nominate its designated nominee to subscriber for), 1,846,000,000 Shares ("Subscription Shares") ("Subscription"), representing approximately 51.38% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares, at the subscription price of HK$1.20 per Subscription Share, with an aggregate amount of the consideration of HK$2,215,200,000.

As disclosed in the Company's announcement dated 9 November 2017 and circular dated 22 December 2017 ("Announcement and Circular"), the Subscription is a valuable opportunity for the Group to bring in a solid strategic corporate investor who can contribute its resources and expertise in the textile and garment industry. The Company will benefit from the new business opportunities that the Subscriber may introduce to the Company and will raise a substantial amount of additional funds which can improve financial position and liquidity of the Group and to provide financial flexibility necessary for the expansion of the Group's existing business.

Increase in Authorised Share Capital

In order to undertake future issuances of the shares of the Company ("Shares"), the Company has obtained Shareholders' approval at its special general meeting held on 17 January 2018 for the increase in the Company's authorised share capital from HK$400,000,000 (divided into 4,000,000,000 Shares) to HK$500,000,000 (divided into 5,000,000,000 Shares) by the creation of an additional 1,000,000,000 Shares. Such increase in authorised share capital will become effective on the date of completion of the Subscription.

Share Option Scheme

The Company has in place a share option scheme adopted on 16 October 2009 ("Share Option Scheme") to subscribe for the Shares. Details of the Share Option 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 Scheme and any other schemes must not in aggregate exceed 10% of the Shares in issue as at 3 November 2009, being the date of commencement of dealings in the Shares on the Stock Exchange. 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 Scheme and any other schemes must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme if this will result in such limit being exceeded. As at 31 December 2017, the number of Shares available for issue in respect thereof is 51,552,488, representing approximately 2.95% 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 Share Option 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 2017, options to subscribe for a total of 26,820,000 Shares under the Share Option Scheme remained valid and outstanding, representing approximately 1.54% of the total number of issued Shares as at the date of this report. Among these outstanding share options, 6,410,000 share options lapsed immediately upon expiry of the exercisable period ended 31 December 2017. Subsequently, the outstanding share options as at 1 January 2018 is 20,410,000, representing approximately 1.17% 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 Scheme which remained outstanding as at 31 December 2017 are as follows:

Category of Participants	Number of Share Options: As at 01/01/2017	Granted	Exercised	Cancelled/ Lapsed	Transfer In	Transfer Out	As at 31/12/2017	Exercise Price HK$	Grant Date	Exercisable Period
Director										
Jeremy Paul Egerton HOBBINS	–	2,000,000	–	–	–	–	2,000,000	0.60	24/03/2017	01/01/2018–31/12/2019
Srinivasan PARTHASARATHY	750,000	–	–	–	–	–	750,000	2.01	21/08/2014	01/01/2016–31/12/2017
	750,000	–	–	–	–	–	750,000	2.01	21/08/2014	01/01/2017–31/12/2018
	–	1,000,000	–	–	–	–	1,000,000	0.60	24/03/2017	01/01/2018–31/12/2019
Sabrina FUNG Wing Yee	–	1,000,000	–	–	–	–	1,000,000	0.60	24/03/2017	01/01/2018–31/12/2019
Continuous Contract Employees	5,020,000	–	–	580,000	–	1,440,000	3,000,000	2.01	21/08/2014	01/01/2016–31/12/2017
	5,020,000	–	–	580,000	–	1,440,000	3,000,000	2.01	21/08/2014	01/01/2017–31/12/2018
	–	9,740,000	–	680,000	220,000	940,000	8,340,000	0.60	24/03/2017	01/01/2018–31/12/2019
Other Participants	1,220,000	–	–	–	1,440,000	–	2,660,000	2.01	21/08/2014	01/01/2016–31/12/2017
	1,220,000	–	–	–	1,440,000	–	2,660,000	2.01	21/08/2014	01/01/2017–31/12/2018
	–	940,000	–	–	940,000	220,000	1,660,000	0.60	24/03/2017	01/01/2018–31/12/2019
Total	13,980,000 [1]	14,680,000 [2]	–	1,840,000 [3]	4,040,000	4,040,000	26,820,000 [4]			

Notes:

1. *As at 31 December 2016, there were 20,970,000 share options outstanding. Among these outstanding share options, 6,990,000 share options lapsed immediately upon the expiry of the exercisable period ended 31 December 2016 and subsequently, the total number of outstanding share options as at 1 January 2017 was 13,980,000.*
2. *During the year, share options to subscribe for a total of 14,680,000 Shares were granted on 24 March 2017. The closing price of the Shares immediately before the date on which the share options were granted was HK$0.60 per Share.*
3. *By adding up 6,990,000 lapsed share options as mentioned in Note 1 above and 1,840,000 lapsed share options for the year ended 31 December 2017, the total number of lapsed share options during the year was 8,830,000.*
4. *As at 31 December 2017, there were 26,820,000 share options outstanding. Among these share options, 6,410,000 share options lapsed immediately upon the expiry of the exercisable period ended 31 December 2017 and subsequently, the total number of outstanding share options as at 1 January 2018 was 20,410,000.*
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 3.19(v) to the consolidated financial statements. Other details of share options granted by the Company are set out in Note 25 to the consolidated financial statements.*

Directors

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

Executive Directors

Jeremy Paul Egerton HOBBINS *(Chief Executive Officer)*
Srinivasan PARTHASARATHY *(Chief Financial Officer)*

Non-executive Directors

Dr Victor FUNG Kwok King *(Chairman)*
Sabrina FUNG Wing Yee *(Deputy Chairman)*
Dr William FUNG Kwok Lun
Terence FUNG Yue Ming
Jean-Marc LOUBIER
WONG Yat Ming

Independent Non-executive Directors

Eva CHENG LI Kam Fun
Cassian CHEUNG Ka Sing
Michael LEE Tze Hau
Patrick SUN

In accordance with Bye-law 84, Dr Victor FUNG Kwok King, Mrs Eva CHENG LI Kam Fun, Mr Srinivasan PARTHASARATHY and Mr WONG Yat Ming shall retire by rotation at the forthcoming annual general meeting, and, being eligible, offer themselves for re-election.

The biographical details of the Directors are set out in Directors and Senior Management section on pages 50 to 57.

As disclosed in the Announcement and Circular, there will be changes in the Board composition after completion of the Subscription as follows:

(i) Ms Sabrina FUNG Wing Yee, Dr William FUNG Kwok Lun, Mr Terence FUNG Yue Ming, Mr Jean-Marc LOUBIER, Mr Srinivasan PARTHASARATHY, Mr WONG Yat Ming and Mr Cassian CHEUNG Ka Sing will resign as Directors; and

(ii) Mr QIU Yafu, Ms QIU Chenran, Mr Kelvin HO Cheuk Yin, Mr Paul David HAOUZI, Mr Minoru KITABATAKE, Mr Daniel LALONDE and Ms SUN Weiying will be appointed as Directors, all of whom will be subject to retirement and re-election in accordance with Bye-law 83.

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 Transactions, Arrangements or Contracts

No transaction, arrangement or contract 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 or an entity connected with a Director 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 on pages 67 to 69 and Note 36 "Related party transactions" to the consolidated financial statements.

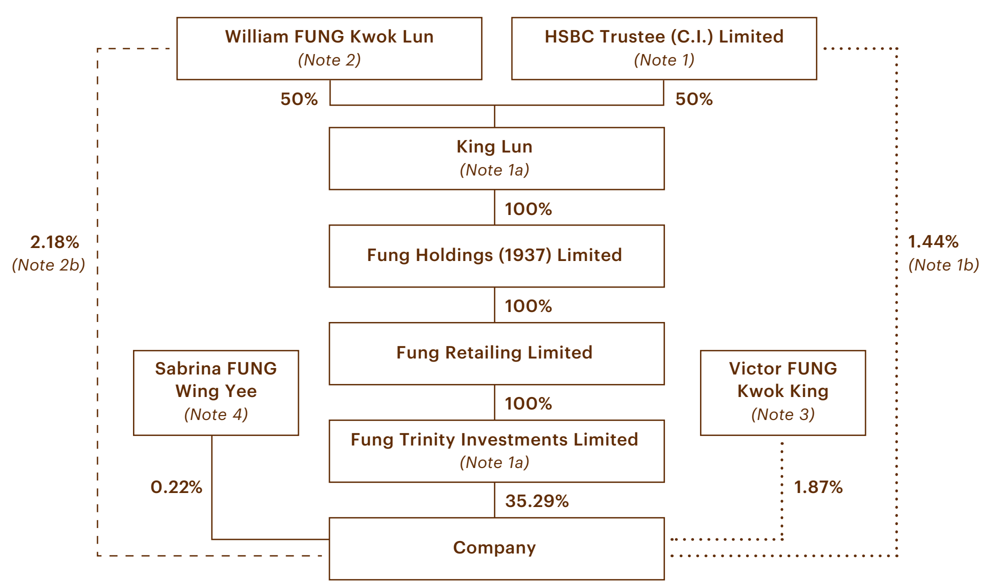
Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2017, 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)** [6]	**Total**	**Approximate Percentage of Issued Share Capital (%)**
Victor FUNG Kwok King	–	32,613,795 [3]	641,657,760 [1]	–	674,271,555 [3]	38.60
William FUNG Kwok Lun	23,570,000 [2]	–	630,913,760	–	654,483,760 [2]	37.47
Sabrina FUNG Wing Yee	2,800,000 [4]	–	641,657,760 [1]	1,000,000 [4]	645,457,760 [4]	36.95
Terence FUNG Yue Ming	50,000	–	–	–	50,000	0.00
Jeremy Paul Egerton HOBBINS	–	–	5,934,500 [5]	2,000,000	7,934,500	0.45
Srinivasan PARTHASARATHY	70,000	–	–	2,500,000	2,570,000	0.14
WONG Yat Ming	50,976,563	–	–	–	50,976,563	2.91

The following simplified chart illustrates the deemed interests of Dr Victor FUNG Kwok King, Dr William FUNG Kwok Lun and Ms Sabrina FUNG Wing Yee:



Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures *(Continued)*

Notes:

1. *Each of Dr Victor FUNG Kwok King and Ms Sabrina FUNG Wing Yee (daughter of Dr Victor FUNG Kwok King and as his family member) was deemed to have interests in 641,657,760 Shares, which were held in the following manner:*
   a. *616,413,760 Shares were directly held by Fung Trinity Investments Limited, an indirect wholly-owned subsidiary of King Lun Holdings Limited ("King Lun"). King Lun was owned as to 50% by HSBC Trustee (C.I.) Limited as trustee of a trust ("Trustee") established for the benefit of the family members of Dr Victor FUNG Kwok King and as to 50% by Dr William FUNG Kwok Lun; and*
   b. *25,244,000 Shares were directly held by First Island Developments Limited, a company wholly owned by the Trustee.*
2. *Among a total of 654,483,760 Shares interested by Dr William FUNG Kwok Lun:*
   a. *616,413,760 Shares were under the same block of shares indirectly held by King Lun as mentioned in Note 1a above; and*
   b. *14,500,000 Shares were directly held by Step Dragon Enterprise Limited, a company beneficially owned by Dr William FUNG Kwok Lun; and 23,570,000 Shares were personally held by him.*
3. *32,613,795 Shares were directly held by a company owned by the spouse of Dr Victor FUNG Kwok King. Therefore, Dr Victor FUNG Kwok King was deemed to be interested in these Shares. By adding up the interests mentioned in Note 1 above, Dr Victor FUNG Kwok King was deemed to be interested in an aggregate of 674,271,555 Shares.*
4. *Ms Sabrina FUNG Wing Yee had personal interests of 2,800,000 Shares and 1,000,000 underlying shares deriving from share options. By adding up the interests mentioned in Note 1 above, Ms Sabrina FUNG Wing Yee was deemed to be interested in an aggregate of 645,457,760 Shares.*
5. *Among the 5,934,500 Shares interested by Mr Jeremy Paul Egerton HOBBINS, 1,700,000 Shares were held by Private Investors Limited, a company ultimately owned by him and 4,234,500 Shares were held by a trust of which he is a beneficiary. He also had personal interests of 2,000,000 underlying shares deriving from share options.*
6. *These interests represented the interests in underlying shares in respect of the share options granted by the Company to the Directors as beneficial owner, details of which are set out in the Share Options section.*

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

Save as disclosed above, as at 31 December 2017, 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 Shares and Underlying Shares

As at 31 December 2017, 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 (%)
Fung Trinity Investments Limited [1]	Beneficial owner	616,413,760	35.29
Fung Retailing Limited [1]	Interest of controlled corporation	616,413,760	35.29
Fung Holdings (1937) Limited [1]	Interest of controlled corporation	616,413,760	35.29
King Lun [1]	Interest of controlled corporation	616,413,760	35.29
HSBC Trustee (C.I.) Limited [2]	Trustee	641,657,760	36.73
Schroders Plc [3]	Investment manager	122,267,491	7.00
Shandong Ruyi International Fashion Industry Investment Holding Company Limited [4]	Beneficial owner	1,846,000,000	105.69
	Interest of controlled corporation	21,415,633	1.23
QIU Yafu [4]	Interest of controlled corporation	1,867,415,633	106.92

Notes:

1. *Fung Trinity Investments Limited was an indirect wholly-owned subsidiary of King Lun, with Fung Retailing Limited and Fung Holdings (1937) Limited as the intermediate holding companies along the chain of ownership. Therefore, Fung Retailing Limited, Fung Holdings (1937) Limited, and King Lun were all deemed to be interested in the 616,413,760 Shares held by Fung Trinity Investments Limited. Refer to the chart in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures".*
2. *HSBC Trustee (C.I.) Limited, the Trustee, owned 50% of the issued share capital of King Lun and was therefore deemed to be interested in the 616,413,760 Shares indirectly held by King Lun. In addition, the Trustee had deemed interest of the 25,244,000 Shares directly held by its wholly-owned company, First Island Developments Limited. Refer to the chart in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures".*
3. *Schroders Plc was interested in these Shares through a chain of its controlled corporations.*
4. *The 21,415,633 Shares were held by Renown Incorporated, a company listed on the Tokyo Stock Exchange. Shandong Ruyi International Fashion Industry Investment Holding Company Limited directly and indirectly through a subsidiary held 52.99% equity interests in Renown Incorporated. Mr Qiu Yafu directly held, and exercised and controlled, a 51% equity interest in Shandong Ruyi International Fashion Industry Investment Holding Company Limited.*

Save as disclosed above, as at 31 December 2017, 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.

Senior Management

The biographical details of the senior management as at the date of this report are set out in Directors and Senior Management section on pages 50 to 57.

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 Customers and Suppliers

During the year under review, 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

During the year, the Group had the following non-exempted continuing connected transactions:

(i) Logistics related services

On 4 November 2014, the Company renewed the master agreement with Fung Holdings (1937) Limited ("FH 1937") in respect of the provision of logistics related services to the Group in Hong Kong and the Chinese Mainland by FH 1937 and its associates (together, "FH 1937 Group") for a term of three years from 2015 to 2017. The master agreement was further renewed on 22 December 2017 for one year from 1 January 2018 to 31 December 2018. The Group incurred the service charges of HK$422,000 and RMB8,436,000 (HK$9,669,000) in Hong Kong and the Chinese Mainland, respectively, for the year ended 31 December 2017.

(ii) Licence agreement with Global Brands Group Holding Limited

On 15 September 2015, the Group entered into a licence agreement with a subsidiary of Global Brands Group Holding Limited, an associate of FH 1937, and Mr David Beckham for the grant to the Group certain rights to use the licensed property relating to the latter in the promotion, design, manufacture and distribution of certain products under "Kent & Curwen" brand for an initial term from 15 September 2015 to 31 December 2020. An independent financial adviser was engaged and considered that it was in the interest of the Company and a normal business practice to have a term exceeding three years for contracts of this type. The Group incurred royalty of US$5,000,000 (HK$39,009,000) for the year ended 31 December 2017.

(iii) Sourcing and related services for garments and fashion accessories and extended sourcing and related services

On 13 November 2015, the Company entered into a master agreement with FH 1937 in respect of the provision of sourcing and related services for garments and fashion accessories by FH 1937 Group to the Group for a term of three years from 2015 to 2017 ("2015 Agreement").

On 7 June 2017, the Group entered into an agreement with Li & Fung (Trading) Limited, which is an indirect wholly-owned subsidiary of Li & Fung Limited and an associate of FH 1937, in respect of the provision of extended sourcing and related services by Li & Fung group to the Group for a term covering the period from 1 June 2017 to 31 December 2019 ("2017 Agreement"). The 2015 Agreement ceased to be operative upon execution of the 2017 Agreement.

For the year ended 31 December 2017, the Group incurred the service charges of EUR34,000 (HK$276,000) under 2015 Agreement and the commission and fixed annual fee totalling HK$40,500,000 under 2017 Agreement.

(iv) Sales of garments and fashion accessories

On 22 December 2015, the Company entered into a master agreement with FH 1937 for the sales of garments and fashion accessories from the Group to FH 1937 Group for a term of three years from 2015 to 2017. The Group recorded total sales of RMB58,309,000 (HK$66,828,000) for the year ended 31 December 2017.

(v) Transactions with Hardy Amies London Limited ("HALL") and Hardy Amies (International) Pte Limited ("HAIP")

On 1 April 2016, the following transactions with HALL and HAIP were entered into by the Group:

(a) Property leasing and/or licensing arrangements

The Group entered into a sub-lease agreement with HALL (as lessor) in respect of the property leasing and/or licensing arrangements in the United Kingdom for an initial term of three years from 1 April 2016 to 31 March 2019. Rentals for the property leasing and/or licensing arrangements were negotiated between parties with reference to the rent and other amounts payable by HALL to its landlord and would be adjusted if the landlord, as a result of rent review, adjusted the rent payable under HALL's leases. The Group incurred rentals of GBP582,000 (HK$5,849,000) for the year ended 31 December 2017.

(b) Licence agreements for "Hardy Amies" brand

The Group entered into licence agreements with HALL and HAIP (as licensors), associates of FH 1937, for the grant of exclusive rights and licences by the licensors to the Group to advertise, promote, design, manufacture, distribute and retail "Hardy Amies" menswear products, for an initial term from 1 April 2016 to 31 December 2021. An independent financial adviser was engaged and considered that it was in the interest of the Company and a normal business practice to have a term exceeding three years for transactions of this type. Royalty of GBP300,000 (HK$3,155,000) was incurred for the year ended 31 December 2017.

(c) Purchase of garments on consignment basis

The Group entered into a consignment agreement with HALL (as consignor) for the purchase of garments from HALL for a term of 12 months from 1 April 2016 to 31 March 2017. The Group recorded total purchases of GBP61,000 (HK$612,000) for the year ended 31 December 2017.

(vi) Property leasing and/or licensing arrangements

On 9 November 2016, the Company renewed the master agreement with FH 1937 in respect of the leasing of properties and/or granting of licensing right to use properties from FH 1937 Group to the Group for a further term of three years from 2017 to 2019. Rentals for the property leasing and/or licensing arrangements were negotiated between parties with reference to the then prevailing market rates. The Group incurred rentals of RMB3,174,000 (HK$3,637,000) and TWD5,369,000 (HK$1,367,000) for the year ended 31 December 2017.

(vii) Property leasing and/or licensing arrangements in Hong Kong

On 24 July 2017, the Company entered into a master agreement with FH 1937 in respect of the leasing of properties and/or granting of licensing right to use properties in Hong Kong from FH 1937 Group to the Group for a term from 1 August 2017 to 31 December 2019. Rentals for the property leasing and/or licensing arrangements were negotiated between parties with reference to the then prevailing market rates. The Group incurred rentals of HK$2,312,000 for the year ended 31 December 2017.

Dr Victor FUNG Kwok King, Dr William FUNG Kwok Lun and Ms Sabrina FUNG Wing Yee, all being Non-executive Directors of the Company, are considered to have material interest in the above-mentioned continuing connected transactions by virtue of their deemed interests in FH 1937 and/or Li & Fung group.

The pricing and the terms of the above transactions have been determined in accordance with pricing policies and guidelines as set out in the respective announcements. Proper internal control procedures are in place to identify, approve and record all these transactions.

The Independent Non-executive Directors have reviewed all 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 agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to rule 14A.56 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 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 Hong Kong 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.

Save as disclosed above, none of the transactions disclosed as related party transactions in Note 36 to the consolidated financial statements is a connected transaction or a continuing connected transaction which is subject to the reporting and disclosure requirements under the Listing Rules. The Company has complied with the disclosure requirements governing connected transactions under the Listing Rules.

Permitted Indemnity Provision

A permitted indemnity provision is currently in force for the benefit of the Directors of the Company and was in force throughout the year. The Company has maintained liability insurance to provide appropriate cover for the directors of the Company and its subsidiaries.

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 financial position of the Group and of the financial performance and cash flows for that period. In preparing these financial statements for the year ended 31 December 2017, 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, 26 March 2018

Independent Auditor's Report

羅兵咸永道

TO THE SHAREHOLDERS OF TRINITY LIMITED
(Incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of Trinity Limited (the "Company") and its subsidiaries (the "Group") set out on pages 76 to 162, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment of intangible assets and re-measurement of contingent purchase consideration payable
- Recoverability of deferred tax assets arising from tax losses

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of intangible assets and re-measurement of contingent purchase consideration payable	
Refer to note 17 and note 31 to the consolidated financial statements As at 31 December 2017, the Group had goodwill of HK$1,272 million, acquired trademarks and licenses of HK$1,946 million (collectively as "intangible assets") and contingent purchase consideration payable for acquisition of Gieves and Hawkes of HK$68 million. Management supported the recoverable amount of the goodwill and each acquired trademarks and licenses and the fair value of the contingent consideration of Gieves and Hawkes based on discounted cash flows calculations ("calculations"). Management has concluded that no impairment is required in respect of the goodwill, trademarks and licences and during the year, recorded a gain of HK$120 million on re-measurement of the contingent purchase consideration payable. This conclusion was based on the assessments that required significant management judgement including future revenue growth rates, terminal growth rates, royalty rates and discount rates applied.	Our procedures in relation to management's impairment assessment and contingent purchase consideration payable re-measurement assessment included: – Assessing the methodology of the assessments which are based on the discounted cash flows calculations; – Evaluating the process by which management's future cash flow forecasts were prepared; – Comparing historical actual results to those budgeted to assess the quality of management's forecasting; – Reconciling input data to approved business plans; – Evaluating the key assumptions used in the calculations, comprising future revenue growth rates, terminal growth rates, royalty rates and discount rates based on external industry outlook reports and economic growth forecasts from a number of sources and the future business direction and business plan of management; and – Assessing management's sensitivity analysis around the key assumptions, to ascertain the extent to which adverse changes, either individually or in aggregate, would result in impairment of intangible assets and re-measurement difference of contingent purchase consideration payable.

Key Audit Matter	How our audit addressed the Key Audit Matter
	For the impairment assessment of goodwill, one of management's key assumptions is a gradual turnaround of the business performance in Greater China over the next 5 years. We noted that the revenue growth rate was the most sensitive assumption to drive the future profitability of the business in Greater China. We compared management's revenue growth assumptions against external retail industry outlook reports and the Group's historical performance. Given the latest calculations involve a high degree of judgement, relatively small changes in these assumptions would result in an impairment in the Group's goodwill balance. We have assessed the relevant disclosures of the limited headroom in the financial statements and consider them to be adequate. We found that the assumptions made by the management in relation to the calculations to be supportable based on available evidence.
Recoverability of deferred tax assets arising from tax losses *Refer to note 21 to the consolidated financial statements* The Group recognised HK$171 million deferred tax assets arising from tax losses as at 31 December 2017, to the extent management expects that it is probable that future taxable profits will be available against which these tax losses can be utilised. The recognition of these deferred tax assets involves management judgement as to whether there will be sufficient taxable profits in future periods to support such recognition. Management has performed its assessment on the recoverability of these deferred tax assets and consider that the realisation of these tax losses is probable as at year end.	Our procedures in relation to recoverability assessment of the deferred tax assets arising from tax losses included: – Evaluating the process by which management's assessment was prepared and the underlying assumptions as to whether there will be sufficient taxable profits in future periods to support the recognition of deferred tax assets; – Comparing historical actual results to those budgeted to assess the quality of management's forecasting; and – Assessing whether it is probable the tax losses could be carried forward and utilised before their expiry dates. We found that the Group's judgements and assumptions used in the recognition of deferred tax assets to be supportable by available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Shia Yuen Yee.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2018

Consolidated Income Statement

For the year ended 31 December 2017

	Note	**2017 HK$'000**	2016 HK$'000
Revenue	6(a)	**1,701,334**	1,776,962
Cost of sales		**(540,989)**	(563,724)
Gross profit		**1,160,345**	1,213,238
Other income	8	**16,375**	15,769
Selling, marketing and distribution expenses		**(1,119,780)**	(1,114,783)
General and administrative expenses		**(497,933)**	(520,709)
Core operating profit/(loss)		**(440,993)**	(406,485)
Other losses – net	9	**(65,258)**	(7,731)
Gain on disposal of investments in associates		**–**	16,514
Restructuring costs	7	**(72,752)**	(23,106)
Operating loss	7	**(579,003)**	(420,808)
Net finance costs	10	**(28,455)**	(19,026)
Share of loss of associates		**–**	(1,076)
Loss before income tax		**(607,458)**	(440,910)
Income tax	11	**(890)**	(566)
Loss for the year attributable to shareholders of the Company		**(608,348)**	(441,476)
Basic loss per share attributable to shareholders of the Company during the year (expressed in HK cents per share)	12(a)	**(34.8) cents**	(25.3) cents
Diluted loss per share attributable to shareholders of the Company during the year (expressed in HK cents per share)	12(b)	**(34.8) cents**	(25.3) cents

The notes on pages 83 to 162 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	2017 **HK$'000**	2016 HK$'000
Loss for the year	**(608,348)**	(441,476)
Other comprehensive expenses		
Item that will not be reclassified subsequently to profit or loss		
Remeasurements of post employment benefit obligations	**(3,544)**	1,622
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of subsidiaries and associates	**76,708**	(47,545)
Exchange differences realised upon disposal of investments in associates	**–**	(2,747)
Other comprehensive income/(expenses) for the year, net of tax	**73,164**	(48,670)
Total comprehensive expenses for the year	**(535,184)**	(490,146)
Total comprehensive expenses attributable to:		
– Shareholders of the Company	**(535,184)**	(490,146)

The notes on pages 83 to 162 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**130,293**	150,394
Intangible assets	17	**3,226,709**	3,252,541
Loan receivables	18	**–**	142,225
Derivative financial instruments	19	**–**	6,022
Deposits, prepayments and other receivables	20	**46,622**	45,345
Deferred income tax assets	21	**208,845**	193,603
		3,612,469	3,790,130
Current assets			
Inventories	22	**621,473**	504,940
Trade receivables	23	**107,607**	80,663
Derivative financial instruments	19	**890**	–
Deposits, prepayments and other receivables	20	**90,054**	100,899
Amounts due from related parties	36(b)	**3,661**	3,379
Current income tax recoverables		**1,995**	2,201
Cash and cash equivalents (excluding bank overdrafts)	24	**390,888**	580,574
		1,216,568	1,272,656
Total assets		**4,829,037**	5,062,786
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	25	**174,653**	174,653
Share premium	25	**2,376,850**	2,376,850
Reserves	26	**(383,727)**	149,457
Total equity		**2,167,776**	2,700,960

The notes on pages 83 to 162 are an integral part of these consolidated financial statements.

	Note	2017 HK$'000	2016 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	32	**407,132**	565,579
Provision for long service payments	27	**768**	6,309
Retirement benefit obligations	28	**24,760**	24,183
Other payables and accruals	29	**133,437**	188,702
Contingent purchase consideration payable for acquisition	31	**68,099**	181,758
Deferred income tax liabilities	21	**296,499**	287,790
		930,695	1,254,321
Current liabilities			
Trade payables	30	**131,606**	62,518
Other payables and accruals	29	**398,049**	287,283
Derivative financial instruments	19	**–**	3,306
Amounts due to related parties	36(b)	**36,702**	7,962
Current income tax liabilities		**11,074**	7,763
Borrowings	32	**1,153,135**	738,673
		1,730,566	1,107,505
Total liabilities		**2,661,261**	2,361,826
Total equity and liabilities		**4,829,037**	5,062,786

Approved by the Board of Directors on 26 March 2018

Victor FUNG Kwok King
Director

Jeremy Paul Egerton HOBBINS
Director

The notes on pages 83 to 162 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

		Attributable to shareholders of the Company				
	Note	Share capital HK$'000	Share premium HK$'000	Retained Earnings/ (Accumulated losses) HK$'000	Other reserves HK$'000	Total HK$'000
Balance at 1 January 2017		**174,653**	**2,376,850**	**444,779**	**(295,322)**	**2,700,960**
Comprehensive expense						
Loss for the year		–	–	**(608,348)**	–	**(608,348)**
Other comprehensive (expenses)/income						
Remeasurements of post employment benefit obligations	26	–	–	**(3,544)**	–	**(3,544)**
Exchange differences on translation of subsidiaries	26	–	–	–	**76,708**	**76,708**
Other comprehensive (expenses)/income for the year, net of tax		–	–	**(3,544)**	**76,708**	**73,164**
Total comprehensive (expenses)/income		–	–	**(611,892)**	**76,708**	**(535,184)**
Transactions with owners						
Employee share option scheme						
– value of employee services	26	–	–	–	**2,000**	**2,000**
– transfer to retained earnings	26	–	–	**3,185**	**(3,185)**	–
Transfer from retained earnings	26	–	–	**(2,535)**	**2,535**	–
Total transactions with owners		–	–	**650**	**1,350**	**2,000**
Balance at 31 December 2017		**174,653**	**2,376,850**	**(166,463)**	**(217,264)**	**2,167,776**

The notes on pages 83 to 162 are an integral part of these consolidated financial statements.

	Note	Share capital HK$'000	Share premium HK$'000	Retained earnings HK$'000	Other reserves HK$'000	Total HK$'000
		Attributable to shareholders of the Company				
Balance at 1 January 2016		174,653	2,376,850	887,043	(247,948)	3,190,598
Comprehensive expense						
Loss for the year		–	–	(441,476)	–	(441,476)
Other comprehensive expenses						
Remeasurements of post employment benefit obligations	26	–	–	1,622	–	1,622
Exchange differences on translation of subsidiaries and associates	26	–	–	–	(47,545)	(47,545)
Exchange differences realised upon disposal of investments in associates	26	–	–	–	(2,747)	(2,747)
Other comprehensive expenses for the year, net of tax		–	–	1,622	(50,292)	(48,670)
Total comprehensive expenses		–	–	(439,854)	(50,292)	(490,146)
Transactions with owners						
Employee share option scheme						
– value of employee services	26	–	–	–	508	508
– transfer to retained earnings	26	–	–	2,888	(2,888)	–
Transfer from retained earnings	26	–	–	(7,842)	7,842	–
Transfer of reserve upon disposal of investments in associates	26	–	–	2,544	(2,544)	–
Total transactions with owners		–	–	(2,410)	2,918	508
Balance at 31 December 2016		174,653	2,376,850	444,779	(295,322)	2,700,960

The notes on pages 83 to 162 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Cash used in operations	33(a)	**(328,601)**	(227,202)
Interest paid on bank borrowings and overdrafts		**(30,830)**	(19,382)
Income tax paid		**(7,085)**	(13,729)
Net cash used in operating activities		**(366,516)**	(260,313)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(61,778)**	(75,053)
Payments for intangible assets		**(910)**	(2,879)
Increase in loan receivables		**(21,454)**	(31,526)
Proceeds from disposal of investments in associates		**–**	124,901
Dividend received from an associate		**–**	10,733
Proceeds from disposal of property, plant and equipment		**294**	153
Interest income received		**1,732**	1,183
Net cash (used in)/generated from investing activities		**(82,116)**	27,512
Cash flows from financing activities			
Proceeds from borrowings		**522,121**	1,214,820
Repayment of borrowings		**(278,995)**	(607,181)
Net cash generated from financing activities		**243,126**	607,639
Net (decrease)/increase in cash and cash equivalents		**(205,506)**	374,838
Cash and cash equivalents at beginning of the year		**534,379**	159,771
Effect on foreign exchange rates changes		**9,310**	(230)
Cash and cash equivalents at end of the year	24	**338,183**	534,379

The notes on pages 83 to 162 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 and wholesale of premium menswear in the Chinese Mainland, Hong Kong, Macau, Taiwan (the "Greater China"), Singapore and Europe, as well as licensing its fully owned brands globally. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is at 8/F, LiFung Tower, No. 888 Cheung Sha Wan Road, Kowloon, Hong Kong.

The consolidated financial statements are presented in thousand of units of Hong Kong dollars ("HK$" or "HKD"), unless otherwise stated.

2 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") (which includes all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance Cap 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities including derivative financial instruments and contingent purchase consideration payable for acquisition, which are carried at fair values.

At 31 December 2017, the Group's current liabilities exceeded its current assets by HK$514 million. Taking into account the unutilised banking facilities of HK$730 million as at 31 December 2017, the Group has a reasonable expectation that it has adequate resources to meet its liabilities and commitments as and when they fall due and to continue in operational existence for the foreseeable future. The proposed new share subscription, as disclosed in Note 38, will also significantly improve the Group's financial position. Accordingly, it continues to adopt the going concern basis in preparing the consolidated financial statements.

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.

The Group's management assesses the performance of the operating businesses based on a measure of operating profit/(loss), referred to as core operating profit/(loss). This measurement basis includes profit/(loss) of the retail, wholesale and licensing businesses before net finance costs, income tax, gain on remeasurement of contingent purchase consideration payable for acquisition and material gains or losses which are of capital nature or non-operational related and share of results of associated companies.

To conform with such management's assessment, the classification of certain items on the consolidated income statement for the year ended 31 December 2017 has been changed. Management considers the change in classification can provide more relevant financial information to the users to assess the business performance through the core operating results of the Group. The reclassification is applied retrospectively, and hence the effect of the reclassification in the certain comparative figures in the consolidated income statement for the year ended 31 December 2016 were comprised of a decrease in other operating income by HK$2,294,000 which is reclassified to general and administrative expenses.

(a) Adoption of amendments to existing standards effective in 2017

The Group has adopted the following amendments to existing standards which are mandatory for accounting periods beginning on or after 1 January 2017 and relevant to the Group:

HKAS 7 (Amendment)	Statement of Cash Flows: Disclosure Initiative
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (Amendment)	Disclosure of Interests in Other Entities

The adoption of such amendments 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.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities, see Note 33(b) to the Consolidated Cash Flow Statement.

3 Summary of principal accounting policies *(Continued)*

(b) New standards, amendments and interpretations to existing standards that have been issued but are not yet effective

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

HKAS 28 (2011) (Amendment)	Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019)
HKAS 40 (Amendment)	Investment Property: Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018)
HKFRS 2 (Amendment)	Share-based Payment: Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018)
HKFRS 4 (Amendment)	Insurance Contracts (effective for annual periods beginning on or after 1 January 2018)
HKFRS 9 (2014)	Financial Instruments (effective for annual periods beginning on or after 1 January 2018)
HKFRS 9 (2014) (Amendment)	Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019)
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date to be determined)
HKFRS 15	Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)
HKFRS 16	Leases (effective for annual periods beginning on or after 1 January 2019)
HKFRS 17	Insurance Contracts (effective for annual periods beginning on or after 1 January 2021)
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018)
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019)
Annual Improvements Project	Annual Improvements 2014-2016 Cycle (effective for annual periods beginning on or after 1 January 2018)
Annual Improvements Project	Annual Improvements 2015-2017 Cycle (effective for annual periods beginning on or after 1 January 2019)

All these new standards, amendments and interpretations to existing standards are effective in the financial year of 2018 or years after 2018. The Group is in the process of making an assessment of the impact of these new standards, amendments and interpretations in the period of initial application. The following describes the key changes and some aspects of the new standards which may have a significant impact on the consolidated financial statements.

3 Summary of principal accounting policies *(Continued)*

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

Key changes and Impact of standards issued but not yet applied by the Group:

HKFRS 9 (2014), Financial Instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial Instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

(i) Classification and measurement

Based on preliminary assessment, the Group expects that the adoption of HKFRS 9 will affect Group's classification and measurement of the financial assets, including the convertible promissory note. The Group expects that the convertible promissory note will not be bifurcated into loan receivable and derivative financial instrument in accordance with the Group's policies set out in Note 3.10 and Note 3.11, instead the entire convertible promissory note will be classified as fair value through profit and loss (FVTPL) upon adoption of HKFRS 9. The impacts on the Group's financial results and position upon the adoption of HKFRS 9 are not expected to be material.

(ii) Impairment

This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

(iii) Hedging

The Group expects that it will not adopt hedge accounting in near periods and therefore it may not have any impact on the Group upon the adoption of HKFRS 9.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard and that comparatives will not be restated.

3 Summary of principal accounting policies *(Continued)*

(b) New standards, amendments and interpretations to existing standards that have been issued but are not yet effective (Continued)

HKFRS 15, Revenue from Contracts with Customers

HKFRS 15 will replace HKAS 18, Revenue and HKAS 11, Construction Contracts and related interpretations. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group is currently assessing the impact of the adoption of the new standard and has identified the following area which is expected to be affected:

Accounting for the customer loyalty programme – HKFRS 15 requires that the total consideration received must be allocated to each performance obligation based on relative stand-alone selling prices rather than based on the residual value method. This will result in higher amounts being allocated to the deferred revenue and result in later recognition of a portion of the revenue. The Group estimates that the Group's net assets will be impacted, deferred revenue will increase and the loss for the year will increase. However, a more detailed analysis is required to determine the extent of the impact. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018.

HKFRS 16, Leases

HKFRS 16 requires almost all leases of lessees to be recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. An asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the income statement over the period of the lease. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$669,142,000 (Note 35). The Group is in the process of assessing to what extent these operating lease commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's loss for the year and classification of cash flows.

HKFRS 16 is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group decided not to early adopt HKFRS 16 before its effective date.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 Summary of principal accounting policies *(Continued)*

3.1 Merger accounting for common control combination

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

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

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

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

3.2 Consolidation

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

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated 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 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. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

3 Summary of principal accounting policies *(Continued)*

3.2 Consolidation *(Continued)*

(i) Subsidiaries *(Continued)*

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement (Note 3.6(i)).

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position 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.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in associates are reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive expenses is recognised in other comprehensive expenses with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in associates equal or exceed its interest in the associates, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associates.

The Group determines at the end of each reporting period whether there is any objective evidence that the investment in associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognises the amount adjacent to 'share of loss of associates' in the consolidated income statement.

Profits and losses resulting from transactions between the Group and its associates are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

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 consolidated 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, 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 or valuation where items are remeasured. 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.

Foreign exchange gains and losses are presented in the consolidated income statement within 'General and administrative expenses'.

(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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(2) income and expenses for each 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 other 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 other comprehensive income.

3 Summary of principal accounting policies *(Continued)*

3.4 Foreign currency translation *(Continued)*

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

3.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and 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:

– Leasehold improvements, furniture and fixtures	2–10 years
– Computers, equipment and air-conditioners	3–10 years
– Plant and machinery	3–10 years
– Motor vehicles	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. 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 the carrying amount and are recognised within 'selling, marketing and distribution expenses' relating to store and 'general and administrative expenses' relating to office, staff quarter or factory in the consolidated income statement.

3 Summary of principal accounting policies *(Continued)*

3.6 Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

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 of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Trademarks and licences

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. 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 represent the right to use certain licensed properties in the promotion, design, manufacture and distribution of certain products under the licensed brand or brand owned by the Group. Acquired licenses are capitalised based on the present value of guaranteed royalty payments to be made subsequent to the inception of the licence contracts. Acquired licenses are amortised based on expected usage from the date of first commercial usage over the remaining licence period of approximately 5 to 6 years.

3 Summary of principal accounting policies *(Continued)*

3.6 Intangible assets *(Continued)*

(iii) Computer software and website development costs

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are (i) directly attributable to the design, development and testing of identifiable and unique software products controlled by the Group and (ii) incurred for website development mainly included the costs of acquiring website database, website application and infrastructure are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product or website so that it will be available for use;
- Management intends to complete the software product or website and use or sell it;
- The Group has an ability to use or sell the software product or website;
- It can be demonstrated how the software product or website will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product or website are available; and
- The expenditure attributable to the software product or website during its development can be reliably measured.

Development costs incurred for software product mainly include the employee costs.

Expenditure on research activities or other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software and website development costs recognised as assets are carried at cost less accumulated amortisation and impairment loss. Amortisation is calculated using the straight-line method over their estimated useful lives of not more than 7 years.

3.7 Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life or assets not ready to use are not subject to amortisation and depreciation and are tested annually for impairment. Assets that are subject to amortisation and depreciation 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 of disposal 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 the end of each reporting period.

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

3 Summary of principal accounting policies *(Continued)*

3.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work-in-progress comprises 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 and financial assets at fair value through profit or loss. The classification depends on the purposes for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

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 the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprises as 'loan receivables' (Note 3.10), 'trade receivables' (Note 3.12), 'deposits, prepayments and other receivables', 'amounts due from related parties' and 'cash and cash equivalents' in the consolidated statement of financial position. The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial asset is impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current. The Group's financial assets at fair value through profit or loss comprise as 'derivative financial instruments' (Note 3.11) in the consolidated statement of financial position.

3.10 Loan receivable

Loan receivable is recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

3 Summary of principal accounting policies *(Continued)*

3.11 Derivative financial instruments

Derivatives financial instruments include forward exchange contracts and conversion right embedded in convertible promissory note (Note 19) are initially recognised at fair value on the date a derivative contract is entered into with transaction costs recognised in the consolidated income statement and are subsequently remeasured at their fair value. Changes in the fair value of derivative financial instruments are recognised immediately in the consolidated income statement. Trading derivatives are classified as a current asset or liability.

3.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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.

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 'general and administrative expenses' in the consolidated income statement.

3.13 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

3.14 Share capital

Ordinary shares are classified as equity.

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

3.15 Trade and other 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 and other 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)*

3.16 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.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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 end of the reporting period.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.17 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

Where guarantees in relation to loans of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

3.18 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 in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Company's subsidiaries and associates 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. Current income tax recoverables which could not be offset against current income tax liabilities of another entity were presented under current assets.

3 Summary of principal accounting policies *(Continued)*

3.18 Current and deferred income tax *(Continued)*

(b) Deferred income tax

Inside basis differences

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 end of reporting period 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 only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability 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. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

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.

3.19 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 end of reporting period.

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

3 Summary of principal accounting policies *(Continued)*

3.19 Employee benefits *(Continued)*

(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 fixed 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 statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of reporting period less the fair value of plan assets. 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 the market rates on government 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.

The current service cost of the defined benefit plan, recognised in the consolidated income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in the consolidated income statement. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

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.

3 Summary of principal accounting policies *(Continued)*

3.19 Employee benefits *(Continued)*

(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 at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. 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 the end of the reporting period 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

(a) Equity-settled share-based payment transactions

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 performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, 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, with a corresponding adjustment to equity (employee share-based compensation reserve). 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 received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

3 Summary of principal accounting policies *(Continued)*

3.19 Employee benefits *(Continued)*

(v) Share-based compensation *(Continued)*

(b) Share-based payment transactions among Group entities

The grant by Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

3.20 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

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

3.21 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.

The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity; and when 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 of return 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 sales made by the licensees and terms of the contract on an accruals basis.

3 Summary of principal accounting policies *(Continued)*

3.21 Revenue recognition *(Continued)*

(iii) Sales of goods – wholesale

Sales of goods 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. Revenue is adjusted for the value of expected returns. 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 wholesaler, and either the wholesaler has 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) e-Commerce revenue

Revenue from the sale of goods on the e-Commerce is recognised at the point that the risks and rewards of the inventory have passed to the customer, which is the point of dispatch. Transactions are settled by credit or payment card.

Provisions are made for e-Commerce credit notes based on the expected level of returns, which in turn is based upon the historical rate of returns.

(v) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

(vi) Administration, management fee and consultancy fee income

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

(vii) Rental income

Rental fee income is recognised in the consolidated income statement on a straight-line basis over the term of the lease.

3.22 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 on operating lease is recognised over the term of the lease on a straight-line basis.

3 Summary of principal accounting policies *(Continued)*

3.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the 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.

3.24 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.

3.25 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.

3.26 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.

3.27 Core operating profit

Core operating profit is the result generated from the Group's retail, wholesale and licensing businesses before net finance costs, income tax, gain on remeasurement of contingent purchase consideration payable for acquisition and material gains or losses which are of capital nature or non-operational related and share of results of associated companies.

4 Financial risk management and financial instruments

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 and evaluates financial risks in close co-operation with the Group's operating units.

4 Financial risk management and financial instruments *(Continued)*

4.1 Financial risk factors *(Continued)*

(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 ("EUR"), Pound Sterling ("GBP"), Japanese Yen ("JPY") and Taiwan Dollars ("TWD"). 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 2017, the Group's outstanding forward contracts were analysed as below:

Outstanding forward contracts	**31 December 2017**	31 December 2016
Buying EUR		
– Notional principal amount (EUR)	**13,000,000**	6,440,000
– Fixed exchange rate	**9.315**	8.55
Buying GBP		
– Notional principal amount (GBP)	**890,000**	680,000
– Fixed exchange rate	**10.378**	9.508
Buying JPY		
– Notional principal amount (JPY)	**158,000,000**	126,300,000
– Fixed exchange rate	**0.07088**	0.0745

The Group's foreign exchange risk mainly comes from RMB and EUR denominated payables and bank balances recorded in the books of the Group's entities in Hong Kong.

At 31 December 2017, if HK dollar had weakened or strengthened by 5% against the RMB with all other variables held constant, loss for the year would have been HK$8,402,000 (2016: HK$5,321,000) higher or lower, mainly as a result of foreign exchange losses or gains on translation of RMB denominated payables and bank balances recorded in the books of the Group's entities in Hong Kong.

At 31 December 2017, if HK dollar had weakened or strengthened by 5% against the EUR with all other variables held constant, loss for the year would have been HK$4,836,000 (2016: HK$1,448,000) higher or lower mainly as a result of foreign exchange losses or gains on translation of EUR denominated payables and bank balances recorded in the books of the Group's entities in Hong Kong.

4 Financial risk management and financial instruments *(Continued)*

4.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Interest rate risk

The Group's interest rate risk arises from interest-bearing bank borrowings and bank overdrafts. Bank borrowings and bank overdrafts issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. During the year, the Group's borrowings at variable rates were denominated in HKD, EUR and GBP.

If interest rates had increased/decreased by 10 basis points and all other variables were held constant, the Group's net loss would have increased/decreased by HK$1,281,000 (2016: HK$945,000) for the year ended 31 December 2017.

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.

(b) Credit risk

The Group's credit risk is primarily attributable to trade receivables, deposits, prepayments and other receivables, cash and cash equivalents, amounts due from related parties and loan receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

In respect of trade receivables, 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 and amounts owing from department stores in the Chinese Mainland and licensees in Europe. For those long term relationship customers, the Group offers credit terms up to 120 days.

Individual credit evaluations are performed on all counterparties requiring credit over a certain amount. These evaluations focus on their history of making payments when due and current ability to pay, and take into account information specific to them as well as pertaining to the economic environment in which they operate.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty, therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to them.

In respect of cash and cash equivalents, the Group mitigates its exposure to credit risk by placing deposits with financial institutions with established credit ratings. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

Management does not expect any investment counterparty to fail to meet its obligation.

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

4 Financial risk management and financial instruments *(Continued)*

4.1 Financial risk factors *(Continued)*

(c) Liquidity risk

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

Management maintains rolling forecasts of the Group's liquidity reserves to maintain liquidity risk. Taking into account of the existing borrowing facilities and the proceeds from the new share subscription as disclosed in Note 38, Management considers that the Group's financial position remains healthy.

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining periods at the end of the reporting period 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 2017	**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	**131,606**	–	–	–
Contingent purchase consideration payable for acquisition	–	–	–	**96,273**
Other payables and accruals	**288,522**	**66,826**	**67,906**	–
Amounts due to related parties	**36,702**	–	–	–
Borrowings	**1,167,668**	**418,970**	–	–
	1,624,498	**485,796**	**67,906**	**96,273**

	Repayment period			
As at 31 December 2016	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	62,518	–	–	–
Contingent purchase consideration payable for acquisition	–	–	–	264,218
Other payables and accruals	167,198	59,680	128,650	–
Derivative financial instruments	3,306	–	–	–
Amounts due to related parties	7,962	–	–	–
Borrowings	754,058	170,728	418,583	–
	995,042	230,408	547,233	264,218

4 Financial risk management and financial instruments *(Continued)*

4.2 Fair value estimation

The table below analyses financial instruments carried at fair value at the end of the reporting period, by level of the inputs to valuation techniques used to measure fair value. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

31 December 2017	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
Derivative financial instruments – forward exchange contracts (Note 19)	–	**890**	–	**890**
Liabilities				
Contingent purchase consideration payable for acquisition (Note 31)	–	–	**68,099**	**68,099**

31 December 2016	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Derivative financial instrument – conversion right embedded in convertible promissory note (Note 19)	–	–	6,022	6,022
Liabilities				
Derivative financial instruments – forward exchange contracts (Note 19)	–	3,306	–	3,306
Contingent purchase consideration payable for acquisition (Note 31)	–	–	181,758	181,758
Total liabilities	–	3,306	181,758	185,064

There were no changes in valuation techniques and no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2016: nil).

4 Financial risk management and financial instruments *(Continued)*

4.2 Fair value estimation *(Continued)*

(a) Valuation techniques used to derive Level 2 fair values

Level 2 financial instruments comprise forward exchange contracts, which have been determined using forward exchange rates that are quoted in an active market. Since all significant inputs required to estimate the fair values are observable, the instruments are included in Level 2.

(b) Fair value measurements using significant unobservable inputs (Level 3)

Level 3 financial instruments comprise conversion right embedded in a convertible promissory note and contingent purchase consideration payable for acquisition.

The fair value of conversion right embedded in convertible promissory note in 2016 is determined using binomial model based on the estimated performance of British Heritage Brands, Inc. ("BHB") business. The valuation takes into account of the expected volatility of 30% with reference to the historical returns of comparable listed companies.

The valuation technique used to determine contingent purchase consideration payable for acquisition is discounted cash flow analysis. The Group's acquisition of Gieves & Hawkes group involved post-acquisition performance-based contingent purchase consideration which was recognised at fair value at the acquisition date as part of the total consideration for the acquired business. The fair value measurement requires, among other things, significant estimation of post-acquisition performance of the acquired business and significant judgement in relation to the time value of money. All outstanding contingent purchase consideration will be re-measured at fair value reflecting the impact of any events or factors which occur after the acquisition date, with any resulting gain or loss recognised in the consolidated income statement. The determination of outstanding contingent purchase consideration payable involves significant judgement and estimation of the future performance of the acquired business. The Group's loss attributable to shareholders of the Company would increase/decrease and the contingent purchase consideration payable would increase/decrease by HK$13,262,000 (2016: HK$25,900,000) and HK$11,789,000 (2016: HK$23,772,000) respectively if future revenue growth is 1.0 percentage point higher/lower than the estimation made by management at the end of the reporting period.

4 Financial risk management and financial instruments *(Continued)*

4.2 Fair value estimation *(Continued)*

(b) Fair value measurements using significant unobservable inputs (Level 3) *(Continued)*

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	Conversion right embedded in convertible promissory note (Note 19) HK$'000	Contingent purchase consideration payable for acquisition (Note 31) HK$'000
Opening net book amount at 1 January 2017	**6,022**	**(181,758)**
Remeasurement (loss)/gain recognised in profit or loss	**(6,071)**	**119,721**
Notional interest expenses on contingent purchase consideration payable for acquisition	**–**	**(6,062)**
Exchange differences	**49**	**–**
Closing net book amount at 31 December 2017	**–**	**(68,099)**
Total net losses for the year included in profit or loss	**(6,022)**	**(113,659)**
Change in unrealised losses for the year included in profit or loss for liabilities held at the end of the year, under 'Net finance costs'	**–**	**(6,062)**
Change in unrealised (losses)/gains for the year included in profit or loss for assets/liabilities held at the end of the year, under 'Other losses – net'	**(6,071)**	**119,721**
Opening net book amount at 1 January 2016	6,018	(175,892)
Notional interest expenses on contingent purchase consideration payable for acquisition	–	(5,866)
Exchange differences	4	–
Closing net book amount at 31 December 2016	6,022	(181,758)
Total net gains/(losses) for the year included in profit or loss	4	(5,866)
Change in unrealised losses for the year included in profit or loss for liabilities held at the end of the year, under 'Net finance costs'	–	(5,866)

Of the total net losses recognised in profit or loss in these years, all amounts are attributable to the change in unrealised net losses relating to those assets or liabilities held at the end of the year.

For exchange gain on conversion right embedded in convertible promissory note HK$49,000 (2016: HK$4,000) was included in 'General and administrative expenses' in the consolidated income statement.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

4 Financial risk management and financial instruments *(Continued)*

4.2 Fair value estimation *(Continued)*

(c) Group's valuation processes

The Group's Finance Department performs the valuations of financial assets and liabilities required for financial reporting purposes, including Level 3 fair values based on policies approved by the Board of Directors. The Group's Finance Department reports directly to the Chief Financial Officer.

The main Level 3 inputs used by the Group include:

- The discount rate for conversion right embedded in convertible promissory note and estimated future performance of the BHB business. The discount rate is referenced to weighted average cost of capital of comparable listed companies. The estimated future performance of BHB business was determined with reference to senior management's best estimate.
- The discount rate for contingent purchase consideration payable for acquisition and estimated post acquisition performance of the acquired business. The discount rate is estimated based on the expected cost of borrowings with similar maturity. The estimated post acquisition performance of the acquired business was determined with reference to senior management's best estimate.

(d) Fair value of financial assets and liabilities measured at amortised cost

The carrying amounts of the Group's financial assets (loan receivables, trade receivables, deposits, prepayments and other receivables and amounts due from related parties) and financial liabilities (trade payables, other payables and accruals, amounts due to related parties and borrowings) approximate their fair values.

4.3 Capital 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.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (Note 32) less cash and cash equivalents (Note 24). Total capital is calculated as total equity, as shown in the consolidated statement of financial position, plus net debt.

4 Financial risk management and financial instruments *(Continued)*

4.3 Capital management *(Continued)*

The gearing ratios as at 31 December 2017 and 2016 were as follows:

	2017 **HK$'000**	2016 HK$'000
Long-term borrowings (Note 32)	**407,132**	565,579
Short-term borrowings (Note 32)	**1,153,135**	738,673
	1,560,267	1,304,252
Less: Cash and cash equivalents (Note 24)	**(390,888)**	(580,574)
Net debt	**1,169,379**	723,678
Total equity	**2,167,776**	2,700,960
Net debt	**1,169,379**	723,678
Total capital	**3,337,155**	3,424,638
Gearing ratio	**35.0%**	21.1%

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 intangibles – goodwill and trademarks

The Group tests annually or whenever there is an indicator of impairment whether goodwill and trademarks have suffered any impairment in accordance with the accounting policy stated in Note 3.7. The recoverable amounts of CGUs are determined based on discounted cash flows calculations. These calculations require the use of estimates (Note 17).

5 Critical accounting estimates and judgements *(Continued)*

(b) Useful life of trademarks

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 premium 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 competitor actions in response to severe industry cycles. Management reassesses these estimates at the end of each reporting period.

(d) Contingent purchase consideration payable for acquisition

The Group's acquisition of Gieves & Hawkes group involved post-acquisition performance-based contingent purchase consideration. The Group follows the requirement of HKFRS 3 (Revised) to recognise the fair value of those contingent consideration for acquisition, as of its acquisition date as part of the consideration transferred in exchange for the acquired business. The fair value measurement requires, among other things, significant estimation of post-acquisition performance of the acquired business and significant judgement on time value of money. Contingent consideration shall be remeasured at its fair value resulting from events or factors emerging after the acquisition date, with any resulting gain or loss recognised in the consolidated income statement in accordance with HKFRS 3 (Revised).

The basis of the contingent consideration generally reflects a specified multiple of the post-acquisition financial profitability of the acquired business. Consequently, the actual additional consideration payable may vary according to the future performance of the acquired business, and the liabilities provided reflect estimates of such future performance. For the sensitivity of the contingent purchase consideration payable for acquisition, refer to Note 4.2(b).

5 Critical accounting estimates and judgements *(Continued)*

(e) Estimated impairment of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. 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 and other receivables are impaired. If an indication of impairment is identified, management prepares discounted cashflow to assess the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at effective interest rate and make provision for the impairment loss. Management reassesses the provision at the end of each reporting period.

(f) Income tax

The Group is subject to withholding and income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for withholding and income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the financial period in which such determination is made.

Recognition of deferred tax assets, which principally relate to tax losses, depends on the expectation of future taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation may be different. Management has performed an assessment on the recoverability of these deferred tax assets and consider that the realisation of these tax losses probable and no impairment provision is required as at year end.

(g) 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 25.

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.

6 Segment information

The Group is principally engaged in the retailing and wholesale of premium menswear in Greater China, Singapore and Europe, as well as licensing its fully owned brands globally. The performance of the Group's retail stores is subject to seasonal fluctuations and certain holiday seasons.

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, Hong Kong & 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 segmental earnings before net finance costs and income tax ("Segmental contributions") for the year. Inter-segment revenue are priced with reference to prices charged to external parties for similar orders. During the year, certain amendments and reclassifications (allocation of certain expenses from individual segment to corporate management overheads) were made to the management reports presented to the senior executive management in order to better reflect the composition and performance of each segment. Prior year comparatives have been restated accordingly.

Segment asset consists only of inventories.

(a) Segment results

The segment results for the year ended 31 December 2017 are as follows:

	Asia						Europe			
	HK & Macau		Chinese Mainland		Taiwan	Others				
	Retail HK$'000	Wholesale HK$'000	Retail HK$'000	Wholesale HK$'000	Retail HK$'000	Retail HK$'000	Retail HK$'000	Wholesale HK$'000	Licensing HK$'000	Total HK$'000
Total segment revenue	**505,982**	**408,984**	**737,656**	**68,331**	**127,775**	**8,259**	**135,482**	**39,897**	**120,201**	**2,152,567**
Inter-segment revenue	**–**	**(408,968)**	**–**	**–**	**–**	**–**	**–**	**(1,083)**	**(41,182)**	**(451,233)**
Revenue from external customers	**505,982**	**16**	**737,656**	**68,331**	**127,775**	**8,259**	**135,482**	**38,814**	**79,019**	**1,701,334**
Gross profit	**351,723**	**11**	**518,107**	**40,041**	**81,449**	**5,515**	**69,998**	**14,482**	**79,019**	**1,160,345**
Segmental contributions	**8,551**	**11**	**44,725**	**40,041**	**6,395**	**(12,309)**	**(20,308)**	**(22,624)**	**72,710**	**117,192**
Segmental contributions includes:										
Depreciation	**(15,196)**	**–**	**(37,367)**	**–**	**(4,293)**	**(1,172)**	**(11,205)**	**(683)**	**(50)**	**(69,966)**
(Additional provision for)/ reversal of impairment of property, plant and equipment	**(4,505)**	**–**	**1,310**	**–**	**(1)**	**–**	**(5,675)**	**–**	**–**	**(8,871)**
Segment asset	**187,253**	**–**	**297,646**	**–**	**65,128**	**2,268**	**69,178**	**–**	**–**	**621,473**

6 Segment information *(Continued)*

(a) Segment results *(Continued)*

The segment results for the year ended 31 December 2016 were as follows:

	Asia						Europe			
	HK & Macau		Chinese Mainland		Taiwan	Others				
	Retail HK$'000	Wholesale HK$'000	Retail HK$'000	Wholesale HK$'000	Retail HK$'000	Retail HK$'000	Retail HK$'000	Wholesale HK$'000	Licensing HK$'000	Total HK$'000
Total segment revenue	525,016	452,861	739,879	95,653	129,406	6,923	138,204	53,266	118,101	2,259,309
Inter-segment revenue	–	(449,355)	–	–	–	–	–	–	(32,992)	(482,347)
Revenue from external customers	525,016	3,506	739,879	95,653	129,406	6,923	138,204	53,266	85,109	1,776,962
Gross profit	372,560	975	518,792	42,892	85,301	4,828	76,867	25,914	85,109	1,213,238
Segmental contributions	40,808	975	30,039	42,746	14,161	(12,306)	176	(5,706)	61,240	172,133
Segmental contributions includes:										
Depreciation	(18,694)	–	(44,287)	(146)	(3,474)	(1,281)	(8,425)	(548)	(63)	(76,918)
(Additional provision for)/ reversal of impairment of property, plant and equipment	(3,117)	–	692	–	(4)	–	–	–	–	(2,429)
Write off of trade receivables	–	(11)	–	–	–	–	–	–	(15,175)	(15,186)
Share of loss of associates	–	–	–	–	–	(1,076)	–	–	–	(1,076)
Segment asset	144,902	–	252,012	–	53,315	6,213	48,498	–	–	504,940

6 Segment information *(Continued)*

(b) A reconciliation of Segmental contributions to the Group's loss before income tax is as follows:

	2017 **HK$'000**	2016 HK$'000
Segmental contributions for reportable segments	**117,192**	172,133
Add:		
Other income (Note 8)	**16,375**	15,769
Gain on disposal of investments in associates	–	16,514
Less:		
Net finance costs (Note 10)	**(28,455)**	(19,026)
Other losses – net (Note 9)	**(65,258)**	(7,731)
Employee benefit expenses	**(195,121)**	(247,486)
Rental and other operating expenses	**(44,858)**	(49,313)
Depreciation and amortisation	**(66,924)**	(41,929)
Advertising and promotion expenses	**(117,315)**	(119,487)
Legal and professional fees	**(12,330)**	(19,694)
Product design, supply chain and related management expenses	**(41,035)**	(79,505)
Restructuring costs	**(72,752)**	(23,106)
Other unallocated expenses	**(96,977)**	(38,049)
Total Group's loss before income tax	**(607,458)**	(440,910)

6 Segment information *(Continued)*

(c) Geographic information

The following tables set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, deposits, prepayments and other receivables ("specified non-current assets"). The geographical location of customers is based on the location at which the goods were delivered or the licensing services were provided.

The geographical analysis of revenue from external customers is as follows:

	2017 HK$'000	2016 HK$'000
Hong Kong & Macau	**505,998**	525,574
Chinese Mainland	**807,496**	838,494
Taiwan	**127,775**	129,406
United Kingdom	**140,445**	145,529
Other countries	**119,620**	137,959
Total	**1,701,334**	1,776,962

Revenues from the individual countries included in Other countries are not material.

The geographical analysis of specified non-current assets is as follows:

	2017 HK$'000	2016 HK$'000
Hong Kong & Macau	**699,811**	765,045
Chinese Mainland	**798,378**	799,897
Taiwan	**84,445**	81,924
United Kingdom	**836,314**	838,870
France	**684,387**	666,375
Singapore	**300,289**	296,169
Total	**3,403,624**	3,448,280

7 Operating loss

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

	2017 HK$'000	2016 HK$'000
Cost of inventories (Note 22)	**533,510**	552,971
Write off of inventories and additional provision for impairment of inventories (Note 22) & (note (a))	**7,479**	10,753
Employee benefit expenses (Note 13)	**593,357**	616,060
Operating lease rental expenses		
– minimum lease payment	**329,692**	345,353
– contingent rents	**127,536**	137,531
Provision for impairment of loan receivables (Note 18)	**170,565**	–
Advertising and promotion expenses (note (b))	**135,328**	136,920
Restructuring costs (note (c))	**72,752**	23,106
Product design, supply chain and related management expenses	**41,035**	79,505
Depreciation of property, plant and equipment (Note 16)	**79,946**	89,132
Amortisation of intangible assets (Note 17)	**56,944**	29,715
Provision for impairment of property, plant and equipment (Note 16)	**8,871**	2,429
Loss on disposal of property, plant and equipment – net	**11,223**	6,307
Provision for impairment of trade receivables – net (Note 23)	**5,928**	1,859
Write off of trade receivables	–	15,186
Contingent royalty expenses	**4,121**	4,032
Fair value (gains)/losses on forward foreign exchange contracts	**(4,196)**	3,306
Net foreign exchange losses/(gains)	**25,051**	(5,600)

Notes:

(a) The additional provision for impairment of inventories arose due to a decrease in the estimated net realisable value of inventories after reassessment of the utilisation of available distribution channels and expected sales pattern.

(b) Advertising and promotion expenses included employee benefit expenses and operating lease rental expenses of HK$15,090,000 (2016: HK$14,372,000) and HK$2,923,000 (2016:HK$3,061,000).

(c) Restructuring costs relating to closure of business wear production line (2016: casual wear production line) at the Hong Kong factory, closure of stores in Singapore and the associated restructuring of sourcing functions included employee benefit expenses, reinstatement costs, loss on disposal of property, plant and equipment and other costs of HK$26,627,000 (2016: HK$12,276,000), HK$5,796,000 (2016: HK$2,053,000), HK$9,685,000 (2016: HK$4,228,000), and HK$30,644,000 (2016: HK$4,549,000).

7 Operating loss *(Continued)*

The remuneration to the auditors for audit and non-audit services is as follows:

	2017 HK$'000	2016 HK$'000
Audit services	**5,972**	5,856
Non-audit services		
– taxation services	**1,053**	1,393
– other services	**416**	396
	7,441	7,645

Note: HK$5,956,000 (2016: HK$5,839,000) of the audit services fees and HK$1,469,000 (2016: HK$1,789,000) of non-audit services fees are payable to the Company's auditor.

8 Other income

	2017 HK$'000	2016 HK$'000
Subsidy income	**6,660**	3,921
Rental income from third parties	**2,684**	3,405
Rental income from related parties (Note 36(a))	**144**	170
Management fee income from related parties (Note 36(a))	**2,987**	606
Claims received	**1,586**	1,108
Sales commission	**–**	360
Others	**2,314**	6,199
	16,375	15,769

9 Other losses – net

	2017 HK$'000	2016 HK$'000
Compensation expense	**–**	(7,731)
Provision for impairment of loan receivables and remeasurement loss on derivative	**(176,636)**	–
Gain on remeasurement of contingent purchase consideration payable for acquisition	**119,721**	–
Other	**(8,343)**	–
	(65,258)	(7,731)

10 Net finance costs

	2017 **HK$'000**	2016 HK$'000
Finance costs		
– Interest expenses on bank borrowings and overdrafts	**(32,937)**	(21,391)
– Notional interest expenses on contingent purchase consideration payable for acquisition	**(6,062)**	(5,866)
	(38,999)	(27,257)
Finance income		
– Interest income on bank deposits	**1,732**	1,183
– Interest income on loan receivables	**8,812**	7,048
	10,544	8,231
Net finance costs	**(28,455)**	(19,026)

11 Income tax

Hong Kong profits tax has been provided for at the rate of 16.5% (2016: 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.

	2017 **HK$'000**	2016 HK$'000
Current income tax		
– Hong Kong profits tax	**1,218**	1,834
– Overseas taxation	**12,418**	21,691
– Over provision in prior years	**(2,696)**	(2,560)
Deferred income tax (Note 21)	**(10,050)**	(20,399)
	890	566

11 Income tax *(Continued)*

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

	2017 HK$'000	2016 HK$'000
Loss before income tax	**(607,458)**	(440,910)
Tax calculated at domestic tax rates applicable to profits/(losses) in the respective countries	**(100,463)**	(54,439)
Withholding tax on distributable profits, royalty income and interest income	**4,411**	2,826
Income not subject to tax	**(22,882)**	(3,298)
Over provision in prior years	**(2,696)**	(2,560)
Effect of unrecognised tax losses	**77,392**	33,219
Expenses not deductible for tax purposes	**45,128**	24,818
Income tax	**890**	566

The weighted average applicable tax rate for the year was 16.5% (2016: 12.3%). The increase is caused by a change in the mix of profitability of the Group's subsidiaries in the respective countries.

The subsidiaries incorporated in the Chinese Mainland are subject to income tax rate at 25% (2016: 25%).

12 Loss per share

(a) Basic

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

	2017	2016
Weighted average number of ordinary shares in issue	**1,746,529,000**	1,746,529,000
Loss attributable to shareholders of the Company (HK$'000)	**(608,348)**	(441,476)
Basic loss per share (HK cents per share)	**(34.8) cents**	(25.3) cents

(b) Diluted

The calculation of the diluted loss per share is based on the loss attributable to shareholders of the Company, and the weighted average number of ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment had been made to the basic loss per share for the year ended 31 December 2017 and 2016 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share.

13 Employee benefit expenses

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

	2017 HK$'000	2016 HK$'000
Wages, salaries and bonus including restructuring costs HK$26,627,000 (2016: HK$12,276,000)	**501,860**	522,672
Additional provision for long service payment (Note 27)	**2,200**	3,190
Pension costs – defined benefit plans	**1,137**	953
Pension costs – defined contribution plans	**9,326**	12,038
Social security and benefits	**76,834**	76,699
Employee share option benefit	**2,000**	508
Total	**593,357**	616,060

There were no forfeited contributions during the year (2016: nil).

(a) The emoluments of senior management including directors of the Group fall within the following bands:

	Number of individuals	
	2017	2016
Emolument bands		
– HK$2,500,001 to HK$3,000,000	**–**	2
– HK$3,000,001 to HK$3,500,000	**2**	1
– HK$3,500,001 to HK$4,000,000	**–**	1
– HK$4,000,001 to HK$4,500,000	**2**	2
– HK$4,500,001 to HK$5,000,000	**–**	1
– HK$5,000,001 to HK$5,500,000	**1**	1
– HK$6,000,001 to HK$6,500,000	**1**	–
– HK$7,000,001 to HK$7,500,000	**–**	1
	6	9

13 Employee benefit expenses *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2017 include two (2016: two) directors whose emoluments are reflected in the analysis shown in Note 14. The emoluments payable to the remaining three highest paid individuals (2016: three) during the year are as follows:

	2017 **HK$'000**	2016 HK$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**11,987**	13,874
Bonuses	**1,235**	1,235
Employer's contribution to pension scheme	**273**	164
Employee share option benefit	**234**	204
	13,729	15,477

During the year, no amount was paid or payable by the Group to the Directors as set out in Note 14(a) and any of the five highest paid individuals as an inducement to join or upon joining the Group (2016: nil). During the year of 2016, the Group paid Mr Richard Samuel COHEN a contractual sum of US$500,000 (approximately HK$3,884,000) for the termination pursuant to the employment contract as set out in Note 14(c).

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

	Number of individuals	
	2017	2016
Emolument bands		
– HK$4,000,001 to HK$4,500,000	**2**	–
– HK$4,500,001 to HK$5,000,000	–	1
– HK$5,000,001 to HK$5,500,000	**1**	1
– HK$5,500,001 to HK$6,000,000	–	1
	3	3

14 Benefits and interests of Directors

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

(i) For the year ended 31 December 2017:

	Fees HK$'000	Salary HK$'000 or equivalent	Bonuses HK$'000 or equivalent	Other Benefits* HK$'000 or equivalent	Share options HK$'000 or equivalent	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive Directors							
Jeremy Paul Egerton HOBBINS [1] (Chief Executive Officer)	**200**	**3,662**	**1,156**	**997**	**273**	**–**	**6,288**
Srinivasan PARTHASARATHY [2]	**200**	**3,408**	**–**	**495**	**136**	**18**	**4,257**
Non-executive Directors							
Victor FUNG Kwok King	**250**	**–**	**–**	**–**	**–**	**–**	**250**
Sabrina FUNG Wing Yee	**200**	**–**	**–**	**–**	**–**	**–**	**200**
William FUNG Kwok Lun	**250**	**–**	**–**	**–**	**–**	**–**	**250**
Terence FUNG Yue Ming [4]	**300**	**–**	**–**	**–**	**–**	**–**	**300**
WONG Yat Ming	**200**	**–**	**–**	**–**	**–**	**–**	**200**
Jean-Marc LOUBIER	**300**	**–**	**–**	**–**	**–**	**–**	**300**
Independent Non-executive Directors							
Cassian CHEUNG Ka Sing	**430**	**–**	**–**	**–**	**–**	**–**	**430**
Michael LEE Tze Hau	**430**	**–**	**–**	**–**	**–**	**–**	**430**
Patrick SUN	**390**	**–**	**–**	**–**	**–**	**–**	**390**
Eva CHENG LI Kam Fun	**350**	**–**	**–**	**–**	**–**	**–**	**350**
	3,500	**7,070**	**1,156**	**1,492**	**409**	**18**	**13,645**

14 Benefits and interests of Directors *(Continued)*

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

(ii) For the year ended 31 December 2016:

	Fees HK$'000	Salary HK$'000 or equivalent	Bonuses HK$'000 or equivalent	Other Benefits* HK$'000 or equivalent	Share options HK$'000 or equivalent	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive Directors							
Jeremy Paul Egerton HOBBINS [1] (Chief Executive Officer)	115	2,106	666	576	–	–	3,463
Richard Samuel COHEN (resigned with effect from 4 June 2016)	85	1,877	–	867	289	–	3,118
Srinivasan PARTHASARATHY [2]	122	3,402	–	504	161	18	4,207
Danny LAU Sai Wing (retired with effect from 23 May 2016) [3]	79	3,000	–	964	215	18	4,276
Non-executive Directors							
Victor FUNG Kwok King	250	–	–	–	–	–	250
Sabrina FUNG Wing Yee	200	–	–	–	–	–	200
William FUNG Kwok Lun	250	–	–	–	–	–	250
Terence FUNG Yue Ming [4]	93	–	–	–	–	–	93
WONG Yat Ming	200	–	–	–	–	–	200
Jean-Marc LOUBIER	300	–	–	–	–	–	300
Independent Non-executive Directors							
Cassian CHEUNG Ka Sing	430	–	–	–	–	–	430
Michael LEE Tze Hau	430	–	–	–	–	–	430
Patrick SUN	390	–	–	–	–	–	390
Eva CHENG LI Kam Fun	350	–	–	–	–	–	350
	3,294	10,385	666	2,911	665	36	17,957

Notes:

1. *Mr Jeremy Paul Egerton HOBBINS has been appointed as an Executive Director and the Chief Executive Officer with effect from 4 June 2016. The bonuses to Mr HOBBINS are contractual bonuses.*
2. *Mr Srinivasan PARTHASARATHY has been appointed as an Executive Director with effect from 23 May 2016. His emolument for the period from 23 May 2016 to 31 December 2016 amounted to HK$2,611,000.*
3. *The emolument for Mr Lau Sai Wing for the period from 1 January 2016 to 23 May 2016 amounted to HK$1,718,000.*
4. *Mr Terence FUNG Yue Ming has been appointed as a Non-executive Director with effect from 10 August 2016.*

* *Other benefits include insurance premium and housing allowance.*

14 Benefits and interests of Directors *(Continued)*

(b) Directors' material interests in transactions, arrangements or contracts

No transaction, arrangement or contract 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 or an entity connected with a Director 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 of the Directors' Report on pages 67 to 69 and Note 36 "Related party transactions" to the consolidated financial statements.

(c) Directors' termination benefits

For the year ended 31 December 2016, Mr Richard Samuel COHEN has resigned from his position as the Executive Director with effect from 4 June 2016. By mutual agreement, he ceased to be the Chief Executive Officer on the same date. The Group paid him a contractual sum of US$500,000 (approximately HK$3,884,000) for the termination pursuant to the employment contract.

15 Dividends

The Board of Directors does not recommend the payment of any final dividend for the year of 2017 (2016: nil).

16 Property, plant and equipment

	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 2017					
Cost	**436,962**	**67,431**	**12,464**	**2,240**	**519,097**
Accumulated depreciation and impairment	**(295,198)**	**(59,660)**	**(11,967)**	**(1,878)**	**(368,703)**
Net book amount	**141,764**	**7,771**	**497**	**362**	**150,394**
Year ended 31 December 2017					
Opening net book amount	**141,764**	**7,771**	**497**	**362**	**150,394**
Exchange differences	**8,143**	**469**	**–**	**–**	**8,612**
Additions	**66,690**	**4,931**	**–**	**–**	**71,621**
Disposals	**(10,801)**	**(244)**	**(472)**	**–**	**(11,517)**
Impairment provision (Note 7)	**(8,777)**	**(94)**	**–**	**–**	**(8,871)**
Depreciation (Note 7)	**(74,939)**	**(4,790)**	**(25)**	**(192)**	**(79,946)**
Closing net book amount	**122,080**	**8,043**	**–**	**170**	**130,293**
At 31 December 2017					
Cost	**451,540**	**72,166**	**2**	**2,240**	**525,948**
Accumulated depreciation and impairment	**(329,460)**	**(64,123)**	**(2)**	**(2,070)**	**(395,655)**
Net book amount	**122,080**	**8,043**	**–**	**170**	**130,293**

16 Property, plant and equipment *(Continued)*

	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 2016					
Cost	470,290	65,733	12,818	2,239	551,080
Accumulated depreciation and impairment	(306,802)	(58,538)	(11,880)	(1,685)	(378,905)
Net book amount	163,488	7,195	938	554	172,175
Year ended 31 December 2016					
Opening net book amount	163,488	7,195	938	554	172,175
Exchange differences	(9,422)	(425)	(1)	–	(9,848)
Additions	79,246	6,842	–	–	86,088
Disposals	(6,043)	(289)	(128)	–	(6,460)
Impairment provision (Note 7)	(2,429)	–	–	–	(2,429)
Depreciation (Note 7)	(83,076)	(5,552)	(312)	(192)	(89,132)
Closing net book amount	141,764	7,771	497	362	150,394
At 31 December 2016					
Cost	436,962	67,431	12,464	2,240	519,097
Accumulated depreciation and impairment	(295,198)	(59,660)	(11,967)	(1,878)	(368,703)
Net book amount	141,764	7,771	497	362	150,394

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

	2017 HK$'000	2016 HK$'000
Cost of sales	**164**	2,233
Selling, marketing and distribution expenses	**68,254**	74,167
General and administrative expenses	**11,528**	12,732
Total	**79,946**	89,132

17 Intangible assets

	Trademarks and licences (with indefinite useful lives) (note (a)) HK$'000	Licences (with definite useful lives) (note (b)) HK$'000	Goodwill HK$'000	Internally generated software development costs HK$'000	Website development costs HK$'000	Others HK$'000	Total HK$'000
At 1 January 2017							
Cost	**1,746,992**	**253,402**	**1,271,751**	**6,008**	**3,733**	**384**	**3,282,270**
Accumulated amortisation	**–**	**(28,838)**	**–**	**(713)**	**(178)**	**–**	**(29,729)**
Net book amount	**1,746,992**	**224,564**	**1,271,751**	**5,295**	**3,555**	**384**	**3,252,541**
Year ended 31 December 2017							
Opening net book amount	**1,746,992**	**224,564**	**1,271,751**	**5,295**	**3,555**	**384**	**3,252,541**
Exchange difference	**28,644**	**1,500**	**–**	**–**	**–**	**58**	**30,202**
Addition	**–**	**–**	**–**	**838**	**–**	**72**	**910**
Amortisation (Note 7)	**–**	**(55,328)**	**–**	**(1,080)**	**(533)**	**(3)**	**(56,944)**
Closing net book amount	**1,775,636**	**170,736**	**1,271,751**	**5,053**	**3,022**	**511**	**3,226,709**
At 31 December 2017							
Cost	**1,775,636**	**254,902**	**1,271,751**	**6,846**	**3,733**	**514**	**3,313,382**
Accumulated amortisation	**–**	**(84,166)**	**–**	**(1,793)**	**(711)**	**(3)**	**(86,673)**
Net book amount	**1,775,636**	**170,736**	**1,271,751**	**5,053**	**3,022**	**511**	**3,226,709**
At 1 January 2016							
Cost	1,754,010	230,339	1,271,751	6,008	854	416	3,263,378
Accumulated amortisation	–	–	–	(14)	–	–	(14)
Net book amount	1,754,010	230,339	1,271,751	5,994	854	416	3,263,364
Year ended 31 December 2016							
Opening net book amount	1,754,010	230,339	1,271,751	5,994	854	416	3,263,364
Exchange difference	(7,018)	(1,810)	–	–	–	(32)	(8,860)
Addition (Note 36(a)(iii))	–	24,873	–	–	2,879	–	27,752
Amortisation (Note 7)	–	(28,838)	–	(699)	(178)	–	(29,715)
Closing net book amount	1,746,992	224,564	1,271,751	5,295	3,555	384	3,252,541
At 31 December 2016							
Cost	1,746,992	253,402	1,271,751	6,008	3,733	384	3,282,270
Accumulated amortisation	–	(28,838)	–	(713)	(178)	–	(29,729)
Net book amount	1,746,992	224,564	1,271,751	5,295	3,555	384	3,252,541

Notes:

(a) *Indefinite life trademarks mainly represent the Group's rights and titles in respect of the worldwide Kent & Curwen trademark, the worldwide Cerruti trademark and Gieves & Hawkes trademark acquired through business combinations in prior years.*

(b) *Definite life licences represent (i) the right to use certain licensed property relating to Mr David Beckham in the promotion, design, manufacture and distribution of certain products under Kent & Curwen brand for the period from 15 September 2015 to 31 December 2020 and (ii) the right to advertise, promote, design, manufacture, distribute menswear products under "HARDY AMIES" brand for the period from 1 April 2016 to 31 December 2021.*

An amortisation charge of HK$55,328,000 from definite useful life licenses (2016: HK$28,838,000) is included in selling, marketing and distribution expenses and amortisation charge of HK$1,616,000 (2016: HK$877,000) is included in general and administrative expenses.

17 Intangible assets *(Continued)*

Impairment tests for goodwill, trademarks and licences with indefinite useful lives

Goodwill is allocated to the Group's operating segments which comprise a group of CGUs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows which are largely independent of the cash inflows from other assets or groups of assets.

All of the Group's goodwill is allocated to the relevant operating segments. An analysis of goodwill allocated to each operating segment as at 31 December 2017 and 31 December 2016 is presented below.

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

Impairment tests for goodwill

In accordance with HKAS 36 "Impairment of Assets", the Group completed its annual 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 end of the reporting period. The recoverable amount of a CGU is determined based on higher of value in use and fair value less costs of disposal calculations. These calculations use cash flow projections based on financial budget covering a five-year period. Cash flows beyond the five-year period are extrapolated in perpetuity using a stable growth rate of 3.0% (2016: 3.0%). The discount rate used is approximately 11.5% (2016: 11.2%) and reflects market assessments of the time value of money and the specific risks relating to the industry. The Group's estimated compound annual sales growth rates ("CAGRs") are expected to be 13.6% (2016: 14.3%) for the Chinese Mainland and 12.3% (2016: 11.2%) for the Hong Kong and Macau businesses. Judgement is required to determine these key assumptions and a downward deviation of these assumptions will affect the cash flow projections negatively and may result in an impairment to goodwill. Although the market will continue to remain volatile in the medium term, Management remains confident of the long term potential of the Group.

17 Intangible assets *(Continued)*

Impairment tests for goodwill *(Continued)*

Other key assumptions used in the calculations are as follows:

	Growth rate (note (i))		Discount rate	
	2017	2016	**2017**	2016
Hong Kong and Macau	**3.0%**	3.0%	**11.5%**	11.2%
Chinese Mainland	**3.0%**	3.0%	**11.5%**	11.2%
Taiwan	**3.0%**	3.0%	**11.5%**	11.2%

Note:

(i) Terminal growth rate beyond the five-year budget period

The estimated recoverable amounts of the Chinese Mainland and Hong Kong and Macau businesses approximate their carrying values (headroom of approximately HK$100 million for each of the businesses), consequently a reasonably possible change in key assumptions would, in isolation, eliminate the headroom by which recoverable amounts of the Chinese Mainland and the Hong Kong and Macau businesses exceed their carrying amounts and cause an impairment loss to be recognised. If the forecast CAGRs in the financial budget covering the five-year period used in the calculation had been lower by 2% points, the recoverable amounts of the Chinese Mainland and Hong Kong and Macau businesses would decrease by HK$173 million and HK$87 million respectively. If the post-tax discount rate used in the calculation had been higher by 0.5% point, the recoverable amounts of the Chinese Mainland and Hong Kong and Macau businesses would decrease by HK$156 million and HK$76 million respectively.

Trademarks and licences with indefinite useful lives

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. Management has performed an annual impairment test of the carrying amount of each trademark as a corporate asset based on the relief-from-royalty method. This valuation uses cash flow projections based on financial projects covering a five-year period, expected royalty rates deriving from the respective trademarks and a post-tax discount rate of 11.5% (2016: 11.2%). The cash flows beyond the five-year period are extrapolated using a growth rate of 3.0% (2016: 3.0%). Management has considered the above assumptions and valuation and concluded that no impairment is required.

18 Loan receivables

	2017 HK$'000	2016 HK$'000
Non-current assets		
Loan receivables	**112,112**	142,225
Less: provision for impairment of loan receivables	**(112,112)**	–
Loan receivables – net	–	142,225
Current assets		
Loan receivable	**58,453**	–
Less: provision for impairment of loan receivable	**(58,453)**	–
Loan receivable – net	–	–

(a) The loan receivables consist of a convertible promissory note purchase agreement and loan agreement with BHB.

The investment was intended to leverage on the strength of the support from BHB to develop the US market. However, the development in US was not up to the Group's expectations and the Management considered the recoverability risk to be high. Consequently, full provision of impairment was recognised for the outstanding note and loans.

The convertible promissory note (denominated in US dollars) carries interest at 5% per annum maturing on 31 December 2027 with a principal amount of US$15.0 million. Under the convertible promissory note purchase agreement, the Group could have an equity interest in BHB up to 75% after exercising the conversion right exercisable from 1 April 2018 to 31 March 2019 or upon the occurrence of certain events under the provisions of the restated convertible promissory note purchase agreement.

The Group has a separate put/call agreement with Heritage Global Partners, LLC ("Heritage"), the sole shareholder of BHB, which allow Heritage to put its remaining 25% interest in BHB to the Group at fair value. The put option would be exercisable between 1 April 2019 and 31 March 2024 by Heritage after the Group has become the owner of 75% of the equity interest in BHB. Heritage would grant a call option to the Group to acquire Heritage's interest in BHB at fair value. The call option would be exercisable by the Group at any time from 1 April 2024 onwards after the Group has become the owner of 75% of the equity interest in BHB.

Besides, the Group has agreed to lend to BHB a loan up to US$9.0 million. The loan (denominated in US dollars) carries interest at 5% per annum maturing on 31 December 2018. The Group has contributed US$7.5 million to BHB for the loan as at 31 December 2017.

(b) The effective interest rate of the convertible promissory note at the end of reporting period was 5.45% (2016: 5.45%).

(c) As at 31 December 2017 and 2016, the carrying amounts of the Group's loan receivables approximated their fair values.

19 Derivative financial instruments

	2017 HK$'000	2016 HK$'000
Non-current assets		
Conversion right embedded in convertible promissory note (Note 4.2(b))	–	6,022
Current assets		
Conversion right embedded in convertible promissory note (Note 4.2(b))	–	–
Forward exchange contracts	890	–
	890	–
Current liabilities		
Forward exchange contracts	–	3,306

20 Deposits, prepayments and other receivables

	2017 HK$'000	2016 HK$'000
Non-current assets		
Rental deposits	45,011	43,575
Prepayments	1,611	1,770
	46,622	45,345
Current assets		
Rental deposits	41,472	36,282
Prepayments	17,055	19,977
Other receivables	31,527	44,640
	90,054	100,899
Total	136,676	146,244

20 Deposits, prepayments and other receivables *(Continued)*

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

	2017 **HK$'000**	2016 HK$'000
HKD	**53,486**	57,839
RMB	**39,493**	34,699
GBP	**22,989**	22,131
EUR	**8,788**	14,390
Macao Patacas ("MOP")	**9,260**	8,828
USD	**–**	5,065
TWD	**1,316**	1,667
Singapore dollars ("SGD")	**1,344**	1,625
	136,676	146,244

As at 31 December 2017 and 2016, the carrying amounts of the Group's deposits, prepayments and other receivables approximated their fair values.

21 Deferred income tax

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:

	2017 **HK$'000**	2016 HK$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**177,109**	157,419
– Deferred income tax assets to be recovered within 12 months	**31,736**	36,184
	208,845	193,603
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	**(291,182)**	(287,405)
– Deferred income tax liabilities to be settled within 12 months	**(5,317)**	(385)
	(296,499)	(287,790)

21 Deferred income tax *(Continued)*

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

	2017 **HK$'000**	2016 HK$'000
At 1 January	**(94,187)**	(113,142)
Credited to consolidated income statement (Note 11)	**10,050**	20,399
Utilisation for the year	**–**	2,343
Exchange differences	**(3,517)**	(3,787)
At 31 December	**(87,654)**	(94,187)

Deferred income tax assets are recognised for deductible temporary differences and tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$130,762,000 (2016 HK$53,370,000) in respect of losses amounting to HK$709,532,000 (2016: HK$257,686,000) that can be carried forward against future taxable income. The unrecognised tax losses of HK$709,532,000 (2016: HK$257,686,000) can be carried forward indefinitely.

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

	Intangible assets-trademarks HK$'000	**Accelerated tax depreciation allowances HK$'000**	**Undistributed profits of subsidiaries and associates HK$'000**	**Others HK$'000**	**Total HK$'000**
At 1 January 2016	257,426	29,232	19,563	12	306,233
Charged/(credited) to the consolidated income statement	–	603	(13,929)	(10)	(13,336)
Utilisation for the year	–	–	(2,343)	–	(2,343)
Exchange differences	(1,571)	(421)	(772)	–	(2,764)
At 31 December 2016	255,855	29,414	2,519	2	287,790
Charged/(credited) to the consolidated income statement	**–**	**(486)**	**1,078**	**–**	**592**
Exchange differences	**6,216**	**1,665**	**236**	**–**	**8,117**
At 31 December 2017	**262,071**	**30,593**	**3,833**	**2**	**296,499**

21 Deferred income tax *(Continued)*

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 2016	2,685	6,286	9,335	27,772	142,187	4,826	193,091
Credited/(charged) to the consolidated income statement	(966)	(842)	1,750	(11,022)	21,435	(3,292)	7,063
Exchange differences	296	(55)	(628)	17	(7,240)	1,059	(6,551)
At 31 December 2016	2,015	5,389	10,457	16,767	156,382	2,593	193,603
Credited/(charged) to the consolidated income statement	**(431)**	**(1,148)**	**(9)**	**1,162**	**11,428**	**(360)**	**10,642**
Exchange differences	**635**	**42**	**100**	**–**	**3,584**	**239**	**4,600**
At 31 December 2017	**2,219**	**4,283**	**10,548**	**17,929**	**171,394**	**2,472**	**208,845**

22 Inventories

	2017 HK$'000	2016 HK$'000
Raw materials	**5,428**	16,164
Work-in-progress	**4,933**	3,981
Finished goods	**611,112**	484,795
Total	**621,473**	504,940

The cost of inventories, write off of inventories and additional provision for impairment of inventories recognised as expense and included in 'cost of sales' amounted to HK$533,510,000 (2016: HK$552,971,000), HK$2,414,000 (2016: HK$1,170,000) and HK$5,065,000 (2016: HK$9,583,000) respectively (Note 7).

23 Trade receivables

	2017 **HK$'000**	2016 HK$'000
Trade receivables	**116,483**	83,229
Less: provision for impairment of trade receivables	**(8,876)**	(2,566)
Trade receivables – net	**107,607**	80,663

Majority of the Group's revenue are retail sales, wholesale sales and licensing income. Retail sales are mainly made in cash or by credit card. Retail sales through department stores are generally collectible within 30 days to 60 days from the invoice date. Wholesale sales are generally collectible within 30 days to 90 days from the invoice date. Licensing income is generally collectible within 120 days from the invoice date. The ageing analysis by invoice date of trade receivables of the Group is as follows:

	2017 **HK$'000**	2016 HK$'000
1-30 days	**53,534**	38,431
31-60 days	**29,467**	22,589
61-90 days	**4,941**	5,512
Over 90 days	**28,541**	16,697
	116,483	83,229

The ageing analysis by due date of trade receivables of the Group is as follows:

	2017 **HK$'000**	2016 HK$'000
Current	**48,004**	47,277
1-30 days	**12,763**	13,595
31-60 days	**30,430**	5,353
61-90 days	**3,648**	4,045
Over 90 days	**21,638**	12,959
	116,483	83,229

23 Trade receivables *(Continued)*

Trade receivables that do not have signs of financial problems or not long outstanding are not considered impaired. Trade receivables of HK$56,135,000 (2016: HK$33,386,000) as at 31 December 2017 were past due but not impaired. These relate to a number of independent department stores and licensees for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	2017 HK$'000	2016 HK$'000
Past due		
Up to 3 months	**46,753**	22,994
4 to 12 months	**11,036**	8,561
Over 12 months	**1,814**	1,831
	59,603	33,386

Trade receivables of HK$8,876,000 (2016: HK$2,566,000) as at 31 December 2017 were impaired and fully provided for. The individually impaired receivables mainly arise from licensees in Europe, which are in unexpectedly difficult economic situations. The ageing of these receivables is as follows:

	2017 HK$'000	2016 HK$'000
Up to 3 months	**88**	–
4 to 12 months	**774**	2,105
Over 12 months	**8,014**	461
	8,876	2,566

23 Trade receivables *(Continued)*

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

	2017 HK$'000	2016 HK$'000
At 1 January	**2,566**	837
Additional provision	**6,048**	1,859
Unused amounts reversed as collected	**(120)**	–
Exchange differences	**382**	(130)
At 31 December	**8,876**	2,566

The creation and release of provision for impaired receivables have been included in 'general and 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.

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

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:

	2017 HK$'000	2016 HK$'000
RMB	**47,635**	28,415
EUR	**18,744**	19,014
GBP	**17,492**	12,777
HKD	**12,088**	7,619
TWD	**9,876**	7,273
MOP	**6,581**	6,039
USD	**2,639**	2,047
Others	**1,428**	45
	116,483	83,229

24 Cash and cash equivalents

	2017 HK$'000	2016 HK$'000
Cash at bank and in hand	**270,888**	362,650
Short-term bank deposits	**120,000**	217,924
Cash and cash equivalents (excluding bank overdrafts)	**390,888**	580,574

Cash, cash equivalents and bank overdrafts include the following for the purposes of the statement of cash flows:

	2017 HK$'000	2016 HK$'000
Cash and cash equivalents	**390,888**	580,574
Bank overdrafts (Note 32)	**(52,705)**	(46,195)
Cash and cash equivalents – net	**338,183**	534,379
Maximum exposure to credit risk	**390,052**	579,775

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 2017, cash and bank balances amounting to HK$146,984,000 (2016: HK$171,515,000) were deposited in the bank accounts in the Chinese Mainland and Taiwan where exchange control applies.

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

	2017 HK$'000	2016 HK$'000
HKD	**241,360**	243,363
RMB	**99,122**	119,813
TWD	**30,288**	35,062
EUR	**4,737**	26,958
SGD	**4,438**	3,844
GBP	**3,670**	7,106
USD	**2,006**	132,318
MOP	**1,674**	10,842
Others	**3,593**	1,268
	390,888	580,574

25 Share capital, share premium and share options

	Number of authorised shares of HK$0.10 each (Thousands)	Number of issued and fully paid shares of HK$0.10 each (Thousands)	Amount		
			Ordinary shares of HK$0.10 each HK$'000	Share premium HK$'000	Total HK$'000
At 1 January 2016, 31 December 2016 and 31 December 2017	**4,000,000**	**1,746,529**	**174,653**	**2,376,850**	**2,551,503**

Share Option Scheme

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

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

	Number of options	Weighted average exercise price HK$
At 1 January 2016	31,980,000	1.99
Forfeited	(11,010,000)	1.96
At 31 December 2016	20,970,000	2.01
Lapsed	(6,990,000)	2.01
At 1 January 2017	**13,980,000**	**2.01**
Share options granted on 24 March 2017	**14,680,000**	**0.60**
Forfeited	**(1,840,000)**	**1.49**
At 31 December 2017	**26,820,000**	**1.27**

On 1 January 2017, 6,990,000 share options lapsed upon the expiry of the exercisable period ended 31 December 2016 and therefore the number of outstanding share options on 1 January 2017 was 13,980,000. During the year, the Company granted 14,680,000 share options, of which an aggregate of 4,000,000 share options were granted to two Executive Directors and one Non-Executive Director (2016: nil). At the end of the year, there were 26,820,000 (31 December 2016: 20,970,000) outstanding share options and out of which, 12,820,000 share options were exercisable (31 December 2016: 13,980,000). Aggregating the said 6,990,000 lapsed share options and 1,840,000 share options forfeited during the year, the total number of lapsed/forfeited share options was 8,830,000 at 31 December 2017. The Company has no legal or constructive obligation to settle the share options in cash.

The outstanding share options as at 31 December 2017 were granted under the Share Option Scheme.

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

Share Option Scheme *(Continued)*

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

Exercisable periods	Exercise price	2017	2016
1 April 2015 to 31 December 2016	HK$2.01	–	6,990,000
1 January 2016 to 31 December 2017	HK$2.01	**6,410,000**	6,990,000
1 January 2017 to 31 December 2018	HK$2.01	**6,410,000**	6,990,000
1 January 2018 to 31 December 2019	HK$0.60	**14,000,000**	–
At 31 December		**26,820,000**	20,970,000

No share options were exercised during the year ended 31 December 2017 and 2016.

The share options outstanding at 31 December 2017 had a weighted average remaining contractual life of 1.29 years (2016: 1.0 year).

The fair value of share options granted was determined using the Black-Scholes valuation model based on the following assumptions:

	Share options granted on 24 March 2017
Average fair value (HK$)	**0.14**
Closing share price on date of grant (HK$)	**0.60**
Exercise price (HK$)	**0.60**
Expected volatility	**51.86%**
Expected option life	**1.77 years**
Risk free interest rate	**1.0%**
Expected dividend yield	**4.69%**

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

26 Reserves

	Retained earnings/ (Accumulated losses) HK$'000	Merger reserves HK$'000 (note (a))	Other reserve HK$'000 (note (b))	Statutory reserves HK$'000 (note (c))	Translation reserve HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
Balance at 1 January 2017	**444,779**	**(217,064)**	**(37,623)**	**11,247**	**(61,004)**	**9,122**	**149,457**
Comprehensive expense							
Loss for the year	**(608,348)**	–	–	–	–	–	**(608,348)**
Other comprehensive (expenses)/income							
Remeasurements of post employment benefit obligations	**(3,544)**	–	–	–	–	–	**(3,544)**
Exchange differences on translation of subsidiaries	–	–	–	–	**76,708**	–	**76,708**
Other comprehensive (expenses)/ income for the year, net of tax	**(3,544)**	–	–	–	**76,708**	–	**73,164**
Total comprehensive (expenses)/ income	**(611,892)**	–	–	–	**76,708**	–	**(535,184)**
Transactions with owners							
Employee share option scheme							
– value of employee services	–	–	–	–	–	**2,000**	**2,000**
– transfer to retained earnings	**3,185**	–	–	–	–	**(3,185)**	–
Transfer from retained earnings	**(2,535)**	–	–	**2,535**	–	–	–
Total transactions with owners	**650**	–	–	**2,535**	–	**(1,185)**	**2,000**
Balance at 31 December 2017	**(166,463)**	**(217,064)**	**(37,623)**	**13,782**	**15,704**	**7,937**	**(383,727)**

26 Reserves *(Continued)*

	Retained earnings HK$'000	Merger reserves HK$'000 (note (a))	Other reserve HK$'000 (note (b))	Statutory reserves HK$'000 (note (c))	Translation reserve HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
Balance at 1 January 2016	887,043	(217,064)	(37,623)	5,949	(10,712)	11,502	639,095
Comprehensive expense							
Loss for the year	(441,476)	–	–	–	–	–	(441,476)
Other comprehensive expenses							
Remeasurements of post employment benefit obligations	1,622	–	–	–	–	–	1,622
Exchange differences on translation of subsidiaries and associates	–	–	–	–	(47,545)	–	(47,545)
Exchange differences realised upon disposal of investments in associates	–	–	–	–	(2,747)	–	(2,747)
Other comprehensive expenses for the year, net of tax	1,622	–	–	–	(50,292)	–	(48,670)
Total comprehensive expenses	(439,854)	–	–	–	(50,292)	–	(490,146)
Transactions with owners							
Employee share option scheme							
– value of employee services	–	–	–	–	–	508	508
– transfer to retained earnings	2,888	–	–	–	–	(2,888)	–
Transfer from retained earnings	(7,842)	–	–	7,842	–	–	–
Transfer of reserve upon disposal of investments in associates	2,544	–	–	(2,544)	–	–	–
Total transactions with owners	(2,410)	–	–	5,298	–	(2,380)	508
Balance at 31 December 2016	444,779	(217,064)	(37,623)	11,247	(61,004)	9,122	149,457

Notes:

(a) Merger reserves mainly represent 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) Other reserve resulted from the remaining acquisition of non-controlling interest.

(c) In accordance with the relevant rules and regulations in the Chinese Mainland, Macau and France, the Group's subsidiaries registered in the respective countries are required to appropriate a certain percentage of the statutory profit after tax to the statutory general reserve fund until such reserve fund reaches certain percentage of the respective registered capital. Subject to certain restrictions set out in the relevant regulations in respective countries and in the subsidiaries' articles of association, the statutory general reserve fund may be used either to offset losses, or for capitalisation issue by way of paid-up capital. The fund cannot be used for purposes other than those for which they are created and are not distributable as cash dividends.

27 Provision for long service payments

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employee's final salary and years of service, and is reduced by entitlements accrued under the Group's defined contribution retirement scheme that is attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations.

The liability recognised in the consolidated statement of financial position is the present value of unfunded obligations and its movements are as follows:

	2017 **HK$'000**	2016 HK$'000
At 1 January	**6,309**	7,151
Charged to the consolidated income statement – as shown below	**2,200**	3,190
Payments made during the year	**(7,724)**	(2,455)
Actuarial gains recognised in other comprehensive expenses	**(17)**	(1,577)
At 31 December	**768**	6,309

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

	2017 **HK$'000**	2016 HK$'000
Current service cost	**2,042**	3,012
Interest cost	**158**	178
Total, included in employee benefit expenses (included in general and administrative expenses)	**2,200**	3,190

The total charge of HK$2,200,000 (2016: HK$3,190,000) was included in general and administrative expenses.

The principal assumptions used as at 31 December are as follows:

	2017	2016
Discount rate	**1.8%**	1.4%
Future salary growth rate	**2.0%**	2.0%
Inflation rate	**2.0%**	2.6%

28 Retirement benefit obligations

	2017 HK$'000	2016 HK$'000
Statement of financial position obligations for:		
– Pension benefits	**24,760**	24,183

	2017 HK$'000	2016 HK$'000
Income statement charge for:		
– Pension benefits (included in general and administrative expenses)	**752**	953
Remeasurements for:		
– Pension benefits (included in other comprehensive income/(expenses))	**3,561**	(45)

The Group operates defined benefit pension plans in Taiwan and the United Kingdom respectively. The assets of the funded plans are held independently of the Group's assets in separate trustee administered funds. (i) Taiwan: The latest independent actuarial valuation of the plan was prepared by Mercer (Taiwan) Limited, which is a member of the American Academy of Actuaries, based on the projected unit credit method as at 31 December 2017. (ii) United Kingdom: The latest independent actuarial valuation of the plan was prepared by Barnett Waddingham LLP, which is a member of the Institute and Faculty of Actuaries, based on the projected unit credit method as at 31 December 2017.

All of the plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. The majority of benefit payments are from trustee administered funds. Plan assets held in trusts are governed by local regulations and practice in each country. For the Taiwan and UK plans, responsibility for governance of the plans – including investment decisions and contribution schedules – lies mainly on the board of trustees.

The amounts recognised in the consolidated statement of financial position are determined as follows:

	2017 HK$'000	2016 HK$'000
Present value of funded obligations	**127,796**	109,585
Fair value of plan assets	**(103,036)**	(85,402)
Liability in the consolidated statement of financial position	**24,760**	24,183

28 Retirement benefit obligations *(Continued)*

The movement in the net defined benefit obligation over the year is as follows:

	Present value of obligation HK$'000	Fair value of plan assets HK$'000	Total HK$'000
At 1 January 2017	**109,585**	**(85,402)**	**24,183**
Current service cost	270	–	270
Interest expense/(income)	2,834	(2,352)	482
	3,104	(2,352)	752
Remeasurements:			
– Return on plan assets, excluding interest income	–	(8,018)	(8,018)
– Losses from change in financial assumptions	4,958	–	4,958
– Losses from change in demographic assumptions	3,001	–	3,001
– Experience losses	3,620	–	3,620
	11,579	(8,018)	3,561
Contributions:			
– Employers	–	(6,140)	(6,140)
Payments from plans:			
– Benefit payments	(2,746)	2,746	–
Exchange differences	6,274	(3,870)	2,404
At 31 December 2017	**127,796**	**(103,036)**	**24,760**

28 Retirement benefit obligations *(Continued)*

The movement in the net defined benefit obligation over the year is as follows: *(Continued)*

	Present value of obligation HK$'000	Fair value of plan assets HK$'000	Total HK$'000
At 1 January 2016	119,182	(89,658)	29,524
Current service cost	291	–	291
Interest expense/(income)	3,694	(3,032)	662
	3,985	(3,032)	953
Remeasurements:			
– Return on plan assets, excluding interest income	–	(13,045)	(13,045)
– Losses from change in financial assumptions	21,638	–	21,638
– Gain from change in demographic assumptions	(4,468)	–	(4,468)
– Experience gains	(4,170)	–	(4,170)
	13,000	(13,045)	(45)
Contributions:			
– Employers	–	(4,739)	(4,739)
Payments from plans:			
– Benefit payments	(5,019)	5,019	–
Exchange differences	(21,563)	20,053	(1,510)
At 31 December 2016	109,585	(85,402)	24,183

The defined benefit obligation and plan assets are composed by country as follows:

	2017			2016		
	Taiwan HK$'000	**UK HK$'000**	**Total HK$'000**	Taiwan HK$'000	UK HK$'000	Total HK$'000
Present value of obligation	**18,764**	**109,032**	**127,796**	20,157	89,428	109,585
Fair value of plan assets	**(5,404)**	**(97,632)**	**(103,036)**	(4,908)	(80,494)	(85,402)
Total	**13,360**	**11,400**	**24,760**	15,249	8,934	24,183

28 Retirement benefit obligations *(Continued)*

The significant actuarial assumptions were as follows:

	2017		2016	
	Taiwan	**UK**	Taiwan	UK
Discount rate	**1.00%**	**2.50%**	1.50%	2.70%
Future salary growth rate and/or inflation	**2.25%**	**2.40%**	2.25%	2.50%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. For Taiwan plans, pensioners are entitled to receive a lump sum amount upon retiring at age 65 or retiring at an earlier age when certain criteria are met. As such, assumptions translating into an average life expectancy in years for a pensioner retiring at age 65 are not applicable for Taiwan plans. For UK plan, these assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2017		2016	
	Taiwan	**UK**	Taiwan	UK
Retiring at the end of the year:				
– Male	**N/A**	**22**	N/A	22
– Female	**N/A**	**24**	N/A	24
Retiring 20 years after the end of year:				
– Male	**N/A**	**24**	N/A	23
– Female	**N/A**	**26**	N/A	26

The sensitivity of the retirement benefit obligations in Taiwan and UK plans to changes in the weighted principal assumption is:

		Impact on retirement benefit obligations			
		Increase in assumption		**Decrease in assumption**	
	Change in assumption	**2017**	2016	**2017**	2016
(i) Taiwan plans:					
– Discount rate	0.50%	**Decrease by 7.4%**	Decrease by 7.9%	**Increase by 8.0%**	Increase by 8.6%
– Future salary growth rate	0.50%	**Increase by 7.8%**	Increase by 8.5%	**Decrease by 7.3%**	Decrease by 7.9%
(ii) UK plan:					
– Discount rate	0.10%	**Decrease by 17.62%**	Decrease by 18.44%	**Increase by 17.62%**	Increase by 18.44%
– Inflation	0.10%	**Increase by 12.82%**	Increase by 14.39%	**Decrease by 12.82%**	Decrease by 14.39%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the consolidated statement of financial position.

28 Retirement benefit obligations *(Continued)*

Plan assets are comprised as follows:

	2017		2016	
	Un-quoted HK$'000	**%**	Un-quoted HK$'000	%
Equities	**38,077**	**37%**	33,808	40%
Bonds and Gilts	**14,645**	**14%**	8,049	9%
Diversified Growth Fund	**44,910**	**44%**	38,637	45%
Cash	**5,404**	**5%**	4,908	6%
Total	**103,036**	**100%**	85,402	100%

Through its defined benefit pension plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility	It is legally required that the pension funds need to be deposited at the Bank of Taiwan. The plan assets are operated by the Taiwan government with minimum guaranteed return and individual company has no discretion on investment strategy. The UK plan holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
Interest rate risk	The UK plan's liabilities are assessed using market yield on high quality corporate bonds to discount the liabilities. As the plan holds assets such as equities the value of the assets and liabilities may not move in the same way.

Investments are held as cash in Taiwan. Investments are held as equities, bonds and gilts, diversified growth fund and cash in UK.

Funding levels are monitored on an annual basis and the current agreed contribution rate is 2% of pensionable salaries in Taiwan. The Group considers that the contribution rates set at the last valuation date are sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs, will not increase significantly. For UK plan, it closed the defined benefit scheme to new entrants and introduced a defined contribution scheme for all employees joining after May 2001.

28 Retirement benefit obligations *(Continued)*

Expected contributions to post-employment benefit plans for the year ending 31 December 2018 are HK$4,950,000 (2017: HK$1,104,900).

The weighted average duration of the defined benefit obligation are 11.9 years (2016: 12.6 years) for Taiwan plans and 19.0 years (2016: 17.0 years) for UK plan.

Expected maturity analysis of undiscounted pension benefits for Taiwan plans in the future 10 years:

At 31 December 2017	**Less than a year HK$'000**	**Between 1-2 years HK$'000**	**Between 2-5 years HK$'000**	**Between 5-10 years HK$'000**	**Total HK$'000**
Pension benefits	**214**	**899**	**558**	**6,338**	**8,009**

At 31 December 2016	Less than a year HK$'000	Between 1-2 years HK$'000	Between 2-5 years HK$'000	Between 5-10 years HK$'000	Total HK$'000
Pension benefits	238	215	1,337	6,598	8,388

29 Other payables and accruals

	2017 HK$'000	2016 HK$'000
Non-current		
Royalties payables (note (i))	**128,665**	188,702
Accrued expenses	**4,772**	–
	133,437	188,702
Current		
Royalties payables	**62,851**	41,972
Value-added-tax payable	**5,757**	16,096
Sales deposits received	**26,442**	25,004
Lease incentive	**14,774**	18,831
Other payables	**125,594**	41,414
Accrued expenses (note (ii))	**162,631**	143,966
	398,049	287,283
Total	**531,486**	475,985

Notes:

(i) The royalties payable represents the present value of minimum guaranteed royalties which were capitalised as definite life licences as disclosed in Note 17.

(ii) Accrued expenses include employee benefits cost amounted to HK$62,554,000 as at 31 December 2017 (2016: HK$60,154,000).

As at 31 December 2017 and 2016, the carrying amounts of the Group's other payables and accruals approximated their fair values.

30 Trade payables

	2017 HK$'000	2016 HK$'000
Trade payables	**131,606**	62,518

As at 31 December 2017 and 2016, the carrying amounts of the Group's trade payables approximated their fair values.

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

	2017 HK$'000	2016 HK$'000
1–30 days	**53,031**	33,204
31–60 days	**49,999**	12,090
61–90 days	**14,126**	8,015
Over 90 days	**14,450**	9,209
	131,606	62,518

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

	2017 HK$'000	2016 HK$'000
EUR	**68,058**	31,377
HKD	**11,608**	12,697
GBP	**15,341**	10,161
RMB	**1,011**	3,389
JPY	**2,478**	3,375
USD	**33,110**	1,519
	131,606	62,518

31 Contingent purchase consideration payable for acquisition

	2017 HK$'000	2016 HK$'000
Total contingent purchase consideration payable for acquisition (note)	**68,099**	181,758
Less: current portion of contingent purchase consideration payable for acquisition	**–**	–
Non-current portion of contingent purchase consideration payable for acquisition	**68,099**	181,758

Note: Balances represent management's best estimation of the fair values of contingent purchase consideration payable for the acquisition of Gieves & Hawkes trademark entities. Final amount of consideration settlement would be determined based on future performance of the acquired business.

32 Borrowings

	2017 HK$'000	2016 HK$'000
Non-current		
Bank borrowings	**407,132**	565,579
Current		
Bank overdrafts (Note 24)	**52,705**	46,195
Bank borrowings	**1,100,430**	692,478
	1,153,135	738,673
Total borrowings	**1,560,267**	1,304,252

(a) The Group's bank borrowings are repayable as follows:

	2017 HK$'000	2016 HK$'000
Within 1 year	**1,100,430**	692,478
Between 1 and 2 years	**407,132**	157,946
Between 2 and 5 years	–	407,633
	1,507,562	1,258,057

(b) The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
HKD	**1,470,204**	1,225,353
EUR	**40,756**	32,704
GBP	**49,307**	45,646
TWD	–	549
	1,560,267	1,304,252

(c) The Group's current borrowings are subject to floating interest rates and the contractual repricing dates at the end of the reporting periods are within 6 months. The Group's non-current borrowings are subject to fixed interest rate and floating interest rates. The effective interest rates at the end of reporting period were as follows:

	2017	2016
HKD	**2.17%**	1.85%
EUR	**1.49%**	1.50%
GBP	**1.25%**	1.71%
TWD	**N/A**	7.84%

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

(e) As at 31 December 2017, the Group has unutilised banking facilities amounted to HK$730 million (2016: HK$1,018 million).

33 Cash used in operations

(a) Reconciliation of loss before income tax to cash used in operations

	2017 HK$'000	2016 HK$'000
Loss before income tax	**(607,458)**	(440,910)
Adjustments for:		
– Share of loss of associates	–	1,076
– Gain on disposal of investment in associates	–	(16,514)
– Provision for impairment of loan receivables and remeasurement loss on derivative (Note 9)	**176,636**	–
– Gain on remeasurement of contingent purchase consideration payable for acquisition (Note 9)	**(119,721)**	–
– Interest income (Note 10)	**(10,544)**	(8,231)
– Interest expense (Note 10)	**38,999**	27,257
– Depreciation of property, plant and equipment (Note 16)	**79,946**	89,132
– Amortisation of intangible assets (Note 17)	**56,944**	29,715
– Provision for impairment of property, plant and equipment (Note 16)	**8,871**	2,429
– Net loss on disposal of property, plant and equipment (Note 7)	**11,223**	6,307
– Additional provision for impairment of trade receivables – net (Note 23)	**5,928**	1,859
– Write off of trade receivables	–	15,186
– Net contributions to long service payment provision and retirement benefit obligation	**(10,912)**	(3,051)
– Employee share option benefit (Note 26)	**2,000**	508
– Foreign exchange losses/(gains)	**11,633**	(11,013)
Changes in working capital		
– Inventories	**(80,839)**	60,774
– Trade and other receivables	**(7,217)**	83,058
– Trade and other payables	**92,664**	(35,248)
– Derivative financial instruments	**(4,196)**	3,306
– Balances with related parties	**27,442**	(32,842)
Cash used in operations	**(328,601)**	(227,202)

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

	2017 HK$'000	2016 HK$'000
Net book amount (Note 16)	**11,517**	6,460
Net loss on disposal of property, plant and equipment (Note 7)	**(11,223)**	(6,307)
Proceeds from disposal of property, plant and equipment	**294**	153

In 2016, the principal non-cash transaction includes the capitalisation of minimum guaranteed royalties payable of HK$24,873,000 as a definite life licence as disclosed in Note 17.

33 Cash used in operations *(Continued)*

(b) The reconciliation of liabilities arising from financing activities is as follows:

	2017 HK$'000	2016 HK$'000
Bank borrowings		
As at 1 January	**1,258,057**	650,820
Proceeds from borrowings	**522,121**	1,220,000
Repayment of borrowings	**(278,995)**	(607,181)
Front end fee paid	–	(5,180)
Amortisation of front end fee	**1,726**	533
Exchange differences	**4,653**	(935)
As at 31 December	**1,507,562**	1,258,057
Bank overdrafts	**52,705**	46,195
As at 31 December	**1,560,267**	1,304,252

34 Contingent liabilities

Save as disclosed elsewhere in this report, the Group had no significant contingent liabilities as at 31 December 2017 and 2016.

35 Commitments

(a) Commitments under operating leases – group company as lessee

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The remaining lease terms are between 1 and 22 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. Certain contingent rent payments are determined based on turnover of respective stores.

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

	2017 HK$'000	2016 HK$'000
No later than 1 year	**278,117**	290,872
Later than 1 year but no later than 5 years	**305,701**	330,457
Later than 5 years	**85,324**	77,769
	669,142	699,098

35 Commitments *(Continued)*

(b) Commitments under operating leases – group company as lessor

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

	2017 HK$'000	2016 HK$'000
No later than 1 year	**2,845**	2,576
Later than 1 year but no later than 5 years	**11,378**	1,932
Later than 5 years	**5,239**	–
	19,462	4,508

(c) Capital commitments

	2017 HK$'000	2016 HK$'000
Contracted but not provided for:		
Within 1 year	**752**	1,063
Later than 1 year but no later than 2 years	**79**	–
	831	1,063

(d) Other commitments

	2017 HK$'000	2016 HK$'000
Contracted but not provided for:		
Within 1 year	**768**	–

36 Related party transactions

(a) Significant related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Transactions with related parties were determined on basis agreed by both parties and were conducted in the normal course of business.

Majority of the Group's related parties are companies associated with or controlled by Fung Holdings (1937) Limited, a substantial shareholder of the Company (collectively, the "Substantial Shareholder Group"). And three Non-executive Directors of the Company, namely, Dr Victor FUNG Kwok King, Ms Sabrina FUNG Wing Yee and Dr William FUNG Kwok Lun, had deemed interests therein.

36 Related party transactions *(Continued)*

(a) Significant related party transactions *(Continued)*

The Group's connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") are disclosed in the Connected Transactions section of the Directors' Report on pages 67 to 69. Other than the related party transactions disclosed elsewhere, significant related party transactions of the Group during the year were as follows:

	Note	2017 HK$'000	2016 HK$'000
(I) Transactions with the Substantial Shareholder Group			
Sub-contracting fee expense for production of product parts	(i)	–	8,149
Purchase of goods	(v)	626	13,950
Transactions relating to sourcing activities	(ii)	377,645	722
Cost reimbursements for sourcing related activities	(v)	12,394	22,596
Sales of garments and fashion accessories		66,828	84,951
Management fee income for provision of accounting, information system and human resources services (Note 8)	(v)	2,987	606
Service fee expense for provision of corporate compliance services, legal services, e-Commerce and other administrative expenses	(v)	8,037	6,517
Service charges for provision of logistics related services		10,091	10,383
Rental income (Note 8)	(v)	144	170
Rentals for property leasing and/or licensing		13,165	7,610
Rental deposits paid for property leasing and/or licensing	(v)	2,127	–
Purchase of property, plant and equipment	(iii)	–	9,236
Royalty expenses – amortisation of licences	(iv)	55,328	28,838
(II) Transactions with other related parties			
Consultancy and advisory service fee paid to directors of subsidiaries of the Company	(v)	887	1,054
Service fee for marketing services paid to an associate of a director of the Company	(v)	778	–
Reimbursement of marketing cost paid to an associate of a director of the Company	(v)	1,779	–

Notes:

(i) During the year ended 31 December 2016, the Group had incurred expenses in respect of sub-contracting services for production of product parts by associated companies of the Substantial Shareholder Group.

36 Related party transactions *(Continued)*

(a) Significant related party transactions *(Continued)*

Other than the related party transactions disclosed elsewhere, significant related party transactions of the Group during the year were as follows: *(Continued)*

Notes: (Continued)

(ii) *The amounts stated which were made on normal commercial terms and conditions mutually agreed between the Group and the related companies as buying agent, include the sourcing service fee and the underlying purchases value.*

	2017 HK$'000	2016 HK$'000
Sourcing service fee to related companies	**40,776**	722
FOB value of the underlying purchases	**336,869**	–
	377,645	722

(iii) *According to the agreement entered into between the Group, Hardy Amies London Limited ("HALL") and No. 14 Savile Row Management Limited on 21 March 2016, the Group purchased property, plant and equipment of GBP830,000 (equivalent to HK$9,236,000) and obtained a definite life licence for the right to advertise, promote, design, manufacture, distribute menswear products under "HARDY AMIES" brand for the period from 1 April 2016 to 31 December 2021 with the minimum royalty of HK$24,873,000 (Note 17) recognised as intangible asset.*

(iv) *For the year ended 31 December 2017, total royalty expense of HK$55,328,000 (2016: HK$28,838,000) was amortised relating to the licence rights of Kent & Curwen and Hardy Amies trademarks.*

(v) *Included in these transactions, certain amounts are exempt from the reporting and disclosure requirements under the Listing Rules.*

(b) Year-end balance with related parties

	2017 HK$'000	2016 HK$'000
Due from		
Substantial Shareholder Group	**3,661**	3,379
Due to		
Substantial Shareholder Group	**36,702**	7,962

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

(c) The compensation paid or payable to key management personnel of the Group, including amounts paid to certain directors and certain of the highest paid employees as disclosed in Notes 13 and 14, is as follows:

	2017 HK$'000	2016 HK$'000
Salaries, bonuses and other short-term employee benefits	**27,157**	32,740
Pension costs – defined contribution plans	**832**	290
Employee share option benefit	**886**	964
Compensation for termination pursuant to the employment contract	**–**	3,884
Total	**28,875**	37,878

(d) Save as disclosed above and directors' remuneration and individuals with highest emoluments as set out in Note 13 and Note 14 to the consolidated financial statements, the Group has no other material related party transactions during the year.

37 Statement of financial position and reserves movement of the Company

(a) Statement of financial position of the Company

	Note	**2017 HK$'000**	2016 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**2,165,470**	2,688,201
Current assets			
Prepayments and other receivable		**3,817**	4,041
Amounts due from subsidiaries		**1,267,009**	1,271,123
Cash and cash equivalents		**164**	304
		1,270,990	1,275,468
Total assets		**3,436,460**	3,963,669
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	25	**174,653**	174,653
Share premium	25	**2,376,850**	2,376,850
Reserves		**353,101**	769,632
Total equity		**2,904,604**	3,321,135
LIABILITIES			
Non-current liabilities			
Contingent purchase consideration payable for acquisition		**68,099**	181,758
Current liabilities			
Other payables and accruals		**79,396**	5,823
Amounts due to subsidiaries		**384,361**	454,953
		463,757	460,776
Total liabilities		**531,856**	642,534
Total equity and liabilities		**3,436,460**	3,963,669

Approved by the Board of Directors on 26 March 2018

Victor FUNG Kwok King
Director

Jeremy Paul Egerton HOBBINS
Director

37 Statement of financial position and reserves movement of the Company *(Continued)*

(b) Reserves movement of the Company

	Retained earnings HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
Balance at 1 January 2017	**760,510**	**9,122**	**769,632**
Loss for the year	**(418,531)**	–	**(418,531)**
Employee share option scheme			
– value of employee services	–	**2,000**	**2,000**
– transfer to retained earnings	**3,185**	**(3,185)**	–
Balance at 31 December 2017	**345,164**	**7,937**	**353,101**
Balance at 1 January 2016	770,584	11,502	782,086
Loss for the year	(12,962)	–	(12,962)
Employee share option scheme			
– value of employee services	–	508	508
– transfer to retained earnings	2,888	(2,888)	–
Balance at 31 December 2016	760,510	9,122	769,632

38 Events after the reporting period

Termination of Hardy Amies licensing agreements

On 1 April 2016, the Group entered into licence agreements with Hardy Amies London Limited ("HALL") and Hardy Amies (International) Pte Limited ("HA Singapore") for a term starting from 1 April 2016 and ending 31 December 2021 ("Hardy Amies licensing agreements"). Under the terms of the respective licence agreements, each of HALL and HA Singapore granted to the Group, among other things, the right to use the HARDY AMIES trademarks in the design, manufacture, distribution and retail of certain products under the "Hardy Amies" brand.

On 15 March 2018, the Group terminated the aforesaid agreements with no further compensation.

Subscription of New Shares

On 8 November 2017, the Company conditionally agreed to allot and issue to Shandong Ruyi International Fashion Industry Investment Holding Company Limited (the "Subscriber"), and the Subscriber has conditionally agreed to subscribe for 1,846,000,000 Shares respectively at the Subscription Price of HK$1.20 per Share (the "Subscription"). As at 26 March 2018, the transaction is pending completion.

The gross proceeds and the net proceeds, after certain transaction costs, from the Subscription will be approximately HK$2,215 million and HK$2,206 million respectively. It is intended that the net proceeds from the Subscription will be utilised for future investments, working capital and partial settlement of the bank borrowings.

39 Details of subsidiaries

As at 31 December 2017, the Company has direct and indirect interest in the following subsidiaries:

Company name	Date of incorporation	Place of incorporation/ operations	Principal activities	Particulars of issued share capital/ paid-in capital	Interest held	
					directly	indirectly
Trinity International Brands Holdings Limited	8 December 2006	British Virgin Islands	Investment holding	USD1	100%	–
Trinity Brands Limited	12 May 2006	British Virgin Islands	Investment holding	USD1	100%	–
Trinity Services Holdings Limited	8 December 2006	British Virgin Islands	Investment holding	USD1	100%	–
Marvinbond Limited	8 June 1993	British Virgin Islands	Investment holding	USD1	100%	–
Cerruti 1881 SAS	23 March 1967	France	Trading of garments & licensing	EUR11,485,166	–	100%
Cerruti Investment Pte. Ltd.	28 January 2011	Singapore	Holding of trademarks	SGD300,000	–	100%
Champion Distributions Limited	6 August 1997	Hong Kong	Investment holding & licensing	HK$1,000,000	–	100%
逸貿服飾銷售(上海)有限公司 (Champion Fashion Distributions (Shanghai) Ltd) (note)	27 June 2005	PRC	Inactive	RMB3,000,000	–	100%
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	Investment holding	HK$1,000,000	–	100%
永盈服飾銷售(上海)有限公司 (Concord Fashion Distributions (Shanghai) Ltd) (note)	18 May 2005	PRC	Inactive	RMB3,000,000	–	100%
利永(澳門)有限公司 (DBN (Macau) Limited)	16 August 2012	Macau	Inactive	MOP25,000	–	100%

39 Details of subsidiaries *(Continued)*

As at 31 December 2017, the Company has direct and indirect interest in the following subsidiaries: *(Continued)*

Company name	Date of incorporation	Place of incorporation/ operations	Principal activities	Particulars of issued share capital/ paid-in capital	Interest held directly	Interest held indirectly
Ferrinch (L) Limited	5 August 1996	Federal Territory of Labuan, Malaysia	Investment holding	USD3,001,500	–	100%
Gieves and Hawkes International (BVI) Limited	23 January 2001	British Virgin Islands	Investment holding & holding of trademarks & licensing	USD1	–	100%
Gieves Limited	6 October 1971	England and Wales	Wholesaling, retailing & tailoring businesses and e-Commerce operator	GBP10,100	–	100%
Gieves & Hawkes International Limited	15 March 1984	England and Wales	Trademark licensing	GBP250,000	–	100%
Gieves & Hawkes Limited	18 October 1979	England and Wales	Investment holding	GBP5,111,097	–	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%
LiFung Trinity Management (Singapore) Pte. Ltd.	21 March 2007	Singapore	Holding of trademarks	SGD300,000	–	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%

39 Details of subsidiaries *(Continued)*

As at 31 December 2017, the Company has direct and indirect interest in the following subsidiaries: *(Continued)*

Company name	Date of incorporation	Place of incorporation/ operations	Principal activities	Particulars of issued share capital/ paid-in capital	Interest held directly	Interest held indirectly
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%
Toga Investments France SARL	20 July 2006	France	Investment holding	EUR27,004,728	–	100%
Trinity Brands UK Limited	17 March 2016	England and Wales	Wholesaling, retailing & tailoring businesses and e-Commerce operator	GBP1,000,000	–	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 & 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	Inactive	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%
利邦(上海)服裝貿易有限公司 (Trinity Distributions & Retails (Shanghai) Limited) (note)	27 October 2006	PRC	Trading of garments	RMB160,000,000	–	100%
Trinity Fashions Limited	21 December 2006	Hong Kong	Investment holding	HK$5,000,000	–	100%
Trinity Fashion Swiss SAGL (In members' voluntary liquidation)	31 August 2015	Switzerland	Inactive	CHF250,000	–	100%
Trinity International Brands Limited	18 May 2006	Hong Kong	Investment holding & trading of garments	HK$5,000,000	–	100%

39 Details of subsidiaries *(Continued)*

As at 31 December 2017, the Company has direct and indirect interest in the following subsidiaries: *(Continued)*

Company name	Date of incorporation	Place of incorporation/ operations	Principal activities	Particulars of issued share capital/ paid-in capital	Interest held	
					directly	indirectly
Trinity (Business Wear) Limited	2 February 1973	Hong Kong	Inactive	HK$3,900,000	–	100%
Trinity (Management Services) Limited	6 April 2006	Hong Kong	Provision of management services	HK$1	–	100%
Trinity Luxury Brands Holdings Limited	11 October 1999	British Virgin Islands	Investment holding	USD1	–	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 & licensing	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:

	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017** **HK$'000**
Consolidated results					
Revenue	2,695,935	2,623,584	1,914,053	1,776,962	**1,701,334**
Core operating profit/(loss) (note)	345,008	95,284	(273,444)	(406,485)	**(440,993)**
Profit/(loss) before income tax	369,449	184,198	(128,964)	(440,910)	**(607,458)**
Income tax	(61,241)	(23,334)	40,446	(566)	**(890)**
Profit/(loss) for the year	308,208	160,864	(88,518)	(441,476)	**(608,348)**
Attributable to:					
Shareholders of the Company	308,208	160,864	(88,518)	(441,476)	**(608,348)**
Assets					
Non-current assets	3,778,328	3,701,559	3,911,719	3,790,130	**3,612,469**
Current assets	2,337,814	1,441,609	1,121,142	1,272,656	**1,216,568**
Total assets	6,116,142	5,143,168	5,032,861	5,062,786	**4,829,037**
Equity and liabilities					
Total equity	3,439,635	3,396,611	3,190,598	2,700,960	**2,167,776**
Liabilities					
Non-current liabilities	695,217	605,530	882,060	1,254,321	**930,695**
Current liabilities	1,981,290	1,141,027	960,203	1,107,505	**1,730,566**
Total liabilities	2,676,507	1,746,557	1,842,263	2,361,826	**2,661,261**
Total equity and liabilities	6,116,142	5,143,168	5,032,861	5,062,786	**4,829,037**

Note:

Core operating profit/(loss) includes profit/(loss) of the retail, wholesale and licensing businesses before net finance costs, income tax, gain on remeasurement of contingent purchase consideration payable for acquisition and material gains or losses which are of capital nature or non-operational related and share of results of associated companies.

Additional Information

Sales Analysis – 2017 Full Year

	Change in Total Sales		Change in Same Store Sales	
	HK$	Local Currency	HK$	Local Currency
Retail				
Chinese Mainland	–0.3%	2.3%	1.1%	3.8%
Hong Kong & Macau	–3.6%	–3.6%	–3.4%	–3.4%
Taiwan	–1.3%	–6.5%	–0.8%	–6.1%
Rest of the World	–1.0%	3.9%	–6.2%	–1.0%
Retail Subtotal	–1.6%	–0.3%	–1.6%	–0.5%
Wholesale and Licensing	–21.6%	–20.9%		
Group Total	–4.3%	–3.1%		

Retail Sales Analysis – 2017 1st Half and 2nd Half

	Change in Total Sales			
	For the six months ended 30 June 2017		For the six months ended 31 December 2017	
	HK$	Local Currency	HK$	Local Currency
Retail*				
Chinese Mainland	–2.8%	3.5%	2.3%	1.2%
Hong Kong & Macau	–4.9%	–4.9%	–2.4%	–2.4%
Taiwan	–7.0%	–11.8%	4.5%	–1.3%
Rest of the World	–10.3%	1.5%	8.0%	6.1%
Retail Total	–4.5%	–0.8%	1.4%	0.2%

* *e-Commerce sales increased by 115.6% in 2017 compared to 2016.*

www.trinitygroup.com