ANNUAL REPORT 2018

TRINITY

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 Shanghai

Hong Kong, SAR

Taiwan Taipei

France Paris

United Kingdom London

如意

A Ruyi Group Company

Contents

Corporate Information

Executive Directors

SUN Weiying *(Chief Executive Officer)*

Paul David HAOUZI *(President)*

QIU Chenran

SU Xiao

Kelvin HO Cheuk Yin *(Chief Strategy Officer)*

Non-executive Directors

QIU Yafu *(Chairman)*

Sabrina FUNG Wing Yee *(Deputy Chairman)*

Daniel LALONDE

WONG Yat Ming

Independent Non-executive Directors

Eva CHENG LI Kam Fun

Victor HUANG

Michael LEE Tze Hau

Patrick SUN

YANG Dajun

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 *(Note)*
888 Cheung Sha Wan Road
Kowloon
Hong Kong

Website

www.trinitygroup.com

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

Bank of China (Hong Kong) Limited

Hang Seng Bank Limited

Standard Chartered Bank (Hong Kong) Limited

Legal Adviser

Mayer Brown JSM

Auditor

PricewaterhouseCoopers
Certified Public Accountants

Note: Change of address to "39/F, Dorset House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong" with effect from 1 April 2019

Highlights

Highlights of results for the year ended 31 December 2018

	2018	2017
Revenue *(HK$ million)*	**1,723.1**	1,701.3
Gross profit *(HK$ million)*	**1,195.3**	1,160.3
Gross margin *(%)*	**69.4%**	68.2%
Core operating profit/(loss) *(HK$ million)* [1]	**(248.1)**	(441.0)
Loss attributable to shareholders *(HK$ million)*	**(264.8)**	(608.3)
Trade receivables *(HK$ million)*	**166.2**	107.6
Trade payables *(HK$ million)*	**66.1**	131.6
Net (cash)/debt *(HK$ million)* [2]	**(227.8)**	1,169.4
Return on equity *(%)* [3]	**–8.6%**	–25.0%
Gearing ratio *(%)* [4]	**N/A**	35.0%
Basic loss per share *(HK cents)* [5]	**(8.7)**	(34.8)

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
2. Net (cash)/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 2018

CERRUTI 1881
91
- 64 Chinese Mainland
- 10 Hong Kong & Macau
- 13 Taiwan
- 4 Europe

Gieves & Hawkes
53
- 28 Chinese Mainland
- 8 Hong Kong & Macau
- 10 Taiwan
- 7 Europe

Kent & Curwen
85
- 63 Chinese Mainland
- 11 Hong Kong & Macau
- 10 Taiwan
- 1 Europe

D'URBAN
24
- 8 Chinese Mainland
- 7 Hong Kong & Macau
- 9 Taiwan

Total stores for
the Group
253
- 241 Greater China
- 12 Europe


CERRUTI 1881

CERRUTI 1881

CERRUTI 1881

Always at the forefront of creativity and intelligent design, based on a long tradition of unique innovative fabrics woven in Europe, CERRUTI 1881 is the quintessential contemporary and lifestyle brand reflecting elegance a la francaise.

91 STORES | **45** CITIES

www.cerruti.com

01

02

CERRUTI 1881

—
01

CERRUTI 1881 50th anniversary pop-up store at the Plaza 66 Shopping Mall in Shanghai

—
02

CERRUTI 1881 50th anniversary short film < ANIMA> première in Hong Kong

—
03

CERRUTI 1881 Spring/Summer 2019 Fashion Show Backstage in Paris

—
04

Nya Gatbel in CERRUTI 1881 Spring/Summer 2019 Capsule Collection at Grand Palais Paris

—
05

Jason Basmajian – Chief Creative Officer of CERRUTI 1881 walking with Masafumi Suzuki, Editor in Chief GQ JAPAN at the GQ Suitwalk 2018 in Taipei

04

03

05


GIEVES & HAWKES

BY APPOINTMENT
TO HER MAJESTY THE QUEEN
LIVERY & MILITARY TAILORS
GIEVES & HAWKES, LONDON

BY APPOINTMENT
TO HIS ROYAL HIGHNESS
THE DUKE OF EDINBURGH
NAVAL TAILORS & OUTFITTERS
GIEVES & HAWKES, LONDON

BY APPOINTMENT
TO HIS ROYAL HIGHNESS
THE PRINCE OF WALES
TAILORS & OUTFITTERS
GIEVES & HAWKES, LONDON

GIEVES & HAWKES

No.1 SAVILE ROW LONDON

Gieves & Hawkes

Combining the prestige of a House holding Royal Warrants and a 200-year tradition of outfitter to adventurers and explorers, Gieves & Hawkes caters to the most refined customers with an impeccable bespoke tradition.

53 STORES | **32** CITIES

www.gievesandhawkes.com

GIEVES & HAWKES
No.1 SAVILE ROW LONDON

01

A rose wall display at Shanghai Plaza 66 Shopping Mall to celebrate the Royal Wedding

02

Offering a complimentary Made-to-Measure suit for TV host Desmond So for his wedding

03

Taiwanese actor Wu Kang-jen attended Taipei A8 store reopening event in Gieves & Hawkes mini houndstooth wool suit

04

Gieves & Hawkes Spring/Summer 2018 campaign image

05

Gieves & Hawkes Fall/Winter 2018 campaign image featuring the signature octopus printed silk evening jacket

01

02

03


04


05


KENT & CURWEN
K.C.
1926
KC
KENT & CURWEN
1926
KENT & CURWEN
1926
CITY OF LONDON
ENGLAND
AUTHENTIC BRITISH HERITAGE
AUTHENTIC BRITISH HERITAGE · KENT AND CURWEN

Kent & Curwen

Drawing inspiration from a typical British tradition of clubs and private circles, especially in universities and sports, Kent & Curwen perfectly fits the global millennials' tribe lifestyle codes and attitudes: a relaxed but refined dressing style, with instantly recognisable elements.

85	**35**
STORES	CITIES

www.kentandcurwen.com

01


02

KENT & CURWEN
ENGLAND

—
01

David Beckham and Creative Director Daniel Kearns at Kent & Curwen's Spring/Summer 2019 Brand Presentation in London

—
02

Kent & Curwen's Fall/Winter 2018 Collaboration with Perry Ogden

—
03 & 04

Spring/Summer 2019 Brand Presentation in London


03


04


D'URBAN

D'URBAN

D'URBAN

D'URBAN, the Japanese brand founded in 1970, is a blend of the best European tailoring tradition with world-renowned Japanese quality. Adding research and technology to their fabrics, D'URBAN is now widening its offer to exquisite casual wear designed for sophisticated urban travellers.

24
STORES

11
CITIES

www.d-urban.com


01


02

D'URBAN

—
01
"Exclusive Mobile Collection", the latest technical revolution by D'URBAN

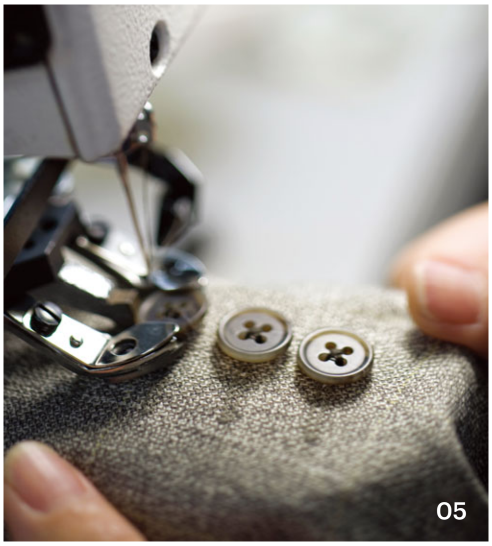
—
04 & 05
Exquisite craftsmanship from Japan

—
02
Spring/Summer 2019 Campaign

—
03
Store Opening Event in Taiwan

04

03


05

The right time to "Go Global"

QIU Yafu
Chairman

We will wholeheartedly strive to achieve our new objective – "Go Global".

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 2018.

The year 2018 was a milestone for Trinity's reform and transformation. In becoming the Group's controlling shareholder, Beijing Ruyi Fashion Investment Holding Company Limited ("Ruyi"; previously known as Shandong Ruyi International Fashion Industry Investment Holding Company Limited) has given Trinity abundant resources to develop its brands. Trinity has thus begun a new and more dynamic chapter of growth.

No stranger to change, Ruyi is on its own mission to becoming a renowned global fashion conglomerate. Now in possession of more than 20 international fashion brands, including such renowned labels as Aquascutum, D'URBAN, Sandro, Maje and Claudie Pierlot, it has a strong global presence that stretches across over 80 countries and regions with approximately 6,000 points of sale. Ruyi also continued to enhance its value chain. By getting through upstream, midstream and downstream businesses, it has built two complete industrial chains of wool textiles and cotton textiles, resulting to a leading position in comprehensive competitiveness in the world.

The many attributes that Ruyi possesses are not lost on the Group, and we will seek to fully capitalise on the various opportunities that are presented, particularly as we commence the push to raise the stature of our self-owned brands to the next level. This push will involve a holistic approach; spanning product development and corporate reorganisation to retail development and advancement of our omnichannel business. While proceeding with such efforts, we will wholeheartedly strive to achieve our underlying objective, which is to "Go Global" – our new motto.

Partnership with The Fung continues

Continuing to be a steadfast supporter and ally of the Group and its development path is Fung Retailing Group, our substantial shareholder. Though the arrival of Ruyi has invariably drawn significant attention, the Fung Group, and indeed the Fung family, continue to maintain close association with the Group. I would like to take this opportunity to particularly thank Dr Victor Fung Kwok King for his invaluable contributions and visionary leadership. Though he resigned from his role as Non-Executive Director in August, the Board unanimously agreed to bestow the title of Honorary Chairman of the Company on Dr Fung. Furthermore, in his place is Ms Sabrina Fung Wing Yee, who serves as Non-Executive Director. She has also been appointed as Deputy Chairman of the Board. We trust that with Ms Fung's significant experience and business acumen, having been a Director of the Company for over a decade, the Fung tradition of co-operation will continue unabated.

Collective effort

As we seek to realise our goal to "Go Global", we will leverage ties with both our longstanding and new shareholders while at the same time respecting the interests of all our stakeholders. Through concerted effort, we will achieve the prime objective of raising the international profile of our pillar brands Cerruti 1881, Gieves & Hawkes and Kent & Curwen as well as D'URBAN, which we operate under license. Rather than employing a broad-based approach, the Group will take a targeted course of action; specifically seeking prime locations around the world in which to expand our footprint. Similarly, we will leverage our e-Commerce business and comparable platforms that cater for our discerning clientele. This mindset of quality over quantity is overriding, because ultimately, safeguarding the intrinsic value of all our brands is paramount. While our goals will invariably include a multitude of challenges, they are by no means insurmountable, and have now become more readily achievable with the support of Ruyi. Ruyi's many strengths, which include human capital and physical assets, will provide the underpinnings for our upcoming milestones.

As one year concludes and another commences, we remain optimistic that the positive tide of change which the Group has been experiencing will not only continue but will gather strength. In view of our diverse capabilities and rich resources, which are now overseen by a reorganised board and management by Mr Paul David Haouzi as President of the Group, we trust that 2019 will usher in the most transformative period in the history of Trinity.

QIU Yafu
Chairman

Hong Kong, 26 March 2019

Spanning the globe

SUN Weiying
Chief Executive Officer

We shifted into a profit making position in the final quarter of the year.

Following my appointment as Chief Executive Officer of the Group in May, I have had the immense pleasure of meeting with many passionate individuals from different echelons of Trinity. What I found that tied all these people together was the singular desire to raise the Group to the next level. I share this desire as well, and am convinced that the Group, with its tremendous potential, is on the verge of a sea change.

The arrival of Ruyi as controlling shareholder of the Group in April has only raised our aspirations, which we will seek to realise by our "Go Global" strategy. Even though the Asia-Pacific region has long been our home and stronghold, and its consumers in particular constitute a significant portion of our sales makeup, we recognise that maintaining the status quo will not be conducive to the Group's development. We will therefore be directing efforts towards raising the profile of our self-owned brands, Cerruti 1881, Gieves & Hawkes and Kent & Curwen, especially in their home countries, as well as in the fashion capitals of the world, such as Paris, Milan and New York.

Consistent with this goal, we have, and are continuing to recruit top management to head our global offices. At the same time, we have been surveying premium locations around the world to establish flagship stores. In addition, we will explore the travel retail and outlet sectors, which present their own unique opportunities. Also helping the Group to "Go Global" will be Ruyi which, having reached licensed agreements in May 2018 with the Group, will enable our menswear brands to better penetrate Europe, where Ruyi has major footholds.

Change is underway

While seeking to expand our international presence, we have also sought to objectively scrutinise all aspects of our retail network. As a consequence, we have commenced the process of restructuring, which extends to the closing of non-performing stores. This has led to a more optimised workforce and reduction in associated costs. Furthermore, the result of such efforts has seen a gradual improvement in the Group's financial performance, which, by the final quarter of the year, saw an encouraging rise in gross profit margin of 3.3% as compared to same period last year, as we shifted into a profit making position.

To maintain positive momentum, we will continue to seek ways to better utilise our retail to derive maximum benefits. To achieve this objective, we have looked at ways to enhance the performance of our sales force, which led to the introduction of more incentive programmes to both motivate and reward staff members for their outstanding achievements.

Aside from advancing our brick-and-mortar business, growing the Group's online footprint has been an ongoing endeavour which has achieved further progress in the past year. This has been quantified by encouraging sales growth resulting from platforms leveraged by the Group in Asia as well as dedicated platforms of our self-owned brands which enjoyed the patronage of customers from across Europe. We will continue to hire more senior-level staff to help develop our e-Commerce platforms, direct greater resources to bolster our online business and employ social media channels that our customers have a penchant for so as to offer more personalised experiences.

Honouring the past, forging ahead

Though our efforts to enhance various aspects of our business operation are essential, we also recognise that it is our products which are ultimately responsible for drawing in the customers. With this in mind, we have redoubled efforts at raising the quality and modernising the design of clothing found under our three premium brands so that they are relevant to the needs of today's discerning customer. While introducing younger lines, as well as offering a larger collection of casual wear, we have not and will not present clothing that undermines the traditions and values uniquely representative of our brands which includes maintaining our premium price point. Going forward, our ties with Ruyi, which possesses a fully-integrated value chain that includes textile design and development, will enable us to introduce even more innovative materials to our self-owned brands which, combined with the exceptional tailoring and renowned execution capabilities of each label, will result in a whole new generation of clothing that captures the hearts of our customers.

The year 2018 marked the arrival of a new era for Trinity.

Practical leadership

To ensure that the various developments now underway are carefully managed, and to strengthen our operations for core brands such as Cerruti 1881, Gieves & Hawkes and Kent & Curwen, we have begun reorganising our organisational structure. Among the highlights include the appointment of Mr Paul David Haouzi as President of the Group, who is therefore responsible for the overall business and operations of our brands. In welcoming Mr Haouzi and other senior management members, many of whom holding significant experience in the upscale fashion apparel industry, we have taken decisive action in introducing the right mix of skills and luxury retail experience to take the Group forward. We will continue to make senior appointments, including, as aforementioned, for each of our self-owned brands to encourage their development both independently and collectively, and to achieve our ultimate goal to "Go Global".

The year 2018 marked the arrival of a new era for Trinity and the entire Group. As 2019 begins, it is vital that we build on the many developments that are underway. Even though there remains much work to be done, we are fully confident that our objectives are sound and attainable, and that an upturn is well within sight.

SUN Weiying
Chief Executive Officer

Hong Kong, 26 March 2019

Discussion and Analysis

Key Performance Indicators	**2018** **HK$'000**	2017 HK$'000
Revenue	**1,723,138**	1,701,334
Gross profit	**1,195,331**	1,160,345
Gross margin	**69.4%**	68.2%
Core operating profit/(loss)	**(248,102)**	(440,993)
Loss attributable to shareholders	**(264,801)**	(608,348)
Inventories	**645,624**	621,473
Inventory turnover days	**438**	380
Trade receivables	**166,194**	107,607
Trade payables	**66,129**	131,606
Net (cash)/debt [1]	**(227,797)**	1,169,379
Return on equity [2]	**–8.6%**	–25.0%
Gearing ratio [3]	**N/A**	35.0%

Notes:
1. Net (cash)/debt = Interest bearing bank borrowings and bank overdrafts less cash and cash equivalents
2. 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%
3. Gearing ratio = Net debt/total capital x 100%; total capital is calculated as total equity plus net debt

The above Key Performance Indicators (KPIs) are the common KPIs used in the retail industry. The Group selects and adopts the above capital structure and business KPIs to assess its business performance.

Revenue

Overall revenue totalled HK$1,723.1 million in 2018, a smooth increase of 1.3% from 2017. Though full year retail sales decreased by 2.6%, same-stores sales increased by 1.0%. Furthermore, licensing revenue increased notably by 108.9% due to new licensing agreements entered by the Group with Ruyi and its associates (collectively the "Ruyi Group") during the year, which resulted in an overall increase in revenue for 2018.

Revenue by Geographical Location

Retail Sales

Chinese Mainland

The retail sales environment in the Chinese Mainland remained competitive in 2018 as reflected by sales which totalled HK$690.0 million in 2018 as compared with HK$737.7 million in 2017. Chinese Mainland retail revenue dropped by 6.5% which was mainly due to the closure of non-performing stores. The Group continued to streamline its store network by closing non-performing stores and selecting prime locations for new stores. This resulted in a net closure of 43 stores in 2018 with the network now consisting of 163 stores.

The re-positioning of branding and pricing strategy and effective cost control contributed to the improvement in gross margin.

Hong Kong & Macau

Retail sales from Hong Kong and Macau amounted to HK$520.6 million, which is 2.9% higher than the previous year. Same-store sales also rose up by 2.9%. Despite the continuous keen price competition, the increase in Chinese mainland tourists has helped to offset the negative impact, eventually resulting in an increase in retail revenue from the region. The number of stores has decreased from 38 in 2017 to 36 in 2018.

Taiwan

Taiwan retail sales increased modestly from HK$127.8 million in 2017 to HK$130.3 million in 2018 with same-store sales up 2.3%. The Taiwan market performed in a relatively stable manner, recovering gradually from the downturn. The number of stores also increased from 39 to 42 in 2018.

Europe

The Group's retailing businesses in Europe continued to perform in a consistent manner, generating HK$135.5 million in sales in both 2017 and 2018.

Wholesale and licensing

Greater China

Wholesale revenue in Greater China decreased from HK$68.3 million in 2017 to HK$58.1 million in 2018. The Group continued to clear off-seasons stock through its wholesale channel in the Chinese Mainland. In December 2018, the Group entered into new sales channel agreements with Ruyi Group and Fung Holdings (1937) Limited and its associates (collectively the "FH 1937 Group") which will help to improve wholesale revenue and reduce inventory level of the Group.

Europe and Others

Licensing revenue increased from HK$79.0 million in 2017 to HK$165.0 million in 2018, mainly due to the new licensing arrangements made with Ruyi Group. By granting Ruyi Group the rights to develop retail and wholesale businesses in key regions such as Europe, the Group can refocus its resources on future developments in Greater China and fully leverage Ruyi Group's strength in Europe to enhance the global brand image of its top three brands which will indirectly benefit the Group's Asia businesses.

Wholesale revenue in Europe has decreased from HK$38.8 million to HK$23.6 million, reflecting the strategic shift in operations from wholesale to licensing.

Gross Profit

Gross profit increased by 3.0% from HK$1,160.3 million in 2017 to HK$1,195.3 million in 2018.

The Group's gross profit margin improved slightly in 2018, reaching 69.4% against 68.2% in 2017. This improvement was due to the re-positioning of its branding and pricing strategy complemented by effective cost control. The success of such efforts was further reflected in Q4 2018, with the gross profit margin reaching 69.9% in Q4 2018 as compared with 66.6% in Q4 2017.

The retail gross profit margin for Greater China slightly increased from 69.4% in 2017 to 70.0% in 2018, as a result of offering fewer sales discounts, changing the product mix and inventory clearance.

Segmental Contributions

The segmental contributions from Asia and Europe were HK$118.0 million and HK$70.3 million in 2018 compared with HK$87.4 million and HK$29.8 million in 2017 respectively.

The retail segmental contribution from Hong Kong and Macau improved from HK$8.6 million to HK$16.4 million as a result of improvement in profit margin. Affected by the external economic environment, the retail contributions from Chinese Mainland and Taiwan declined.

The improvement in other segment contributions was mainly due to the new licensing agreement with Ruyi Group, partially offset by the decrease of wholesales contributions.

Other Income

Other income increased from HK$16.4 million in 2017 to HK$25.4 million in 2018, mainly included subsidy income, rental income and claims.

Selling, Marketing and Distribution Expenses

Selling, marketing and distribution expenses decreased by 9.1% to HK$1,017.5 million in 2018, compared with HK$1,119.8 million in 2017. This was primarily due to the streamlining of the store network. The number of stores totalled 253 as at 31 December 2018, down 44 from 297 as at 31 December 2017. Associated advertising and promotion expenses for store-opening events decreased in 2018, which is in line with the reduction in stores.

General and Administrative Expenses

General and administrative expenses amounted to HK$444.5 million, in 2018 versus HK$492.0 million in 2017, a decline of 9.7%. This was largely due to the full year impact of cost saving in sourcing cost resulted from the transfer of sourcing function to FH 1937 Group in 2018, thereby enabling the Group to save on sourcing costs for the year. There was also a drop in staff costs arising from restructuring, along with the Group's continuous efforts to reduce administrative expenses.

Net Impairment Losses on Financial Assets

Net impairment losses on financial assets increased from HK$5.9 million in 2017 to HK$6.9 million in 2018, mainly being impairment losses provision on trade receivables.

Core operating Profit/(Loss)

The Group has narrowed its core operating loss to HK$248.1 million, as compared with a loss of HK$441.0 million in the previous year. Furthermore, core operating profit of HK$12.8 million was recorded in Q4 2018, which suggests a turnaround is underway – the result of brand repositioning and pricing strategy that led to an improvement in gross profit margin. The upturn can also be attributed to the management's efforts to streamline operating costs through an extensive restructuring exercise in Q4 2018.

Other Gains/(Losses) – net

Net other gains of HK$64.9 million were recorded in 2018, which mainly represented the net amount of write back on the contingent purchase consideration payable relating to the acquisition of Gieves & Hawkes. In 2017, other losses of HK$65.3 million were recorded, and represented the provision of loan receivables from British Heritage Brands Inc., which was offset by the reversal of contingent purchase consideration payable.

Restructuring Costs

In 2018, restructuring costs of HK$59.9 million were incurred in relation to the restructuring of Europe and Greater China operations, including the reduction of head count in all regions and the closure of regional offices in Greater China. In 2017, restructuring costs of HK$72.8 million were incurred due to the closure of the Group's business wear production line in Hong Kong and business operations in Singapore, as well as the restructuring of supply chain functions.

Net Finance Costs

Net finance costs totalled HK$20.7 million in 2018, whereas net finance costs of HK$28.5 million were reported in 2017. The decline was primarily due to an increase in interest bearing deposits.

Income Tax

Income tax expense of HK$0.9 million was recorded in both 2018 and 2017.

Loss Attributable to Shareholders

In 2018, the Group incurred a loss for the year of HK$264.8 million, which translates into a loss of 8.7 HK cents per share.

Working Capital Management

Inventory balance increased from HK$621.5 million in December 2017 to HK$645.6 million in December 2018. Inventory turnover days reached 380 as at 31 December 2017 versus 438 days as at 31 December 2018.

The Group's trade receivables as of December 2018 totalled HK$166.2 million, compared with HK$107.6 million in 2017. The Group's trade receivable turnover days reached 29 in 2018, compared with 20 days in 2017.

The Group's trade payables amounted to HK$66.1 million in 2018, compared with HK$131.6 million in 2017. The Group's trade payable turnover days reached 68 in 2018, compared with 65 days in 2017.

Financial Position and Liquidity

Net increase in cash and cash equivalent reached HK$976.6 million in 2018, which was mainly due to proceeds from share subscription, offset by the change in working capital and operating losses.

As at the end of December 2018, cash and cash equivalents totalled HK$1,338.1 million and interest bearing bank borrowings and bank overdrafts reached HK$1,110.3 million. The Group had a net cash balance of HK$227.8 million (net cash is defined as cash and cash equivalents of $1,338.1 million less bank borrowings and bank overdrafts of HK$1,110.3 million) as at the end of December 2018 versus net debt of HK$1,169.4 million as at the end of December 2017. The improvement in financial position came from the issue of additional capital in April 2018.

Banking Facilities

As at 31 December 2018, the Group had bank lines of HK$1,215.4 million of which HK$150.0 million was in committed facilities while HK$1,065.4 million was uncommitted. The Group utilised 89.8% of the total facilities available at the end of the year, including HK$792.4 million in revolving loans and term loans that the Group had drawn down, HK$150.0 million in committed facilities and HK$149.4 million for trade financing and bank overdrafts. The undrawn facilities at year end amounted to HK$123.6 million.

Of the loans drawn down, all of them are repayable within one year.

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 banks and financial institutions.

Foreign Exchange and Interest Rate Management

The Group purchases a substantial part of its production materials and finished goods with 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.

Use of Proceeds from Subscription of New Shares

Ruyi's subscription for 1,846,000,000 ordinary shares of the Company at the subscription price of HK$1.20 per share (the "Subscription") was completed on 18 April 2018. The net proceeds from the Subscription received by the Company amounted to approximately HK$2,215.2 million (the "Proceeds"). Among the Proceeds, approximately HK$1,546.0 million, HK$440.0 million and HK$220.0 million was planned for the use of future potential acquisitions, bank loans repayment and general working capital respectively.

Up to 31 December 2018, HK$278.6 million was reallocated out of the pool for acquisition. Among the reallocated funds, HK$143.6 million was redesignated as general working capital to support the restructuring of Group and the revamp of brands while the remaining HK$135.0 million was used to cover the extra repayment of bank borrowing exceeding the original plan. After the reallocation, the proceeds remained for acquisition purpose reduced to HK$1,267.4 million.

Human Resources and Training

As at 31 December 2018, the total workforce for the Group was 1,796 employees, compared with 2,283 a year earlier, a 21% decrease. This reduction in headcount was largely due to the closure of non-performing stores and Singapore office, as well as the reorganisation of European and Greater China team.

Our workforce comprises 438 employees in Hong Kong and Macau; 1,050 in the Chinese Mainland; 166 in Taiwan and 142 in other countries. Total staff costs were HK$550.7 million compared with HK$593.4 million in 2017. The decrease in staff costs was mainly due to the reduction in staff headcount associated with the closure of non-performing stores and Singapore office, as well as the reorganisation of European and Greater China team. The annualised cost saving as a result of the reorganisation is about HK$52.9 million.

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.

Account of Key Relationships with Employees, Customers and Suppliers

The Group aims to develop positive relationships with our stakeholders by upholding the highest ethical standards while taking their interests into full account. We consistently engage and communicate with our employees, customers and suppliers to understand their expectations and interests.

Employees

The Group strives to provide a safe, inclusive and harmonious working environment to our employees with a strong emphasis on equal opportunities and fair recruitment processes. We continue to provide all our employees with competitive remuneration and benefits commensurate with work experience and job duties. In a rapidly changing marketplace, we believe investing in our high-calibre talent and supporting their career goals will foster long-term business success. As such, we offer a wide array of professional development programmes, as well as sponsorships for external training.

Customers

With our robust customer-centric culture, we deliver quality products and highly personalised services before, during, and after a purchase is made. In line with the rise of e-Commerce trends, we are developing business ties with key online partners to enhance our online presence, and to further develop our capacity to boost customer convenience and satisfaction. We operate with a high level of business integrity and product responsibility, and strictly comply with relevant customer data privacy regulations.

Suppliers

The Group works closely with our suppliers, who also share our dedication to sustainable development and business ethics. Our Supplier Code of Conduct details the principles and practices that we expect our partners to uphold. To ensure full compliance with our Code of Conduct, we conduct periodic audits and assert zero-tolerance to any confirmed breach.

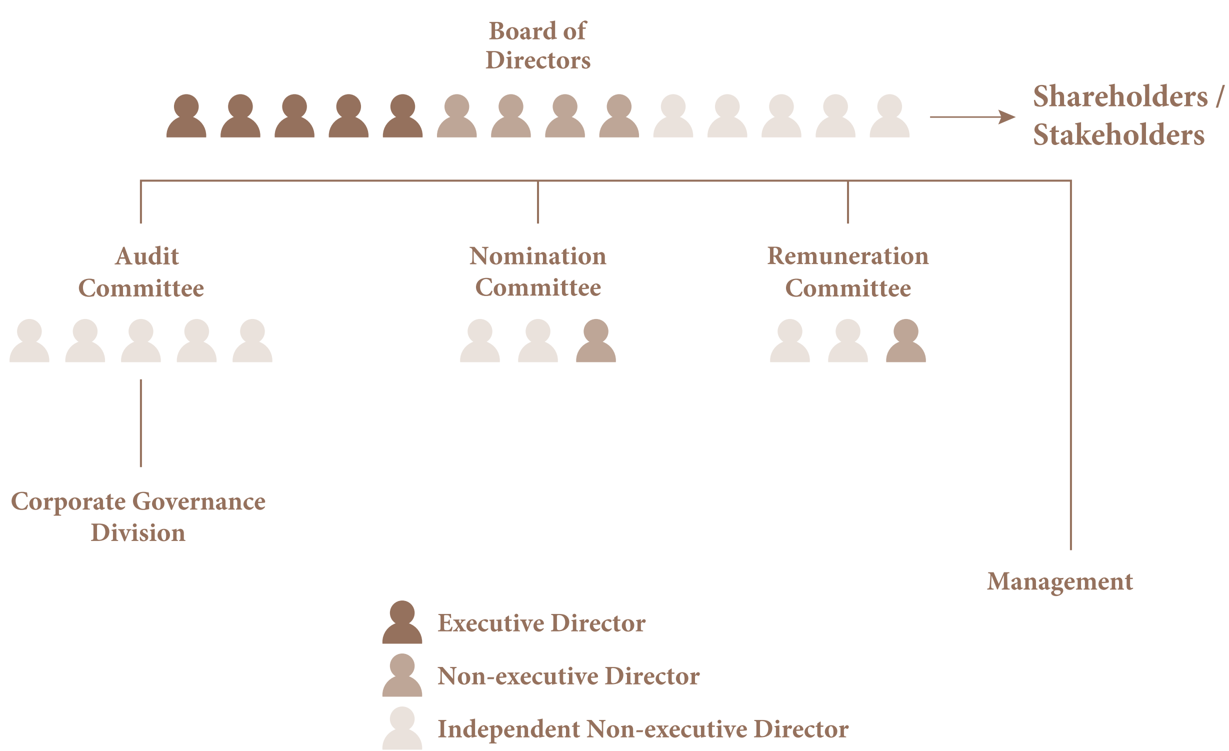
Sustainability

Trinity is devoted to integrating sustainable practices in its operations to contribute to a more sustainable future. As the foundation of our environmental stewardship, our Environmental Policy communicates our commitments to environmental compliance, resource conservation and energy efficiency. To manage potential environmental impacts, and raise awareness of various environmental issues, we actively engaged and educated our staff members on responsible and sustainable behaviours.

As our business is primarily focused within the retail industry, we recognise the importance of, and act in line with operational aspects of efficient resource management through technological upgrades and energy benchmarking. To increase our energy efficiency, we supplemented our ongoing efforts to replace obsolete lighting fixtures utilising the CLP GREEN PLUS Energy Billboard to track and manage our electricity consumption patterns in designated retail stores. Additionally, we try to further reduce our environmental impact by adhering to the 3Rs principle (i.e. reuse, reduce and recycle) whenever possible, to ensure waste materials and useful resources are not thoughtlessly sent to landfill disposal. Consistent with our philosophy of sustainable development, we also encourage our partners to incorporate sustainability considerations into product design to increase longevity.

During the reporting year, the Group did not receive any cases of non-compliance with applicable standards, laws and regulations on the environment, labour standards, occupational health and safety, anti-corruption, data privacy and intellectual property.

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"). The Board recognises that embracing strong governance is vital for the long-term success and sustainability of the Group's businesses.



CORPORATE GOVERNANCE STRUCTURE

The Board is structured to ensure its members have a balance of skills, experience, knowledge, diversity and other perspectives appropriate to the businesses and development of the Group, and has a strong independent element, which can effectively exercise independent judgement.

The Board is currently composed of the Non-executive Chairman, five Executive Directors ("ED"), three Non-executive Directors ("NED") and five Independent Non-executive Directors ("INED"). During the year, there were changes in Board composition, including its Chairmanship, which were announced on 18 April, 17 May, 30 July and 19 December 2018 respectively. Following the changes in the Board members on 6 August 2018, the Board then had five Executive Directors, four Non-executive Directors and three Independent Non-executive Directors and the number of Independent Non-executive Directors is less than one-third of the Board under rule 3.10A of the Listing Rules. The Company has obtained an approval from The Stock Exchange of Hong Kong Limited for complying with this rule by 31 December 2018 and subsequently, Mr Victor HUANG and Mr YANG Dajun were appointed as new Independent Non-executive Directors of the Company on 20 December 2018.

An up-to-date list of Directors identifying their roles and functions and whether they are Independent Non-executive Directors is available on the websites of both the Stock Exchange and the Company.

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 on matters involving:

- overall Group strategy;
- material connected or notifiable transactions;
- major acquisitions and disposals;
- annual budgets and monitoring performance against budget;
- annual and interim results;
- recommendations on Directors' appointment or re-appointment;
- appointment of Chief Executive Officer of the Group;
- approval of major capital and borrowing transactions;
- maintaining appropriate and effective risk management and internal control systems, reviewing their effectiveness and ensuring relevant statutory and regulatory compliance; and
- any other significant operational and financial matters.

The role of the Chairman, held by Mr QIU Yafu, is separate from that of the Chief Executive Officer ("CEO"), held by Ms SUN Weiying, 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 management team, is responsible for managing the Group's businesses, 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 and are not involved in the day-to-day management of the Group, serve the important function of advising the management on strategy and ensuring that the Board maintains high standards of financial reporting and regulatory compliance requirements, as well as providing adequate checks and balances for safeguarding the interests of shareholders and the Group 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 commit to devote sufficient time and attention to the affairs of the Company. The Directors have disclosed to the Company, at the time of their appointment and on an annual basis, the number and nature of offices held in listed public companies or organisations and other significant commitments, with the identity of the public companies or organisations.

The Board and the Management

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

- preparation of interim financial information and annual financial statements for Board approval before public reporting;
- execution of business strategies and initiatives adopted by the Board and monitoring of budgets;
- implementation and monitoring of appropriate and effective systems of internal controls and risk management procedures, review of relevant financial and operational, compliance, and Environmental, Social and Governance ("ESG") controls; 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.

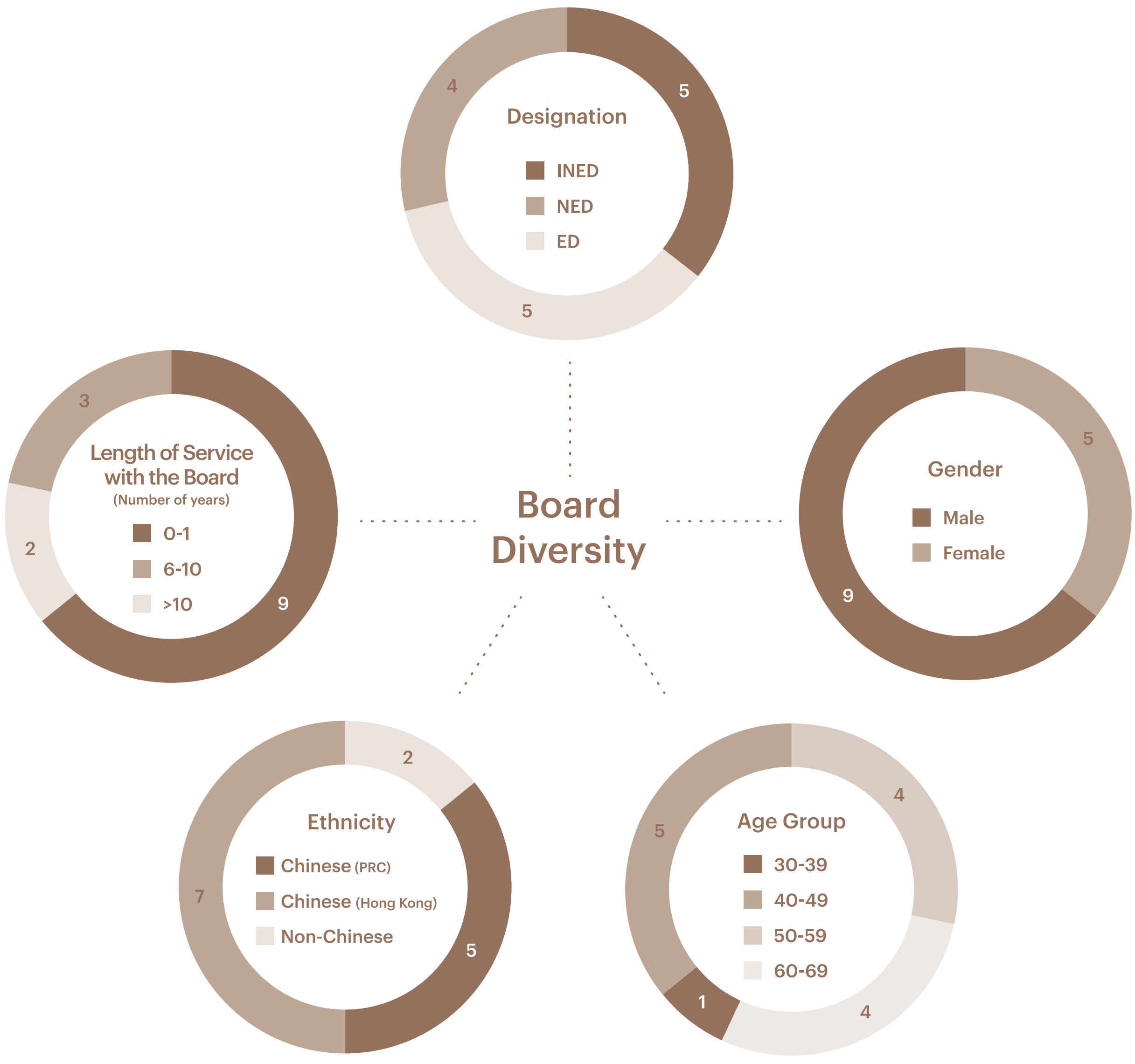
Biographical details and relevant relationships of the Board members are set out in the Directors and Senior Management section on pages 51 to 59.

In light of the amendments to the CG Code and the related Listing Rules effective 1 January 2019, several Board policies and guidelines were reviewed and updated in December 2018 to ensure compliance with the new requirements. Two new policies, namely the Director Nomination Policy and the Dividend Policy, were also adopted by the Board in December 2018.

Board Diversity

The Company recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. The Board Diversity Policy was adopted 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, ethnicity, 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 2018 is set out in the following charts:



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 each member of the Board and each member of the respective Board committees seeking his/her 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.

The responses to the questionnaire are analysed and discussed at the Nomination Committee. Any suggestions made by the Directors are duly considered and will be implemented as appropriate to enhance the corporate governance practices. The results of the 2018 Board evaluation indicated that the Board and its committees as a whole are functioning satisfactorily, and the committees fulfill their duties and responsibilities as set out in their respective terms of reference.

Nomination and Appointment of Directors

The Board has the ultimate responsibility for the selection, appointment and re-appointment of Directors. A Director Nomination Policy in line with the Board Diversity Policy has been adopted by the Board in December 2018. The Nomination Committee is delegated with the duties to, inter alia, review the composition of the Board. When necessary, the Nomination Committee will identify, select and nominate suitable candidates for appointment as new Director(s), and make recommendations on the re-appointment of incumbent Directors.

When recommending any candidate for directorship, the Nomination Committee will consider various factors including, but not limited to:

- the potential contribution in terms of qualifications, skills, experience and industry expertise etc. that the candidate can bring to the Board;
- time available for the proper performance of Director's duties;
- high ethical character with reputation for integrity; and
- optimal contribution to diversity.

The search process for candidates can be undertaken by the Nomination Committee itself, through referral from various sources, or by the Company's advisors or professional search consultants. The Nomination Committee will develop a short list of potential candidates for the Board to agree on a preferred candidate.

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 by shareholders 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 at such meeting.

Changes in the Board composition during the year were as follows:

- Dr William FUNG Kwok Lun, Mr Terence FUNG Yue Ming, Mr Jean-Marc LOUBIER, Mr Srinivasan PARTHASARATHY, and Mr Cassian CHEUNG Ka Sing resigned as Directors on 18 April 2018;
- Mr QIU Yafu was appointed as Director on 18 April 2018 and as Board Chairman on 18 May 2018;
- Ms QIU Chenran, Ms SUN Weiying, Mr Paul David HAOUZI, Mr Kelvin HO Cheuk Yin and Mr Daniel LALONDE were appointed as Directors on 18 April 2018;
- Ms Sabrina FUNG Wing Yee and Mr WONG Yat Ming, who resigned as Directors on 18 April 2018, were re-appointed as Directors on 6 August 2018;
- Mr Minoru KITABATAKE, who was appointed as Director on 18 April 2018, resigned as Director on 18 May 2018;
- Ms SU Xiao was appointed as Director on 18 May 2018;
- Mr Victor FUNG Kwok King ceased to be Board Chairman on 18 May 2018 and resigned as Director on 6 August 2018 whilst being bestowed on him the title of Honorary Chairman of the Company;
- Mr Jeremy Paul Egerton HOBBINS resigned as Directors on 18 May 2018; and
- Mr Victor HUANG and Mr YANG Dajun were appointed as Directors on 20 December 2018.

The aforesaid changes were disclosed in the Company's announcements dated 18 April, 17 May, 30 July and 19 December 2018 respectively.

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, President, Head of Finance, Chief Compliance and Risk Management Officer ("Head of Corporate Compliance") 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, two separate meetings were held during 2018 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 2018.

All Directors are required 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. The Company arranged training sessions for its Directors to refresh their knowledge on corporate governance and ESG reporting requirement for Hong Kong listed companies. Ongoing training and professional development undertaken by the Directors in 2018 is summarised as follows:

Directors	**Attended in-house/external training sessions, and/or corporate events arranged by the Company, and/or participated in giving speech at external seminars/ training sessions**	**Read the regulatory and industry related updates and materials which covered the Group's businesses, directors' duties and so forth**
Non-executive Directors		
QIU Yafu *(Board Chairman)*	✓	✓
Sabrina FUNG Wing Yee	✓	✓
Daniel LALONDE	✓	✓
WONG Yat Ming	✓	✓
Executive Directors		
SUN Weiying	✓	✓
Paul David HAOUZI	✓	✓
QIU Chenran	✓	✓
Kelvin HO Cheuk Yin	✓	✓
SU Xiao	✓	✓
Independent Non-executive Directors		
Eva CHENG LI Kam Fun	✓	✓
Michael LEE Tze Hau	✓	✓
Patrick SUN	✓	✓
Victor HUANG[1]		✓
YANG Dajun[1]		✓

[1] Appointed on 20 December 2018

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 2018 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 2018.

Independent Reporting of Corporate Governance Matters

The Board recognises the importance of the independent reporting of the corporate governance function. The 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.

Safeguard of Independent Shareholders' Interests

As disclosed in the Company's prospectus dated 21 October 2009, the Company has adopted various corporate governance measures to further strengthen the protection of independent shareholders' interests from any potential competition from the fashion retail business of the brands owned by Fung Group, the then controlling shareholder of the Company. Upon the completion of subscription of new shares by Ruyi Group on 18 April 2018, Ruyi became the Company's controlling shareholder whilst Fung Group remains as the Company's substantial shareholder. The Board has reviewed and confirmed that there was no non-compliance during the year under review.

Potential Conflict of Interest

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 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.

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.

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 seven meetings to date in 2018 (with an average attendance rate of about 99%) to discuss and approve the overall strategy as well as the operations and financial performance of the Group, Group policies, material connected transactions, and to consider and approve recommendations from the Board Committees including the various changes in the Board composition as well as conferring on Dr Victor FUNG Kwok King, an outgoing Director, the title of Honorary Chairman. The dates of the 2018 Board meetings and Board Committees' meetings were determined in the third quarter of 2017 to facilitate maximum attendance of Directors and any changes to the schedule were notified to the Directors within a reasonable time before a regular Board meeting/ committee meeting. Notice of meeting is sent at least 14 days before the meeting.

The meeting agenda is set by the Board 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 for 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 2018 is set out in the following table:

	Number of meetings attended/held					
	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting	Special General Meeting
Non-executive Directors						
QIU Yafu[1,15] *(Chairman)*	5/5	–	1/2	1/2	1/1	–
Sabrina FUNG Wing Yee[2] *(Deputy Chairman)*	4/4	–	–	–	–	1/1
Daniel LALONDE[3,15]	4/5	–	–	–	0/1	–
WONG Yat Ming[4]	4/4	–	–	–	–	1/1
Independent Non-executive Directors						
Eva CHENG LI Kam Fun *(Remuneration Committee Chairman)*	7/7	4/4	–	3/3	1/1	1/1
Michael LEE Tze Hau *(Nomination Committee Chairman)*	7/7	4/4	4/4	3/3	1/1	1/1
Patrick SUN *(Audit Committee Chairman)*	7/7	4/4	4/4	–	1/1	1/1
Victor HUANG[5]	–	–	–	–	–	–
YANG Dajun[5]	–	–	–	–	–	–
Executive Directors						
SUN Weiying[6] *(Chief Executive Officer)*	5/5	1/1	3/3	2/2	1/1	–
Paul David HAOUZI[7] *(President)*	5/5	3/3	–	1/1	1/1	–
QIU Chenran[3]	5/5	–	–	–	1/1	–
Kelvin HO Cheuk Yin[3] *(Chief Strategy Officer)*	5/5	2/2	1/1	1/1	1/1	–
SU Xiao[8]	4/4	3/3	–	–	–	–

A summary of attendance at the meetings held in 2018 is set out in the following table: *(Continued)*

	Number of meetings attended/held					
	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting	Special General Meeting
Outgoing Directors						
Victor FUNG Kwok King[9]	5/5	–	3/3	1/1	–	1/1
William FUNG Kwok Lun[10]	2/2	–	1/1	–	–	1/1
Jean-Marc LOUBIER[10,15]	2/2	0/1	–	–	–	0/1
Terence FUNG Yue Ming[10,15]	2/2	1/1	–	–	–	0/1
Minoru KITABATAKE[11,15]	1/1	0/1	–	–	1/1	–
Jeremy Paul Egerton HOBBINS[12]	3/3	2/2	–	–	1/1	1/1
Srinivasan PARTHASARATHY[13]	2/2	1/1	–	–	–	1/1
Cassian CHEUNG Ka Sing[10]	2/2	1/1	1/1	–	1/1	1/1
Head of Corporate Compliance						
Jason YEUNG Chi Wai[14]	7/7	4/4	4/4	3/3	1/1	1/1
Dates of Meeting	26/3/2018	22/3/2018	26/3/2018	17/5/2018	17/5/2018	17/1/2018
	26/3/2018	15/5/2018	17/5/2018	30/7/2018		
	17/5/2018	22/8/2018	30/7/2018	19/12/2018		
	8/6/2018	19/12/2018	19/12/2018			
	30/7/2018					
	23/8/2018					
	19/12/2018					
Attendance rate of Directors	**99%**	**88%**	**92%**	**89%**	**92%**	**83%**

1. Appointed as Non-executive Director on 18 April 2018; appointed as the Board Chairman and a member of the Nomination Committee and Remuneration Committee on 18 May 2018
2. Resigned as Non-executive Director on 18 April 2018 and was re-appointed as Non-executive Director/Deputy Chairman on 6 August 2018
3. Appointed as Non-executive Director/Executive Director on 18 April 2018
4. Resigned as Non-executive Director on 18 April 2018 and was re-appointed as Non-executive Director on 6 August 2018
5. Appointed as Independent Non-executive Director on 20 December 2018
6. Appointed as Non-executive Director and Nomination Committee member on 18 April 2018; re-designated as Executive Director, whilst ceased to be a Nomination Committee member on 18 May 2018. She attended one Audit Committee meeting, two Nomination Committee meetings and two Remuneration Committee meetings as non-member
7. Appointed as Independent Non-executive Director and as Audit Committee member on 18 April 2018; re-designated as Executive Director, whilst ceased to be an Audit Committee member on 6 August 2018. Thereafter, he participated as non-member in two Audit Committee meetings and one Remuneration Committee meeting
8. Appointed as Executive Director on 18 May 2018. She attended three Audit Committee meetings as non-member
9. Relinquished his post as the Board Chairman and ceased to hold the post of Remuneration Committee member on 18 May 2018; resigned as Non-executive Director on 6 August 2018. He attended three Nomination Committee meetings as non-member
10. Resigned as Non-executive Director/Independent Non-executive Director on 18 April 2018
11. Appointed as Non-executive Director on 18 April 2018 and resigned on 18 May 2018
12. Resigned as Executive Director on 18 May 2018. He attended two Audit Committee meetings as non-member
13. Resigned as Executive Director on 18 April 2018. He attended one Audit Committee meeting as non-member
14. Attended all meetings by invitation
15. Directors' absences from meetings were due to other commitments, health condition or being abroad, 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, the CEO 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

The Chairman and all members in the Audit Committee are Independent Non-executive Directors. Each of the Nomination Committee and Remuneration Committee is also chaired by Independent Non-executive Directors, with a majority of members being 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 controls and financial reporting systems, corporate governance matters, the Group's relationship with external auditor, and to provide advice and making relevant recommendations to the Board. All Committee members are Independent Non-executive Directors, namely:

Mr Patrick SUN *(Chairman)*
Mrs Eva CHENG LI Kam Fun
Mr Michael LEE Tze Hau
Mr Victor HUANG
Mr YANG Dajun

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 to date in 2018 (with an average attendance rate of about 88%) to consider and review, with senior management, the Company's Corporate Governance Division ("CGD"), and external auditor, the Group's 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 Head of Corporate Compliance, is responsible for performing the internal audit according to the audit plan approved by the Audit Committee.

In 2018, 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 the Group's internal audit and financial reporting functions, 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 team members 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 Head of Corporate Compliance. Any shareholders or stakeholders (including customers and suppliers) can also report similar concerns by writing in confidence to our Head of Corporate Compliance at the Company's business address in Hong Kong. In 2018, 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 2018. 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 2018 were:

Services rendered	**2018** **HK$'000**
Audit services	**5,351**
Non-audit services	
Taxation	**1,038**
Others	**375**
Total	**6,764**

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 2018 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 2018 and also recommended to the Board the re-appointment of PwC as the Company's external auditor for the financial year ending 31 December 2019 at the coming AGM.

Nomination Committee

The Nomination Committee was established on 1 January 2009. Majority of Committee members are Independent Non-executive Directors, except Mr QIU Yafu who is a Non-executive Director:

Mr Michael LEE Tze Hau *(Chairman)*
Mr QIU Yafu
Mr Patrick SUN

The Committee's written terms of reference cover recommendations to the Board on the appointment or re-appointment of Directors, evaluation of board composition (including its 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 Nomination Committee met four times in 2018 (with an average attendance rate of about 92%) to review, assess and/or make recommendation on the Board's composition (including diversity) and Board Diversity Policy, proposal of Director Nomination Policy, the independence of Independent Non-executive Directors, the results on the performance evaluation of the Board and Board Committees, the retirement/re-appointments of retiring Directors at the AGM held in May 2018, the continuous professional development and training of the Directors and senior management, the changes of Board Chairman, Directors and CEO, the appointment of President, conferring on an outgoing Director the title of Honorary Chairman and the appointment of two new Independent Non-executive Directors.

Remuneration Committee

The Remuneration Committee was established on 1 January 2009. Majority of Committee members are Independent Non-executive Directors, except Mr QIU Yafu who is a Non-executive Director:

Mrs Eva CHENG LI Kam Fun *(Chairman)*
Mr QIU Yafu
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 the bonus scheme of senior management, 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 three times in 2018 (with an average attendance rate of about 89%) to review and approve the remuneration packages for the Executive Directors including CEO and President pertaining to the respective employment contracts, and review the proposals relating to performance target and bonus schemes for Executive Directors and senior management.

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;
- discretionary bonus; and
- share options.

Details of the Executive Directors' emoluments are set out in Note 15 to the consolidated financial statements on pages 134 to 136.

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 15 to the consolidated financial statements on pages 134 to 136.

Company Secretary

The Company Secretary reports to the Chairman and the CEO 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 2018, the Company Secretary undertook over 15 hours of professional training to update her skills and knowledge.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board recognises the importance of risk management and 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 controls, and for reviewing the adequacy and effectiveness of such system through the Audit Committee. Such system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and aims to provide reasonable but not absolute assurance against material misstatement, loss, or fraud.

The Board has delegated to 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. A forum was organised by the Company in April 2018 to facilitate the new management team to be familiar with compliance matters, the risk management and internal controls for listed companies in Hong Kong.

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 President, 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, 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, interest rate risk, credit risk and liquidity risk and are set out in Note 5.1 to the consolidated financial statements on pages 112 to 115.

Regulatory Compliance Control Management

The Corporate Compliance Group (comprising the CGD and Corporate Secretarial Division), under the supervision of the Head of Corporate Compliance, 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 Company 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 2018. No incident of non-compliance by Directors and relevant employees was noted by the Company for 2018.

The Company has adopted the Policy on Inside Information, 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 Head of Corporate Compliance 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 to engage 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 2018, the Audit Committee is satisfied that:

- the risk management, internal controls systems and accounting systems of the Group are in place and functioning effectively. They are designed to provide reasonable assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with the Group's policies under 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 functions 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 67 and 68. 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 2018.

Directors' Responsibility and Auditor's Responsibility for Financial Statements

The Directors' responsibility for preparing the financial statements are set out on page 73 and the auditor's reporting responsibility is set out on pages 77 and 78.

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 2018.

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 2018, 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. Webcast 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. 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 2018, 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 2018, are set out in the Information for Investors section on page 60.

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 and Directors.

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 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 pages 29 and 30.

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.

DIVIDEND POLICY

A Dividend Policy has been adopted by the Board in December 2018. Details of the policy are set out in Note 16 to the consolidated financial statements on page 136 of the report.

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 31.

Directors and Senior Management

2018 marks a turning point of positive change at Trinity with the clear objective of building a global luxury group.

Leveraging the support of Ruyi and Fung Group, Trinity has set up a new, diverse leadership team with the ideal mix of global luxury fashion expertise as well as regional retail acumen.


PRESIDENT
Paul D HAOUZI


CHIEF EXECUTIVE OFFICER
SUN Weiying


EXECUTIVE DIRECTOR
QIU Chenran


EXECUTIVE DIRECTOR
SU Xiao


CHIEF STRATEGY OFFICER
Kelvin HO Cheuk Yin


CHIEF OPERATING OFFICER
Agnes SHEN

EXECUTIVE DIRECTORS

SUN Weiying
Chief Executive Officer

Aged 47, is the Company's Executive Director and Chief Executive Officer of the Group, responsible for the overall business and operations of the Group. She joined the Company as a Non-executive Director on 18 April 2018 and was then re-designated as an Executive Director on 18 May 2018.

Ms Sun is the chief executive officer of Ruyi, the Company's controlling shareholder. Ms Sun has over 20 years of experience in the textile and apparel industry. Ms Sun joined the Ruyi group in July 1993 and was promoted to her present position at Ruyi group in January 2017.

Ms Sun is currently also a director of each of Renown Incorporated which is listed on Tokyo Stock Exchange, and SMCP S.A. which is listed on Euronext Paris. These two companies are indirect subsidiaries of Ruyi, the Company's controlling shareholder.

Ms Sun was awarded the title of Outstanding Textile Entrepreneur in the People's Republic of China ("PRC") in 2016. Ms Sun received her Bachelor's degree in Textile Engineering from Tianjin Textile Engineering College in 1993. She further obtained a Master's degree in Textile Engineering from Donghua University in 2004. Ms Sun is a certified senior engineer.

Paul David HAOUZI
President

Aged 57, is the Company's Executive Director and President of the Group, responsible for the overall business and operations of the Group's brands. He was appointed as an Independent Non-executive Director on 18 April 2018, and was then re-designated as an Executive Director on 6 August 2018.

Mr Haouzi joined French conglomerate Pinault-Printemps-Redoute (now Kering) as executive vice president, Asia from 1998 to 2000. He then held various general management positions within the Bluebell Group in Taiwan and Greater China from 2000 to 2012. In February 2012, he was appointed as the chief executive officer, Asia Pacific at Giorgio Armani, and then in December 2016 became president, Greater China for the Bluebell Group until July 2018.

Mr Haouzi received his bachelor's degree in Asian Studies from Sorbonne University in 1984. He further obtained a post-graduate certification in Chinese Literature from Beijing University in 1986 and an MBA from HEC Business School in 1998.

QIU Chenran

Executive Director

Aged 38, daughter of Mr QIU Yafu, was appointed as the Company's Executive Director with effect from 18 April 2018. She is responsible for new retail business development including e-Commerce, on-line and off-line operations, and related investments and acquisitions.

Ms Qiu is the vice chairman of the board and the executive president of Ruyi, the Company's controlling shareholder, responsible for the development of the brand and international investments of Ruyi group. Ms Qiu joined the Ruyi group in May 2007, and was promoted to her present position at Ruyi group in January 2017.

Ms Qiu is currently also a director of each of Renown Incorporated which is listed on Tokyo Stock Exchange and SMCP S.A. which is listed on Euronext Paris. These two companies are indirect subsidiaries of Ruyi, the Company's controlling shareholder.

Ms Qiu received several awards in the industry sector, such as the "Fashion Innovation Award" of the China National Garment Association and the "Brand Builder Award" of the Shandong region.

Ms Qiu received her Bachelor's degree in Arts Design from the Arts Academy of University of Suzhou in the PRC in 2004. She further obtained a Master's degree in International Fashion Retailing from the University of Manchester in the United Kingdom in 2006.

SU Xiao

Executive Director

Aged 42, was appointed as the Company's Executive Director on 18 May 2018. She is responsible for overseeing the Group's financial management, investments and acquisitions.

Ms Su is president of Ruyi, the Company's controlling shareholder. Since joining Shandong Ruyi Woolen Garment Group Co., Ltd. in 1999, Ms Su has held various positions within Ruyi group, including deputy director and chief accountant of Accounting Department, and director of Investment and Development Department. She was the secretary of the board and executive president of Shandong Ruyi Technology Group Co., Ltd. before she was promoted to her present position at Ruyi group in January 2017.

Ms Su is currently also a director of each of SMCP S.A. which is listed on Euronext Paris, and Shandong Ruyi Woolen Garment Group Co., Ltd. which is listed on Shenzhen Stock Exchange. These two companies are indirect subsidiary/associated company of Ruyi, the Company's controlling shareholder.

Ms Su holds a Bachelor's degree in Economics from Shaanxi University of Technology and received a Master's degree in Engineering from Tsinghua University in 2017. She is also the vice president of China Chemical Fibers Association.

Kelvin HO Cheuk Yin

Chief Strategy Officer

Aged 45, was appointed as the Company's Executive Director on 18 April 2018 and as the Chief Strategy Officer of the Group on 18 May 2018. He is responsible for the Group's corporate development strategies, investments and acquisitions.

Mr Ho joined the Ruyi group in December 2017 and serves as the chief strategy officer of Shandong Ruyi Technology Group Co., Ltd. and president of Ruyi International Fashion (China) Financial Investment Holding Group Limited, responsible for the strategic development and acquisitions for Ruyi group. He is currently also a director of SMCP S.A. which is listed on Euronext Paris and an indirect subsidiary of Ruyi, the Company's controlling shareholder.

Mr Ho has over 14 years of experience in corporate finance and mergers and acquisitions. He worked in the investment banking teams of BNP Paribas in Hong Kong and Paris between 2004 and 2007. From July 2007 to December 2017, he worked in the investment banking team of J.P. Morgan Securities (Asia Pacific) Limited.

Mr Ho received his Bachelor's degree in Economics from The University of Hong Kong in 1995. He further obtained a Master's degree in Business Administration from the London Business School in 2004. Mr Ho has earned the Chartered Financial Analyst designation.

NON-EXECUTIVE DIRECTORS

QIU Yafu

Non-executive Chairman

Aged 61, father of Ms QIU Chenran, was appointed as the Company's Non-executive Director on 18 April 2018 and as the Chairman of the Board on 18 May 2018. Mr Qiu is a member of the Remuneration Committee and the Nomination Committee of the Company.

Mr Qiu is the chairman of the board of Ruyi, the Company's controlling shareholder, responsible for the overall management of the business and development of Ruyi group. Mr Qiu has over 40 years of experience in the textile and apparel industry. Since joining Ruyi group in November 1975, Mr Qiu has held various positions within Ruyi group, including secretary, deputy minister, assistant to factory director and deputy factory director of Jining Woolen Textile Factory, as well as deputy chairman and deputy general manager of Shandong Ruyi Wool Spinning Group Co., Ltd., before he was promoted to chairman of Shandong Ruyi Wool Spinning Group Co., Ltd. in December 1997, and subsequently serving concurrently as the chairman of Shandong Ruyi Technology Group Co., Ltd..

Mr Qiu is currently a director of each of Renown Incorporated which is listed on Tokyo Stock Exchange, SMCP S.A. which is listed on Euronext Paris and Shandong Ruyi Woolen Garment Group Co., Ltd. which is listed on Shenzhen Stock Exchange. These companies are indirect subsidiaries/associated company of Ruyi, the Company's controlling shareholder.

He is also:

- a member of the 10th, 11th, 12th and 13th National People's Congress of the PRC;
- the vice president of China Enterprise Confederation;
- the vice president of China Enterprise Directors Association;
- the vice president of China Textile Enterprise Association;
- the vice president of China Wool Textile Association; and
- the visiting professor of Xi'an Polytechnic University.

Mr Qiu received the first prize at the National Science & Technology Advancement Awards, and was awarded the National Labor Medal as well as young and middle-aged professional with outstanding contributions in Shandong. Mr Qiu has been ranked as one of the more influential figures of the Chinese textile and apparel industry in 2010.

Mr Qiu received his Bachelor's degree in Management Engineering from Donghua University in 2002. He further obtained a Master's degree in Engineering from Donghua University and an MBA degree from Tsinghua University in 2005. Mr Qiu is a researcher of Engineering Technology Application and a senior engineer.

Sabrina FUNG Wing Yee

Non-executive Deputy Chairman

Aged 47, is the Deputy Chairman and a Non-executive Director of the Company. She was the Company's Director from September 2007 to April 2018 and the Deputy Chairman of the Board from August 2016 to April 2018. She rejoined the Company as a Non-executive Director on 6 August 2018. Ms Fung is the Group Managing Director of Fung Retailing Limited, a substantial shareholder of the Company.

Ms Fung 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, the Hong Kong-France Business Council, the Board of Trustees of The Carnegie Hall Corporation, New York (Class of 2020), and McLaren Advisory Group of McLaren Racing Limited. 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.

WONG Yat Ming

Non-executive Director

Aged 68, is a Non-executive Director of the Company. He was the Company's Director from December 2006 to April 2018 and the Group Managing Director from June 2009 to May 2014. He rejoined as the Company's Non-executive Director on 6 August 2018. 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.

He 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.

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

Daniel LALONDE

Non-executive Director

Aged 55, was appointed as a Non-executive Director of the Company on 18 April 2018.

Mr Lalonde currently serves as the chief executive officer and a director of SMCP S.A. which is listed on Euronext Paris, and an indirect subsidiary of Ruyi, the Company's controlling shareholder.

Mr Lalonde has over 25 years of experience internationally in the retail, fashion and luxury industries. Mr Lalonde began his management career as the president and chief executive officer of Nespresso North America from 1994 to 1997 and then as global chief operating officer of Nestlé Nespresso SA in Lausanne, Switzerland from 1997 to 2002. He then joined the LVMH group, spending ten years there, firstly as president and chief executive officer of LVMH Watches & Jewelry North America from 2002 to 2006, and then as president and chief executive officer of Louis Vuitton North America from 2006 to 2010, and finally as global president and chief executive officer of Moët & Chandon/Dom Pérignon from 2010 to 2012. Before joining the SMCP group, he was a president of Ralph Lauren International, based in New York, from 2012 to 2013. Mr Lalonde joined the SMCP group as chief executive officer in April 2014.

Mr Lalonde received his Bachelor's degree in Mathematics from the University of Waterloo in Ontario, Canada in 1987. In 1991, he further obtained an MBA from INSEAD (France) where he currently serves on the board of directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Eva CHENG LI Kam Fun

Independent Non-executive Director
Chairman of Remuneration Committee

Aged 66, was appointed as an Independent Non-executive Director of the Company on 1 November 2011. She is the chairman of the Remuneration Committee and a member of the Audit Committee of the Company. 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. 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. She was conferred with the Degree of Doctor of Business Administration, *honoris causa*, from The Open University of Hong Kong in 2014.

Michael LEE Tze Hau

Independent Non-executive Director
Chairman of Nomination Committee

Aged 57, was appointed as an Independent Non-executive Director of the Company on 1 October 2008. He is the chairman of the Nomination Committee, and a member of the Audit Committee and the Remuneration Committee of the Company. 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 in Hong Kong. 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 60, was appointed as an Independent Non-executive Director of the Company on 1 October 2008. He is the chairman of the Audit Committee and a member of the Nomination Committee of the Company. He is currently an independent non-executive director of Sihuan Pharmaceutical Holdings Group Ltd, China NT Pharma Group Company 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.

He was an independent non-executive director and non-executive chairman of Solomon Systech (International) Limited (2004-2015) and an independent non-executive director of China Railway Signal & Communication Corporation Limited (2015-2018) (both of which are listed in Hong Kong). Before that, he was the Senior Country Officer and Head of Investment Banking for Hong Kong of JP Morgan Chase, and group executive director and Head of Investment Banking for Greater China at Jardine Fleming Holdings Limited. He was also 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.

Victor HUANG
Independent Non-executive Director

Aged 47, was appointed as an Independent Non-executive Director of the Company on 20 December 2018. He is a member of the Audit Committee of the Company. He is currently an independent non-executive director of Qingdao Haier Biomedical Co., Ltd and Laobaixing Pharmacy Chain Joint Stock Company, a company listed on the Shanghai Stock Exchange. He was a partner of PricewaterhouseCoopers and KPMG, with over 25 years of experience in finance, accounting and mergers and acquisitions.

Mr Huang graduated from The University of California, Los Angeles in the United States with a Degree of Bachelor of Arts in Business-Economics. He is a certified accountant of The Hong Kong Institute of Certified Public Accountants and a Certified Independent Director by the Shanghai Stock Exchange.

YANG Dajun
Independent Non-executive Director

Aged 50, was appointed as an Independent Non-executive Director of the Company on 20 December 2018. He is a member of the Audit Committee of the Company. Mr Yang is the chief executive officer of UI International Brand Management (Beijing) Co Ltd and UTA International Brand Consulting (Beijing) Co Ltd. He has been focusing on global fashion industry for over 25 years. He is known as an expert of investment and management of fashion industry in China, especially on strategy development, operation optimisation, post merger and acquisition integration, and brand management. Mr Yang (pseudonym: "楊大筠") is the author/chief editor of a number of works on retail management, including the book《模式的革命: 時尚自有品牌成功贏利模式》(SPA – The revolution of business model).

He is currently a director of Jihua Group Corporation Limited, which is listed on the Shanghai Stock Exchange and an independent director of SMCP S.A., which is listed on Euronext Paris and an indirect subsidiary of Ruyi, the Company's controlling shareholder.

He holds a Master's degree in Business Administration from University of International Business and Economics in the PRC.

GROUP CHIEF COMPLIANCE AND RISK MANAGEMENT OFFICER

Jason YEUNG Chi Wai

Aged 64, 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 64, 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.

Information for Investors

Listing Information

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

Financial Calendar

26 March 2019
Announcement of 2018 Final Results

23 May 2019
Record Date for determining Members' right to attend Annual General Meeting

29 May 2019
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 2018
3,598,322,883

Market capitalisation as at 31 December 2018
HK$1,223,430,000

Enquiries Contact

Li Yui Sing
Group Finance Director
Telephone number: (852) 2342 1151
Facsimile number: (852) 2343 4708
e-mail: info@trinitygroup.com

Trinity Limited

8/F, LiFung Tower *(Note)*
888 Cheung Sha Wan Road
Kowloon
Hong Kong

Website

www.trinitygroup.com

Note: Change of address to "39/F, Dorset House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong" with effect from 1 April 2019

Directors' Report

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2018.

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 and an indication of likely future development in the Group's businesses, can be found in Chairman's Statement on pages 20 and 21, Chief Executive Officer's Overview on pages 22 to 24, Discussion and Analysis section on pages 25 to 31 and Note 5.1 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 7 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 79. The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2018.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in Notes 27 and 38 to the consolidated financial statements respectively.

Distributable Reserves

As at 31 December 2018, the Company's distributable reserves available for distribution to shareholders under the Companies Act 1981 of Bermuda (as amended) amounted to HK$404,203,000 (2017: HK$353,101,000).

Property, Plant and Equipment

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

Share Capital

On 18 April 2018, the Company allotted and issued 1,846,000,000 new ordinary shares of the Company ("Shares") at the subscription price of HK$1.20 per share ("New Issue") to Ruyi Brand Holding (HongKong) Company Limited, an indirect wholly-owned subsidiary of Shandong Ruyi International Fashion Industry Investment Holding Company Limited (now known as "Beijing Ruyi Fashion Investment Holding Company Limited", "Ruyi") and the Company raised a total consideration of HK$2,215,200,000. On the same date, the Company increased its 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 pursuant to a resolution passed by the Company's shareholders at the special general meeting held on 17 January 2018.

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

Pre-emptive Rights

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

Five-year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 174.

Purchase, Sale or Redemption of Securities

Except for the New Issue as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

Share Option 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 of the Share Option Scheme 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 2018, the number of Shares available for issue in respect thereof is 62,768,488, representing approximately 1.74% 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 the relevant option.

(vi) *Acceptance and payment on acceptance*

An offer for 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 2018, options to subscribe for a total of 9,810,000 Shares under the Share Option Scheme remained valid and outstanding, representing approximately 0.27% of the total number of issued Shares as at the date of this report. Among these outstanding share options, 2,660,000 share options lapsed immediately upon the expiry of the exercisable period ended 31 December 2018. Subsequently, the total number of outstanding share options as at 1 January 2019 was 7,150,000, representing approximately 0.20% 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 2018 are as follows:

Category of Participants	Number of Share Options As at 01/01/2018	Granted	Exercised	Cancelled/ Lapsed	Transfer In	Transfer Out	As at 31/12/2018	Exercise Price HK$	Grant Date	Exercisable Period
Director [2]										
Sabrina Fung Wing Yee	1,000,000	–	1,000,000	–	–	–	–	0.60	24/03/2017	01/01/2018–31/12/2019
Continuous Contract Employees	3,000,000	–	–	800,000	–	340,000	1,860,000	2.01	21/08/2014	01/01/2017–31/12/2018
	8,340,000	–	840,000	700,000	110,000	1,700,000	5,210,000	0.60	24/03/2017	01/01/2018–31/12/2019
Other Participants	3,410,000	–	–	3,190,000	340,000	–	560,000	2.01	21/08/2014	01/01/2017–31/12/2018
	4,660,000	–	3,954,000	116,000	1,700,000	110,000	2,180,000	0.60	24/03/2017	01/01/2018–31/12/2019
Total	20,410,000 [1]	–	5,794,000 [2]	4,806,000 [3]	2,150,000	2,150,000	9,810,000 [4]			

Notes:

1. *As at 31 December 2017, there were 26,820,000 share options outstanding. Among these share options, 6,410,000 shares 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.*
2. *(i) The weighted average closing price per share immediately before the dates on which the share options were exercised by Ms Sabrina FUNG Wing Yee and two former Directors, namely Mr Jeremy Paul Egerton HOBBINS and Mr Srinivasan PARTHASARATHY, was HK$0.79.*

   (ii) The weighted average closing prices per share immediately before the dates on which the share options were exercised by the continuous contract employees and by other participants were HK$0.77 and HK$0.82 respectively.
3. *By adding up 6,410,000 lapsed share options as mentioned in Note 1 above and 4,806,000 lapsed share options for the year ended 31 December 2018, the total number of lapsed share options during the year was 11,216,000.*
4. *As at 31 December 2018, there were 9,810,000 share options outstanding. Among these share options, 2,660,000 share options lapsed immediately upon the expiry of the exercisable period ended 31 December 2018 and subsequently, the total number of outstanding share options as at 1 January 2019 was 7,150,000.*
5. *The above share options are recognised as expenses in the consolidated financial statements in accordance with the Company's accounting policy as set out in Note 3.17(v) to the consolidated financial statements. Other details of share options granted by the Company are set out in Note 26 to the consolidated financial statements.*

Directors

The Directors as at 31 December 2018 and up to the date of this report were:

Executive Directors

SUN Weiying [1]	*(Chief Executive Officer)*
Paul David HAOUZI [2]	*(President)*
QIU Chenran [3]	
Kelvin HO Cheuk Yin [4]	*(Chief Strategy Officer)*
SU Xiao [5]	

Non-executive Directors

QIU Yafu [6]	*(Chairman)*
Sabrina FUNG Wing Yee [7]	*(Deputy Chairman)*
WONG Yat Ming [7]	
Daniel LALONDE [3]	

Independent Non-executive Directors

Eva CHENG LI Kam Fun
Michael LEE Tze Hau
Patrick SUN
Victor HUANG [8]
YANG Dajun [8]

Notes:

1. *Appointed to the Board on 18 April 2018, and then re-designated from Non-executive Director to Executive Director and appointed as Chief Executive Officer on 18 May 2018*
2. *Appointed to the Board on 18 April 2018, and then re-designated from Independent Non-executive Director to Executive Director and appointed as President on 6 August 2018*
3. *Both appointed to the Board on 18 April 2018*
4. *Appointed to the Board on 18 April 2018, and then appointed as Chief Strategy Officer on 18 May 2018*
5. *Appointed to the Board on 18 May 2018*
6. *Appointed to the Board on 18 April 2018, and then appointed as Board Chairman on 18 May 2018*
7. *Both resigned as Directors on 18 April 2018 and then re-appointed as Directors on 6 August 2018, whilist Ms Sabrina FUNG Wing Yee was appointed as Deputy Chairman on the same date*
8. *Both appointed to the Board on 20 December 2018*

In addition, during the year, the following Directors resigned on the respective dates set out below:

Dr William FUNG Kwok Lun, Mr Terence FUNG Yue Ming and Mr Jean-Marc LOUBIER (all Non-executive Directors), Mr Srinivasan PARTHASARATHY (Executive Director) and Mr Cassian CHEUNG Ka Sing (Independent Non-executive Director) resigned on 18 April 2018.

Mr Jeremy Paul Egerton HOBBINS (Executive Director and Chief Executive Officer) resigned on 18 May 2018. On the same date, Dr Victor FUNG Kwok King relinquished his position as Board Chairman and Mr Srinivasan PARTHASARATHY resigned from his position as Chief Financial Officer.

Mr Minoru KITABATAKE (Non-executive Director), who was appointed on 18 April 2018, resigned on 18 May 2018.

Dr Victor FUNG Kwok King (Non-executive Director) resigned on 6 August 2018. In recognition of his valuable contributions and visionary leadership in the Company, the Board conferred the title of Honorary Chairman on him following his resignation. He does not hold any directorship in the Group nor is he remunerated for the title of Honorary Chairman.

In accordance with Bye-law 84 of the Bye-laws, Mr Michael LEE Tze Hau, Mr Patrick SUN and Mr Kelvin HO Cheuk Yin shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In addition, Ms SU Xiao, Ms Sabrina FUNG Wing Yee, Mr WONG Yat Ming, Mr Victor HUANG and Mr YANG Dajun, who were appointed by the Board after the last annual general meeting, will retire at the forthcoming annual general meeting in accordance with Bye-law 83 of the Bye-laws and, being eligible, offer themselves for re-election.

The biographical details of the Directors as at the date of this report are set out in the Directors and Senior Management section on pages 51 to 59.

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 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 69 to 72 and Note 37 "Related party transactions" to the consolidated financial statements.

Directors' Interests in Competing Businesses

During the year ended 31 December 2018 and up to the date of this report, the following Directors are considered to have interests in the following businesses, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules:–

Four Directors namely Mr QIU Yafu, Ms QIU Chenran, Ms SUN Weiying and Ms SU Xiao held shareholding interests and/or directorships in companies/entities engaged in the businesses of retailing and/or wholesaling and/or licensing of premium menswear in Greater China and/or Europe ("Excluded Businesses").

Given that the Excluded Businesses are managed by separate companies/entities with management and administration distinct from the Group, it is considered that the Group is capable of carrying on its businesses independently of, and at arm's length from, the Excluded Businesses.

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

As at 31 December 2018, the Directors and chief executive of the Company and their associates had the following interests in the shares, underlying shares, and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"):

Long Position in Shares and Underlying Shares of the Company

	Number of Shares					
Directors	**Personal Interest**	**Family Interest**	**Corporate/ Trust Interest**	**Equity Derivatives (share options)**	**Total**	**Approximate Percentage of Issued Share Capital (%)**
QIU Yafu	–	–	1,867,415,633 [1]	–	1,867,415,633	51.90
Sabrina FUNG Wing Yee	3,800,000	–	641,657,760 [2]	–	645,457,760	17.94
WONG Yat Ming	50,976,563	–	–	–	50,976,563	1.42

Notes:

1. *Mr QIU Yafu was deemed to have interests in 1,867,415,633 Shares, which were held in the following manner:*
   - *(a) 1,846,000,000 Shares were directly held by Ruyi Brand Holding (HongKong) Company Limited, a direct wholly-owned subsidiary of Jining Ruyi Brand Investment Holding Co Ltd, and an indirect wholly-owned subsidiary of Ruyi. Mr QIU Yafu directly held, and exercised and controlled, a 51% equity interest in Ruyi; and*
   - *(b) 21,415,633 Shares were held by Renown Incorporated, a company listed on the Tokyo Stock Exchange. Ruyi directly and indirectly through a subsidiary held 52.99% equity interests in Renown Incorporated.*
2. *Ms Sabrina FUNG Wing Yee 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, a direct wholly-owned subsidiary of Fung Retailing Limited which in turn was a direct wholly-owned subsidiary of Fung Holdings (1937) Limited. Fung Holdings (1937) Limited was a direct and 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. Ms Sabrina FUNG Wing Yee is the daughter of Dr Victor FUNG Kwok King; and*
   - *(b) 25,244,000 Shares were directly held by First Island Developments Limited, a company wholly owned by the Trustee.*

Save as disclosed above, as at 31 December 2018, 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 (within the meaning of Part XV of the SFO) required to be disclosed pursuant to the SFO.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2018, 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	Notes	Approximate Percentage of Issued Share Capital (%)
Ruyi Brand Holding (HongKong) Company Limited	Beneficial owner	1,846,000,000	1(a)	51.30
Ruyi	Interest of controlled corporations	1,867,415,633	1(b)	51.90
Fung Trinity Investments Limited	Beneficial owner	616,413,760	2, 5	17.13
Fung Retailing Limited	Interest of controlled corporation	616,413,760	2, 5	17.13
Fung Holdings (1937) Limited	Interest of controlled corporations	616,413,760	2, 5	17.13
King Lun	Interest of controlled corporations	616,413,760	2, 5	17.13
HSBC Trustee (C.I.) Limited	Trustee	641,657,760	3, 5	17.83
William FUNG Kwok Lun	Beneficial owner	23,570,000	4(a)	0.66
	Interest of controlled corporations	630,913,760	4(b), 5	17.53

Notes:

1. *(a) Ruyi Brand Holding (HongKong) Company Limited was an indirect wholly-owned subsidiary of Ruyi, with Jining Ruyi Brand Investment Holding Co Ltd as the intermediate holding company. Therefore, Jining Ruyi Brand Investment Holding Co Ltd and Ruyi were all deemed to be interested in the 1,846,000,000 Shares held by Ruyi Brand Holding (HongKong) Company Limited.*

   (b) The interests of Ruyi in the 1,846,000,000 Shares refer to the same block of Shares as mentioned in Note 1(a) above. Ruyi was also deemed to be interested in 21,415,633 Shares which were held by Renown Incorporated, a company listed on the Tokyo Stock Exchange. Ruyi directly and indirectly through a subsidiary held 52.99% equity interest in Renown Incorporated. Mr QIU Yafu directly held, and exercised and controlled, a 51% equity interest in Ruyi. Refer to the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures".

2. *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 section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures".*

3. *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 section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures".*

4. *(a) Dr William FUNG Kwok Lun had personal interests in 23,570,000; and*

   (b) Among the 630,913,760 Shares, Dr Fung was deemed to be interested in (i) 14,500,000 Shares directly held by his own company Step Dragon Enterprise Limited; and (ii) 616,413,760 Shares indirectly held by King Lun in which Dr William FUNG Kwok Lun owned 50% of the issued share capital of King Lun.

5. *The interests of each of Fung Trinity Investments Limited, Fung Retailing Limited, Fung Holdings (1937) Limited, King Lun, the Trustee and Dr William FUNG Kwok Lun in the 616,413,760 Shares refer to the same block of shares in the Company.*

Save as disclosed above, as at 31 December 2018, 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 the Directors and Senior Management section on pages 51 to 59.

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 sold less than 30% of its total goods and services to its five largest customers. The purchases that the Group made from its five largest suppliers in aggregate accounted for approximately 32.2% of the total purchases.

Connected Transactions

During the year, the Group had the following non-exempted continuing connected transactions between connected parties (as defined in the Listing Rules) and the Group:

(i) Logistics related services

On 22 December 2017, 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 one year from 1 January 2018 to 31 December 2018. The Group incurred the service charges of HK$492,800 and RMB8,798,000 (HK$10,450,000) in Hong Kong and the Chinese Mainland, respectively, for the year ended 31 December 2018.

(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$7,000,000 (HK$54,818,000) for the year ended 31 December 2018.

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

On 7 June 2017, the Group entered into an agreement with Li & Fung (Trading) Limited, 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 from 1 June 2017 to 31 December 2019. For the year ended 31 December 2018, the Group incurred the commission and fixed annual fee totalling HK$43,000,000.

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

(a) *Property leasing and/or licensing arrangements*

Pursuant to the business acquisition agreement entered into by the Group with (among others) HALL on 21 March 2016, the Group further entered into a sub-lease agreement with HALL (as lessor), an associate of FH 1937, 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 GBP391,000 (HK$4,106,000) for the year ended 31 December 2018.

(b) *Licence agreements for "Hardy Amies" brand*

Pursuant to the business acquisition agreement entered into by the Group with (among others) HALL on 21 March 2016, the Group further 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. Hardy Amies licence agreements were terminated on 15 March 2018 and there was no royalty fee incurred during the year.

(v) *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 1 January 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 RMB2,888,000 (HK$3,431,000) and TWD4,998,000 (HK$1,306,000) for the year ended 31 December 2018.

(vi) *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$7,812,000 for the year ended 31 December 2018.

(vii) Manufacture, distribution and sales agreement and distribution agreement with Renown Incorporated ("Renown")

On 18 July 2007, the Group entered into the manufacture, distribution and sales agreement and the distribution agreement with Renown. Renown granted the Group the rights to import, purchase or source the "D'URBAN" licensed products and distribute, sell, manufacture and market the products and use the trademarks and logos until 28 February 2027. Upon Ruyi becoming the Company's controlling shareholder on 18 April 2018, the continuing transactions between the Group and Renown, an associate of Ruyi, became continuing connected transactions. The Group incurred royalty of HK$2,666,000 and purchase of goods of HK$13,996,000 for the period from 18 April 2018 to 31 December 2018.

(viii) Licence agreement with Ruyi Group

(a) On 25 May 2018, the Group entered into a licence agreement with a subsidiary of Ruyi for the grant of the rights to Ruyi and its associates (together, "Ruyi Group") for distributing the licensed products under "Kent & Curwen" brand in certain territories and rights to design, manufacture, source, advertise and promote the licensed products for a term from 1 June 2018 to 31 December 2020. The Group incurred royalty income of HKS$30,000,000 and joining fee of HK$22,000,000 for the 7 months ended 31 December 2018.

(b) On 25 May 2018, the Group entered into two licence agreements with a subsidiary of Ruyi for the grant of the rights to distribute the "Cerruti 1881" and "Gieves & Hawkes" licensed products, respectively, in certain territories and rights to design, source and manufacture the approved products from 1 June 2018 to 31 May 2021. The Group incurred royalty income of HK$14,000,000 and joining fee of HK$9,000,000 for the 7 months ended 31 December 2018.

(ix) Sale of off-season garments and fashion accessories to Ruyi Group

On 19 December 2018, the Company entered into a master agreement with Ruyi for the sale of off-season garments and fashion accessories from the Group to Ruyi Group for a term from 19 December 2018 to 31 December 2020. The Group recorded total sales of RMB48,588,000 (HK$54,951,000) for the year ended 31 December 2018.

(x) Sale of off-season garments and fashion accessories to FH 1937 Group

On 19 December 2018, the Company entered into a master agreement with FH 1937 for the sale of off-season garments and fashion accessories from the Group to FH 1937 Group for a term from 19 December 2018 to 31 December 2020. The Group recorded total sales of RMB2,643,000 (HK$3,140,000) for the year ended 31 December 2018.

Ms Sabrina FUNG Wing Yee, being a Director of the Company, was considered to have material interest in items (i) to (vi) and (x) of the above-mentioned continuing connected transactions by virtue of her deemed interests in FH 1937 (a substantial shareholder of the Company) and/or Li & Fung group. Dr Victor FUNG Kwok King and Dr William FUNG Kwok Lun, former Directors of the Company, were considered to have material interest in items (i) to (vi) and (x) of the above-mentioned continuing connected transactions by virtue of their deemed interests in FH 1937 and/or Li & Fung group.

Mr QIU Yafu, Ms SUN Weiying, Ms QIU Chenran, Ms SU Xiao and Mr Kelvin HO Cheuk Yin, all being Directors of the Company, are considered to have material interest in items (vii) to (ix) of the above-mentioned continuing connected transactions by virtue of the positions as directors and/or senior executives of Ruyi (the controlling shareholder of the Company), and/or their deemed interests in Ruyi 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 its findings and conclusions in respect of the above continuing connected transactions to the Board of Directors.

Save as disclosed above, none of the transactions disclosed as related party transactions in Note 37 to the consolidated financial statements is a connected transaction or a continuing connected transaction which is subject to the reporting and disclosure requirements under the Listing Rules. The Company has complied with the 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 2018, 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 will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board
QIU Yafu
Chairman

Hong Kong, 26 March 2019

pwc 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 79 to 173, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- 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 2018, 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 18 and note 32 to the consolidated financial statements As at 31 December 2018, the Group had goodwill of HK$1,272 million, acquired trademarks and licenses of HK$1,870 million (collectively as "intangible assets"). 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 also concluded that no impairment is required in respect of the goodwill, trademarks and licences and during the year. Management has also concluded that the contingent purchase consideration payables was nil as at 31 December 2018 and a gain on remeasurement of contingent purchase consideration payable of HK$70 million was recorded. This conclusion was based on the assessments that required significant management judgement including future revenue growth rates, terminal growth rates, operating margins, 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, operating margins, 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 22 to the consolidated financial statements* The Group recognised HK$187 million deferred tax assets arising from tax losses as at 31 December 2018, to the extent management expects that it is probable that future taxable profits will be available against which those 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 considers 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 2019

Consolidated Income Statement

For the year ended 31 December 2018

	Note	**2018 HK$'000**	2017 HK$'000
Revenue	7(a)	**1,723,138**	1,701,334
Cost of sales		**(527,807)**	(540,989)
Gross profit		**1,195,331**	1,160,345
Other income	9	**25,358**	16,375
Selling, marketing and distribution expenses		**(1,017,450)**	(1,119,780)
General and administrative expenses		**(444,485)**	(492,005)
Net impairment losses on financial assets		**(6,856)**	(5,928)
Core operating profit/(loss)		**(248,102)**	(440,993)
Other gains/(losses) – net	10	**64,900**	(65,258)
Restructuring costs	8	**(59,945)**	(72,752)
Operating loss	8	**(243,147)**	(579,003)
Net finance costs	11	**(20,734)**	(28,455)
Loss before income tax		**(263,881)**	(607,458)
Income tax	12	**(920)**	(890)
Loss for the year attributable to shareholders of the Company		**(264,801)**	(608,348)
Basic loss per share attributable to shareholders of the Company during the year (expressed in HK cents per share)	13(a)	**(8.7) cents**	(34.8) cents
Diluted loss per share attributable to shareholders of the Company during the year (expressed in HK cents per share)	13(b)	**(8.7) cents**	(34.8) cents

The notes on pages 86 to 173 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	2018 **HK$'000**	2017 HK$'000
Loss for the year	**(264,801)**	(608,348)
Other comprehensive (expenses)/income		
Item that will not be reclassified subsequently to profit or loss		
Remeasurements of post employment benefit obligations	**1,283**	(3,544)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	**(87,838)**	76,708
Other comprehensive (expense)/income for the year, net of tax	**(86,555)**	73,164
Total comprehensive expenses for the year	**(351,356)**	(535,184)
Total comprehensive expenses attributable to:		
– Shareholders of the Company	**(351,356)**	(535,184)

The notes on pages 86 to 173 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**97,169**	130,293
Intangible assets	18	**3,150,348**	3,226,709
Convertible promissory note and loan receivables	19	**–**	–
Deposits, prepayments and other receivables	21	**41,820**	46,622
Deferred income tax assets	22	**217,431**	208,845
		3,506,768	3,612,469
Current assets			
Inventories	23	**645,624**	621,473
Trade receivables	24	**166,194**	107,607
Derivative financial instruments	20	**–**	890
Deposits, prepayments and other receivables	21	**84,581**	90,054
Amounts due from related parties	37(b)	**214,713**	3,661
Current income tax recoverables		**3,125**	1,995
Cash and cash equivalents (excluding bank overdrafts)	25	**1,338,056**	390,888
		2,452,293	1,216,568
Total assets		**5,959,061**	4,829,037
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	26	**359,832**	174,653
Share premium	26	**4,410,347**	2,376,850
Reserves	27	**(752,575)**	(383,727)
Total equity		**4,017,604**	2,167,776

The notes on pages 86 to 173 are an integral part of these consolidated financial statements.

	Note	2018 HK$'000	2017 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	33	–	407,132
Provision for long service payments	28	**625**	768
Retirement benefit obligations	29	**15,509**	24,760
Other payables and accruals	30	**62,019**	133,437
Contingent purchase consideration payable for acquisition	32	–	68,099
Deferred income tax liabilities	22	**293,716**	296,499
		371,869	930,695
Current liabilities			
Trade payables	31	**66,129**	131,606
Other payables and accruals	30	**317,425**	398,049
Amounts due to related parties	37(b)	**64,529**	36,702
Current income tax liabilities		**11,246**	11,074
Borrowings	33	**1,110,259**	1,153,135
		1,569,588	1,730,566
Total liabilities		**1,941,457**	2,661,261
Total equity and liabilities		**5,959,061**	4,829,037

Approved by the Board of Directors on 26 March 2019

SUN Weiying
Director

Paul David HAOUZI
Director

The notes on pages 86 to 173 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

		Attributable to shareholders of the Company				
	Note	Share capital HK$'000	Share premium HK$'000	Accumulated losses HK$'000	Other reserves HK$'000	Total HK$'000
Balance at 1 January 2018		**174,653**	**2,376,850**	**(166,463)**	**(217,264)**	**2,167,776**
Impact of changes in accounting policies	4	–	–	(17,395)	(97)	(17,492)
Balance at 1 January 2018 (restated)		**174,653**	**2,376,850**	**(183,858)**	**(217,361)**	**2,150,284**
Comprehensive expense						
Loss for the year		–	–	(264,801)	–	(264,801)
Other comprehensive income/(expenses)						
Remeasurements of post employment benefit obligations	27	–	–	1,283	–	1,283
Exchange differences on translation of foreign operations	27	–	–	–	(87,838)	(87,838)
Other comprehensive income/(expenses) for the year, net of tax		–	–	1,283	(87,838)	(86,555)
Total comprehensive expenses		–	–	(263,518)	(87,838)	(351,356)
Transactions with owners						
Issue of shares	26	184,600	2,030,600	–	–	2,215,200
Employee share option scheme						
– exercise of share options	26	579	2,897	790	(790)	3,476
– transfer to accumulated losses	27	–	–	4,965	(4,965)	–
Transfer from accumulated losses	27	–	–	(1,711)	1,711	–
Total transactions with owners		185,179	2,033,497	4,044	(4,044)	2,218,676
Balance at 31 December 2018		**359,832**	**4,410,347**	**(443,332)**	**(309,243)**	**4,017,604**

The notes on pages 86 to 173 are an integral part of these consolidated financial statements.

		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	27	–	–	(3,544)	–	(3,544)
Exchange differences on translation of foreign operations	27	–	–	–	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	27	–	–	–	2,000	2,000
– transfer to retained earnings	27	–	–	3,185	(3,185)	–
Transfer from retained earnings	27	–	–	(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 86 to 173 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2018

	Note	**2018 HK$'000**	2017 HK$'000
Cash flows from operating activities			
Cash used in operations	34(a)	**(610,738)**	(328,601)
Interest paid on bank borrowings and overdrafts		**(37,222)**	(30,830)
Income tax paid		**(13,927)**	(7,085)
Net cash used in operating activities		**(661,887)**	(366,516)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(53,627)**	(61,778)
Payments for intangible assets		**(2,525)**	(910)
Increase in loan receivables		**(2,918)**	(21,454)
Proceeds from disposal of property, plant and equipment		**145**	294
Interest income received		**19,044**	1,732
Net cash used in investing activities		**(39,881)**	(82,116)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**2,146,676**	–
Proceeds from borrowings		**679,635**	522,121
Repayment of borrowings		**(1,147,988)**	(278,995)
Net cash generated from financing activities		**1,678,323**	243,126
Net increase/(decrease) in cash and cash equivalents		**976,555**	(205,506)
Cash and cash equivalents at beginning of the year		**338,183**	534,379
Effect on foreign exchange rates changes		**(50,407)**	9,310
Cash and cash equivalents at end of the year	25	**1,264,331**	338,183

The notes on pages 86 to 173 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") 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, 888 Cheung Sha Wan Road, Kowloon, Hong Kong [Note].

Its immediate holding company is Ruyi Brand Holding (HongKong) Company Limited, a private company incorporated in Hong Kong, and its ultimate holding company is Beijing Ruyi Fashion Investment Holding Company Limited (formerly known as "Shandong Ruyi International Fashion Industry Investment Holding Company Limited"), a non-listed company incorporated in the People's Republic of China.

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.

Note: Change of address to "39/F, Dorset House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong" with effect from 1 April 2019.

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 6.

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.

To conform with management's assessment, the classification of certain items on the consolidated income statement for the year ended 31 December 2018 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 2017 were comprised of a decrease in general and administrative expenses by HK$5,928,000 which is reclassified to net impairment losses on financial assets.

(a) Adoption of new standards, amendments and interpretations to existing standards effective in 2018

The Group has adopted the following new standards, amendment and interpretations to existing standards which are mandatory for accounting periods beginning on or after 1 January 2018 and relevant to the Group:

HKFRS 2 (Amendment)	Share-based Payment: Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
HKFRS 15 (Amendment)	Clarifications to HKFRS 15
Annual Improvements Project	Annual Improvements 2014-2016 Cycle

The adoption of such new standards, amendments and interpretation to existing standards does not have material impact on the consolidated financial statements as at and for the year ended 31 December 2018 except the following standards:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 4 below.

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 1 and HKAS 8 (Amendments)	Definition of Material (effective for annual periods beginning on or after 1 January 2020)
HKAS 19 (2011) (Amendment)	Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019)
HKAS 28 (2011) (Amendment)	Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019)
HKFRS 3 (Amendment)	Definition of a Business (effective for annual periods beginning on or after 1 January 2020)
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 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 23	Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019)
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 2019 or years after 2019. The Group has already assessed the impact of these new standards, amendments and interpretations. The following describes the key changes and some aspects of the HKFRS 16 which 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 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. HKFRS 16 includes requirements relating to subleases and lease modifications. Lease receivable should be recognised when sublease is classified as finance lease. 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. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the financial liability instead of rental expenses, and also classifies cash repayments on the financial liability into a principal portion and an interest portion and presents them in the statement of cash flows as financing and operating activities respectively.

The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured on transition as if the new rules had always been applied.

Based on the current assessment, it is estimated that the change in accounting for the Group's operating leases will result in increase of right-of-use assets of approximately HK$351 million, lease receivables of HK$14 million and lease liabilities of HK$391 million on 1 January 2019 with the difference recognised in opening accumulated losses in 2019.

HKFRS 16 is mandatory for 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.

3 Summary of principal accounting policies *(Continued)*

3.2 Consolidation *(Continued)*

(i) ***Subsidiaries*** *(Continued)*

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.

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.

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, warehouse and staff quarter 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 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 is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries 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

(i) Classification

From 1 January 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in consolidated income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

3 Summary of principal accounting policies *(Continued)*

3.9 Financial assets *(Continued)*

(iii) Measurement *(Continued)*

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in 'Other gains/(losses) – net' together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in consolidated income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Other gains/(losses) – net'. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in 'Other gains/(losses) – net' and impairment expenses are presented as separate line item in the consolidated income statement.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in consolidated income statement and presented net within 'Other gains/(losses) – net' in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in consolidated income statement as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in 'Other gains/(losses) – net' in consolidated income statement as applicable.

3 Summary of principal accounting policies *(Continued)*

3.9 Financial assets *(Continued)*

(iv) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 5.1(b) and note 24 for further details.

(v) Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 December 2017 the group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss, and
- loans and receivables,

Management determined the classification on the purpose for which the investments were acquired at initial recognition.

(i) Reclassification

Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term.

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

3 Summary of principal accounting policies *(Continued)*

3.9 Financial assets *(Continued)*

(ii) Subsequent measurement

The measurement at initial recognition did not change an adoption of HKFRS 9, see description above.

Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were subsequently carried at amortised cost using the effective interest method.

Financial assets at FVPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised in the consolidated income statement within 'Other gains/(losses) – net'.

(iii) Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in the consolidated income statement. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Group could measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in the consolidated income statement.

3 Summary of principal accounting policies *(Continued)*

3.10 Derivative financial instruments

Derivatives financial instruments include forward exchange contracts (2017: forward exchange contracts and conversion right embedded in convertible promissory note) (Note 20) 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.

3.11 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents includes cash in hand, deposits held at call with banks and financial institutions, 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.

3.12 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.

3.13 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)*

3.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the 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 the consolidated income statement as other income or finance costs.

All borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

3.15 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 'Financial Instruments' and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 'Revenue from Contracts with Customers'.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

3.16 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised 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.

3 Summary of principal accounting policies *(Continued)*

3.16 Current and deferred income tax *(Continued)*

(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.

(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 Summary of principal accounting policies *(Continued)*

3.17 Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays 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.

3 Summary of principal accounting policies *(Continued)*

3.17 Employee benefits *(Continued)*

(ii) Pension obligations *(Continued)*

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 the consolidated income statement 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.

(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.

3 Summary of principal accounting policies *(Continued)*

3.17 Employee benefits *(Continued)*

(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.

(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 Summary of principal accounting policies *(Continued)*

3.18 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.

3.19 Revenue recognition

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

Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time. If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When either party to a contract has performed its obligation, the Group presents the contract in the consolidated balance sheet as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract as a contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

The Group recognises revenue 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 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.

3 Summary of principal accounting policies *(Continued)*

3.19 Revenue recognition *(Continued)*

(i) Sales of goods – retail

The Group operates a chain of retail stores selling menswear and accessories. Sales of goods are recognised at a point in time when a Group entity sells and transfers 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) Sale of goods – customer loyalty programme (deferred revenue)

The group operates a loyalty programme where customers accumulate points for purchases made which entitle them to discounts on future purchases. A contract liability for the award points is recognised at the time of sale. Revenue is recognised when the points are redeemed or when they expire 24 months after the initial sale.

(iii) Royalty income from licensing

Royalty income is recognised based on sales made by the licensees and terms of the contract on an accruals basis.

(iv) Sales of goods – wholesale

Sales of goods are recognised at a point in time 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.

(v) e-Commerce revenue

Revenue from the sale of goods on the e-Commerce is recognised at a point in time when the inventory have been delivered to the customer. Transactions are settled by credit or payment card.

For the sales of goods, customers have a right to return the products within a given period. Accumulated experience is used to estimate the return to the extent that it is highly probable that a significant reversal will not occur, using the expected value method, to be included in the transaction price.

A refund liability for the expected return to customers is recognised as adjustment to revenue in trade and other payables. At the same time, the Group has a right to recover the product from the customer where the customer exercises his right of return and recognises an asset and a corresponding adjustment to cost of sales.

(vi) 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.

(vii) Administration and management fee income, consultancy fee income, joining fee income and commission income

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

3 Summary of principal accounting policies *(Continued)*

3.20 Leases

(a) As the lessee of operating leases

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

(b) As the lessor of operating leases

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

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

3.21 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.

3.22 Contingent liabilities

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

A contingent liability is not recognised but is disclosed in the notes to the 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.

3.23 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.

3.24 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.

3.25 Core operating profit/(loss)

Core operating profit/(loss) 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.

4 Change in accounting policy

As explained in Note 3(a) above, the Group has adopted HKFRS 9 and HKFRS 15 from 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements.

The Group has been impacted by HKFRS 9 in relation to the measurement of credit losses, and impacted by HKFRS 15 in relation to timing of revenue recognition. Details of the changes in accounting policies are discussed in Note 4(a) for HKFRS 9 and Note 4(b) for HKFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9 and/or HKFRS 15:

	As at 1 January 2018			
	As previously stated HK$'000	Effect of the adoption of HKFRS 9 HK$'000	Effect of the adoption of HKFRS 15 HK$'000	Total HK$'000
Consolidated statement of financial position (extract)				
Trade receivables	**107,607**	**(3,091)**	**–**	**104,516**
Translation reserve	**15,704**	**(97)**	**–**	**15,607**
Accumulated losses	**(166,463)**	**(2,994)**	**(14,401)**	**(183,858)**
Other payables and accruals – current liabilities	**398,049**	**–**	**14,401**	**412,450**

(a) HKFRS 9, Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on accumulated losses at 1 January 2018.

	HK$'000
Accumulated losses	
Recognition of additional credit loss recognised on:	
– Trade receivables	**(3,091)**
– Translation reserve	**97**
Net increase in accumulated losses at 1 January 2018	**(2,994)**

4 Change in accounting policy *(Continued)*

(a) HKFRS 9, Financial Instruments *(Continued)*

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

Expected credit losses

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach.

HKFRS 9 requires the Group to record an allowance for ECLs for financial assets held at amortised cost.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The adoption of the ECL requirements of HKFRS 9 resulted in increases in impairment allowances of the Group's trade receivables. The increase in allowance resulted in adjustment to accumulated losses, which increased accumulated losses by HK$2,994,000 at 1 January 2018.

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 January 2018.

	HK$'000
Loss allowance at 31 December 2017 under HKAS 39	**8,876**
Additional credit loss recognised at 1 January 2018 on:	
– Trade receivables	**3,091**
Loss allowance at 1 January 2018 under HKFRS 9	**11,967**

Classification of financial assets

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The Group's convertible promissory note are not bifurcated into loan receivables and derivative financial instrument, instead the entire convertible promissory note are classified as FVPL upon adoption of HKFRS 9. Since the Group fully impaired the loan receivables and derivative financial instrument, fair value of FVPL is nil.

4 Change in accounting policy *(Continued)*

(b) HKFRS 15, Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information is not restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The following table summarises the impact of transition to HKFRS 15 on accumulated losses at 1 January 2018:

	HK$'000
Accumulated losses	
Deferred revenue and profit recognition under customer loyalty program	**(14,401)**
Net increase in accumulated losses at 1 January 2018	**(14,401)**

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

The Group's Greater China segment operates a customer loyalty programme, which allows customers to join VIP membership when their accumulated purchases in a defined period reach a certain level. Being a VIP, a retail customer can enjoy certain percentage of discounts. The Group concluded that under HKFRS 15 the VIP membership gives rise to a separate performance obligation because they provide a material right to the customer and allocated a portion of the transaction price to the VIP membership awarded to customers based on the relative stand-alone selling price. The deferred revenue related to this customer loyalty programme was reclassified to other payables and accruals and the deficit was adjusted to accumulated losses. As a consequence, the other payables recognised in relation to the customer loyalty programme on 1 January 2018 was HK$14,401,000 and a net adjustment to accumulated losses was HK$14,401,000.

5 Financial risk management and financial instruments

5.1 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.

(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.

The Group has entered several forward contracts during the year. As at 31 December 2018, all forward contracts were expired. The Group's outstanding forward contracts as at 31 December 2017 were analysed as below:

Outstanding forward contracts	31 December 2017
Buying EUR	
– Notional principal amount (EUR)	13,000,000
– Fixed exchange rate	9.315
Buying GBP	
– Notional principal amount (GBP)	890,000
– Fixed exchange rate	10.378
Buying JPY	
– Notional principal amount (JPY)	158,000,000
– Fixed exchange rate	0.07088

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

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

5.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(i) Foreign exchange risk *(Continued)*

At 31 December 2018, if RMB had strengthened by 5% against the HK dollar with all other variables held constant, loss for the year would have been HK$1,183,000 (2017: HK$8,402,000) higher, 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 2018, if EUR had strengthened by 5% against the HK dollar with all other variables held constant, loss for the year would have been HK$2,760,000 (2017: HK$4,836,000) higher, 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.

At 31 December 2018, if GBP had weakened by 5% against the HK dollar with all other variables held constant, loss for the year would have been HK$4,611,000 (2017: HK$765,000) higher, mainly as a result of foreign exchange losses or gains on translation of GBP denominated receivables and bank balances recorded in the books of the Group's entities in Hong Kong.

(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 deposits held at variable rates. During the year, the Group's borrowings at variable rates were mainly denominated in HKD, RMB, TWD, 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$1,331,000 (2017: HK$1,281,000) for the year ended 31 December 2018.

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.

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

5.1 Financial risk factors *(Continued)*

(b) Credit risk

The Group's credit risk is primarily attributable to trade receivables, 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.

Receivables

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all receivables in trade nature, including the amount due from related parties.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. For receivables balances relating to accounts which are long overdue with significant amounts or known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance.

Other financial assets at amortised cost

The impairment loss of other financial assets carried at amortised cost is measured based on the twelve months expected credit loss. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group.

As at 31 December 2017 and 2018, management considered the credit risk of other receivables and deposit is low as counterparties have a strong capacity to meet their contractual cash flow obligations in the near term. The Group has assessed that the expected credit losses for these other receivables and deposit were immaterial under 12 months expected losses method. Therefore, the loss allowance provision for these balances was close to zero and no provision was recognised. Assessment of loss allowance for the loan receivables are disclosed in Note 19.

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.

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.

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

5.1 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 to maintain liquidity risk. Taking into account of the existing borrowing facilities and the proceeds from the new share subscription during the year, 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 2018	**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	**66,129**	–	–	–
Other payables and accruals	**219,875**	**62,125**	–	–
Amounts due to related parties	**64,529**	–	–	–
Borrowings	**1,126,571**	–	–	–
	1,477,104	**62,125**	–	–

	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

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

5.2 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 2018	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
Derivative financial instruments – forward exchange contracts (Note 20)	–	–	–	–
Liabilities				
Contingent purchase consideration payable for acquisition (Note 32)	–	–	–	–

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 20)	–	890	–	890
Liabilities				
Contingent purchase consideration payable for acquisition (Note 32)	–	–	68,099	68,099

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

5.2 Fair value estimation *(Continued)*

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

(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 2018 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. As at 31 December 2018, the Group's loss attributable to shareholders of the Company and the contingent purchase consideration payable would increase/decrease by HK$521,000 (2017: HK$13,262,000) and nil (2017: HK$11,789,000) respectively if future revenue growth per year is 1% higher/lower than the estimation made by management at the end of the reporting period.

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

5.2 Fair value estimation *(Continued)*

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

The movements in 2018 in the balance of these Level 3 fair value measurements are as follows:

	Contingent purchase consideration payable for acquisition (Note 32) HK$'000
Opening net book amount at 1 January 2018	**(68,099)**
Notional interest expenses on contingent purchase consideration payable for acquisition	**(2,271)**
Remeasurement gain recognised in profit or loss	**70,370**
Closing net book amount at 31 December 2018	**–**
Total net gains for the year included in profit or loss	**68,099**
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'	**(2,271)**
Change in unrealised gains for the year included in profit or loss for liabilities held at the end of the year, under 'Other gains/(losses) – net'	**70,370**

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

5.2 Fair value estimation *(Continued)*

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

The movements in 2017 in the balance of these Level 3 fair value measurements are as follows:

	Conversion right embedded in convertible promissory note (Note 20) HK$'000	Contingent purchase consideration payable for acquisition (Note 32) HK$'000
Opening net book amount at 1 January 2017	6,022	(181,758)
Notional interest expenses on contingent purchase consideration payable for acquisition	–	(6,062)
Remeasurement (loss)/gain recognised in profit or loss	(6,071)	119,721
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 gains/(losses) – net'	(6,071)	119,721

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 the year 2017, exchange gain on conversion right embedded in convertible promissory note HK$49,000 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.

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

5.2 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 management.

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, 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.

5.3 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 33) less cash and cash equivalents (Note 25). Total capital is calculated as total equity, as shown in the consolidated statement of financial position, plus net debt.

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

5.3 Capital management *(Continued)*

The gearing ratios as at 31 December 2018 and 2017 were as follows:

	2018 **HK$'000**	2017 HK$'000
Net debt	**N/A**	1,169,379
Total capital	**N/A**	3,337,155
Gearing ratio (Note)	**N/A**	35.0%

Note: As at 31 December 2018, the cash and cash equivalents is larger than the total borrowings, therefore, the Group is in net cash position and gearing ratio is not available.

6 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 3.6. The recoverable amounts of CGUs are determined based on discounted cash flows calculations. These calculations require the use of estimates (Note 18).

(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.

6 Critical accounting estimates and judgements *(Continued)*

(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 recognises 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.

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 5.2(b).

(e) Estimated impairment of trade and other receivables

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Group has applied the HKFRS 9 simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

6 Critical accounting estimates and judgements *(Continued)*

(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.

7 Segment information

The Group is principally engaged in the retailing and wholesale of premium menswear in Greater China 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.

Segment asset consists only of inventories.

7 Segment information *(Continued)*

(a) Segment results

The segment results for the year ended 31 December 2018 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$'000	Licensing HK$'000	Retail HK$'000	Wholesale HK$'000	Licensing HK$'000	Total HK$'000
Total segment revenue										
– Recognised at a point in time	520,607	332,493	689,960	58,137	130,264	–	135,526	23,602	–	1,890,589
– Recognised over time	–	–	–	–	–	52,000	–	–	150,007	202,007
Inter-segment revenue	–	(332,487)	–	–	–	–	–	–	(36,971)	(369,458)
Revenue from external customers	520,607	6	689,960	58,137	130,264	52,000	135,526	23,602	113,036	1,723,138
– Recognised at a point in time	520,607	6	689,960	58,137	130,264	–	135,526	23,602	–	1,558,102
– Recognised over time	–	–	–	–	–	52,000	–	–	113,036	165,036
Gross profit	372,057	–	480,109	24,245	86,547	52,000	68,571	(1,234)	113,036	1,195,331
Segmental contributions	16,423	–	21,891	23,997	3,674	52,000	(17,825)	(15,771)	103,916	188,305
Segmental contributions includes:										
Depreciation	(14,056)	–	(33,749)	–	(8,342)	–	(7,996)	(601)	(145)	(64,889)
Additional provision for impairment of property, plant and equipment	(3,532)	–	–	–	–	–	(5,640)	–	–	(9,172)
Segment asset	201,682	–	316,664	–	68,898	–	58,380	–	–	645,624

7 Segment information *(Continued)*

(a) Segment results (Continued)

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										
– Recognised at a point in time	505,982	408,984	737,656	68,331	127,775	8,259	135,482	39,897	–	2,032,366
– Recognised over time	–	–	–	–	–	–	–	–	120,201	120,201
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
– Recognised at a point in time	505,982	16	737,656	68,331	127,775	8,259	135,482	38,814	–	1,622,315
– Recognised over time	–	–	–	–	–	–	–	–	79,019	79,019
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

7 Segment information *(Continued)*

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

	2018 HK$'000	2017 HK$'000
Segmental contributions for reportable segments	**188,305**	117,192
Add:		
Other income (Note 9)	**25,358**	16,375
Less:		
Net finance costs (Note 11)	**(20,734)**	(28,455)
Other gains/(losses) – net (Note 10)	**64,900**	(65,258)
Employee benefit expenses	**(171,178)**	(195,121)
Rental and other operating expenses	**(25,280)**	(44,858)
Depreciation and amortisation	**(62,329)**	(66,924)
Advertising and promotion expenses	**(70,940)**	(117,315)
Legal and professional fees	**(18,721)**	(12,330)
Product design, supply chain and related management expenses	**(19,831)**	(41,035)
Restructuring costs	**(59,945)**	(72,752)
Other unallocated expenses	**(93,486)**	(96,977)
Total Group's loss before income tax	**(263,881)**	(607,458)

7 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 and prepayments ("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:

	2018 HK$'000	2017 HK$'000
Hong Kong & Macau	**598,376**	505,998
Chinese Mainland	**751,245**	807,496
Taiwan	**130,264**	127,775
United Kingdom	**159,900**	140,445
Other countries	**83,353**	119,620
Total	**1,723,138**	1,701,334

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

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

	2018 HK$'000	2017 HK$'000
Hong Kong & Macau	**848,287**	699,811
Chinese Mainland	**791,100**	798,378
Taiwan	**88,233**	84,445
United Kingdom	**772,477**	836,314
France	**669,702**	684,387
Singapore	**119,538**	300,289
Total	**3,289,337**	3,403,624

8 Operating loss

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

	2018 **HK$'000**	2017 HK$'000
Cost of inventories (Note 23)	**523,665**	533,510
Write off of inventories and additional provision for impairment of inventories (Note 23) & (note (a))	**4,142**	7,479
Employee benefit expenses (Note 14)	**550,698**	593,357
Operating lease rental expenses		
– minimum lease payment	**326,588**	329,692
– contingent rents	**112,046**	127,536
Provision for impairment of loan receivables	**2,918**	170,565
Advertising and promotion expenses (note (b))	**89,485**	135,328
Restructuring costs (note (c))	**59,945**	72,752
Product design, supply chain and related management expenses	**19,831**	41,035
Depreciation of property, plant and equipment (Note 17)	**73,123**	79,946
Amortisation of intangible assets (Note 18)	**54,095**	56,944
Provision for impairment of property, plant and equipment (Note 17)	**9,172**	8,871
Loss on disposal of property, plant and equipment – net	**2,848**	11,223
Provision for impairment of trade receivables – net (Note 24)	**6,856**	5,928
Contingent royalty expenses	**4,339**	4,121
Fair value losses/(gains) on forward foreign exchange contracts	**890**	(4,196)
Net foreign exchange losses	**22,591**	25,051

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$16,151,000 (2017: HK$15,090,000) and HK$2,394,000 (2017: HK$2,923,000).

(c) For the year ended 31 December 2018, restructuring costs mainly relating to Greater China and Europe operations included employee benefit expenses and other costs of HK$36,269,000 and HK$23,676,000 respectively.

For the year ended 31 December 2017, restructuring costs relating to closure of business wear production line at the Hong Kong factory 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, HK$5,796,000, HK$9,685,000 and HK$30,644,000 respectively.

8 Operating loss (Continued)

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

	2018 HK$'000	2017 HK$'000
Audit services	**5,840**	5,972
Non-audit services		
– taxation services	**1,189**	1,053
– other services	**385**	416
	7,414	7,441

Note: *HK$5,351,000 (2017: HK$5,956,000) of the audit services fees and HK$1,413,000 (2017: HK$1,469,000) of non-audit services fees are payable to the Company's auditor.*

9 Other income

	2018 HK$'000	2017 HK$'000
Subsidy income	**6,398**	6,660
Rental income from third parties	**2,849**	2,684
Rental income from related parties (Note 37(a))	**–**	144
Management fee income from related parties (Note 37(a))	**1,186**	2,987
Claims received	**3,267**	1,586
Commission income	**7,572**	–
Others	**4,086**	2,314
	25,358	16,375

10 Other gains/(losses) – net

	2018 HK$'000	2017 HK$'000
Provision for impairment of loan receivables and remeasurement loss on derivative	**(2,918)**	(176,636)
Gain on remeasurement of contingent purchase consideration payable for acquisition	**70,370**	119,721
Others	**(2,552)**	(8,343)
	64,900	(65,258)

11 Net finance costs

	2018 HK$'000	2017 HK$'000
Finance costs		
– Interest expenses on bank borrowings and overdrafts	**(37,507)**	(32,937)
– Notional interest expenses on contingent purchase consideration payable for acquisition	**(2,271)**	(6,062)
	(39,778)	(38,999)
Finance income		
– Interest income on deposits from banks and financial institutions	**19,044**	1,732
– Interest income on loan receivables	**–**	8,812
	19,044	10,544
Net finance costs	**(20,734)**	(28,455)

12 Income tax

Hong Kong profits tax has been provided for at the rate of 16.5% (2017: 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.

	2018 HK$'000	2017 HK$'000
Current income tax		
– Hong Kong profits tax	**–**	1,218
– Overseas taxation	**13,575**	12,418
– Over provision in prior years	**(806)**	(2,696)
Deferred income tax (Note 22)	**(11,849)**	(10,050)
	920	890

12 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:

	2018 **HK$'000**	2017 HK$'000
Loss before income tax	**(263,881)**	(607,458)
Tax calculated at domestic tax rates applicable to profits/(losses) in the respective countries	**(44,719)**	(100,463)
Withholding tax on distributable profits, royalty income and interest income	**386**	4,411
Income not subject to tax	**(13,492)**	(22,882)
Over provision in prior years	**(809)**	(2,696)
Effect of unrecognised tax losses	**33,768**	77,392
Expenses not deductible for tax purposes	**25,786**	45,128
Income tax	**920**	890

The weighted average applicable tax rate for the year was 16.9% (2017: 16.5%). 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% (2017: 25%).

13 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.

	2018	2017
Weighted average number of ordinary shares in issue	**3,055,310,000**	1,746,529,000
Loss attributable to shareholders of the Company (HK$'000)	**(264,801)**	(608,348)
Basic loss per share (HK cents per share)	**(8.7) cents**	(34.8) cents

(b) Diluted

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

13 Loss per share *(Continued)*

	2018	2017
Weighted average number of ordinary shares in issue	**3,055,310,000**	1,746,529,000
Adjustment for share options	**511,000**	–
Weighted average number of ordinary shares for diluted loss per share	**3,055,821,000**	1,746,529,000
Loss attributable to shareholders of the Company (HK$'000)	**(264,801)**	(608,348)
Diluted loss per share (HK cents per share)	**(8.7) cents**	(34.8) cents

14 Employee benefit expenses

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

	2018 HK$'000	2017 HK$'000
Wages, salaries and bonus including restructuring costs HK$36,269,000 (2017: HK$26,627,000)	**465,856**	501,860
Additional provision for long service payment (Note 28)	**856**	2,200
Pension costs – defined benefit plans	**556**	1,137
Pension costs – defined contribution plans	**8,632**	9,326
Social security and benefits	**74,798**	76,834
Employee share option benefit	–	2,000
Total	**550,698**	593,357

There were no forfeited contributions during the year (2017: nil).

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

	Number of individuals	
	2018	2017
Emolument bands		
– HK$1,500,001 to HK$2,000,000	**3**	–
– HK$2,000,001 to HK$2,500,000	**1**	–
– HK$3,000,001 to HK$3,500,000	**2**	2
– HK$4,000,001 to HK$4,500,000	–	2
– HK$5,000,001 to HK$5,500,000	–	1
– HK$6,000,001 to HK$6,500,000	–	1
	6	6

14 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 2018 does not include directors (2017: two) whose emoluments are reflected in the analysis shown in Note 15. The emoluments payable to the remaining five highest paid individuals (2017: three) during the year are as follows:

	2018 HK$'000	2017 HK$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**15,641**	11,987
Bonuses	**362**	1,235
Employer's contribution to pension scheme	**2,215**	273
Employee share option benefit	**–**	234
Others	**324**	–
	18,542	13,729

During the year, no amount was paid or payable by the Group to the Directors as set out in Note 15(a) and any of the five highest paid individuals as an inducement to join or upon joining the Group (2017: nil).

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

	Number of individuals	
	2018	2017
Emolument bands		
– HK$3,000,001 to HK$3,500,000	**1**	–
– HK$3,500,001 to HK$4,000,000	**1**	–
– HK$4,000,001 to HK$4,500,000	**3**	2
– HK$5,000,001 to HK$5,500,000	**–**	1
	5	3

15 Benefits and interests of Directors

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

(i) For the year ended 31 December 2018:

	Fees HK$'000	Salary HK$'000 or equivalent	Bonuses HK$'000 or equivalent	Other Benefits* HK$'000 or equivalent	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive Directors						
SUN Weiying[1]	**145**	**2,870**	–	**27**	**12**	**3,054**
Paul David HAOUZI[2]	**172**	**1,864**	–	**24**	**8**	**2,068**
QIU Chenran[3]	**141**	**1,490**	–	**43**	**12**	**1,686**
SU Xiao[4]	**125**	**1,490**	–	**25**	**12**	**1,652**
Kelvin HO Cheuk Yin[5]	**141**	**1,490**	–	**43**	**12**	**1,686**
Jeremy Paul Egerton HOBBINS[6]	**75**	**1,725**	–	**374**	–	**2,174**
Srinivasan PARTHASARATHY[7]	**59**	**1,296**	–	**193**	**8**	**1,556**
Non-executive Directors						
QIU Yafu[8]	**204**	–	–	–	–	**204**
Sabrina FUNG Wing Yee[9]	**140**	–	–	–	–	**140**
WONG Yat Ming[9]	**140**	–	–	–	–	**140**
Daniel LALONDE[8]	**141**	–	–	–	–	**141**
Victor FUNG Kwok King[10]	**138**	–	–	–	–	**138**
William FUNG Kwok Lun[11]	**74**	–	–	–	–	**74**
Terence FUNG Yue Ming[11]	**89**	–	–	–	–	**89**
Jean-Marc LOUBIER	**89**	–	–	–	–	**89**
Minoru KITABATAKE[13]	**25**	–	–	–	–	**25**
Independent Non-executive Directors						
Michael LEE Tze Hau	**430**	–	–	–	–	**430**
Patrick SUN	**390**	–	–	–	–	**390**
Eva CHENG LI Kam Fun	**371**	–	–	–	–	**371**
Victor HUANG[12]	**10**	–	–	–	–	**10**
YANG Dajun[12]	**10**	–	–	–	–	**10**
Cassian CHEUNG Ka Sing	**127**	–	–	–	–	**127**
	3,236	**12,225**	–	**729**	**64**	**16,254**

15 Benefits and interests of Directors *(Continued)*

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

(ii) 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	200	3,662	1,156	997	273	–	6,288
Srinivasan PARTHASARATHY	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	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

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

Notes:

1. *Ms SUN Weiying has been appointed as Non-executive Director with effect from 18 April 2018. She was then re-designated from Non-executive Director to Executive Director and appointed as Chief Executive Officer of the Group on 18 May 2018.*
2. *Mr Paul David HAOUZI has been appointed as Independent Non-executive Director with effect from 18 April 2018. He was re-designated from Independent Non-executive Director to Executive Director and appointed as President of the Group on 6 August 2018.*
3. *Ms QIU Chenran has been appointed as Executive Director with effect from 18 April 2018.*
4. *Ms SU Xiao has been appointed as Executive Director with effect from 18 May 2018.*
5. *Mr Kelvin HO Cheuk Yin has been appointed as Executive Director with effect from 18 April 2018. He was also appointed as Chief Strategy Officer of the Group on 18 May 2018.*

15 Benefits and interests of Directors *(Continued)*

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

Notes: (continued)

6. *Mr Jeremy Paul Egerton HOBBINS has resigned as Executive Director with effect from 18 May 2018.*
7. *Mr Srinivasan PARTHASARATHY has resigned as Executive Director with effect from 18 April 2018.*
8. *Mr QIU Yafu and Mr Daniel LALONDE have been appointed as Non-executive Director with effect from 18 April 2018.*
9. *Ms Sabrina FUNG Wing Yee and Mr WONG Yat Ming have resigned as Non-executive Director with effect from 18 April 2018 and been re-appointed as Non-executive Director with effect from 6 August 2018.*
10. *Dr Victor FUNG Kwok King has resigned as Non-executive Director with effect from 6 August 2018.*
11. *Dr William FUNG Kwok Lun and Mr Terence FUNG Yue Ming have resigned as Non-executive Director with effect from 18 April 2018.*
12. *Mr Victor HUANG and Mr YANG Dajun have been appointed as Independent Non-executive Director with effect from 20 December 2018.*
13. *Mr Minoru KITABATAKE has been appointed as Non-executive Director with effect from 18 April 2018 and resigned as Non-executive Director with effect from 18 May 2018.*

(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 69 to 72 and Note 37 "Related party transactions" to the consolidated financial statements.

16 Dividends

The Board of Directors does not recommend the payment of any final dividend for the year of 2018 (2017: nil).

The dividend policy is that the Company's income and its ability to pay dividends are dependent upon, among other things, the dividends received from its subsidiaries, which in turn, would depend on such subsidiaries' distributable profits, operating results, financial condition, capital expenditure and investment plans and other relevant factors. Further, the Company's ability to pay dividends is also subject to the compliance with the Bermuda laws and the Company's Bye-laws.

17 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 2018					
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
Year ended 31 December 2018					
Opening net book amount	122,080	8,043	–	170	130,293
Exchange differences	(3,933)	(366)	–	–	(4,299)
Additions	54,602	1,861	–	–	56,463
Disposals	(2,194)	(799)	–	–	(2,993)
Impairment provision (Note 8)	(8,962)	(210)	–	–	(9,172)
Depreciation (Note 8)	(68,472)	(4,481)	–	(170)	(73,123)
Closing net book amount	93,121	4,048	–	–	97,169
At 31 December 2018					
Cost	402,493	69,142	–	2,240	473,875
Accumulated depreciation and impairment	(309,372)	(65,094)	–	(2,240)	(376,706)
Net book amount	93,121	4,048	–	–	97,169

17 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 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 8)	(8,777)	(94)	–	–	(8,871)
Depreciation (Note 8)	(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

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

	2018 HK$'000	2017 HK$'000
Cost of sales	–	164
Selling, marketing and distribution expenses	**65,166**	68,254
General and administrative expenses	**7,957**	11,528
Total	**73,123**	79,946

Note:

For the purpose of impairment test, the recoverable amount of CGUs is determined based on value in use calculations. The key assumptions including annual gross sales revenue, gross margin ratios and contributions margin etc. that were used in the value in use calculations as at 31 December 2018 and 2017, are based on management's best estimates and reflect specific risks relating to the relevant businesses. During the year ended 31 December 2018, impairment loss of HK$9,172,000 (2017: HK$8,871,000)was mainly recognised for retail shops.

18 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 2018							
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**
Year ended 31 December 2018							
Opening net book amount	**1,775,636**	**170,736**	**1,271,751**	**5,053**	**3,022**	**511**	**3,226,709**
Exchange difference	**(8,443)**	**(33)**	**–**	**–**	**–**	**(21)**	**(8,497)**
Additions	**–**	**–**	**–**	**950**	**1,292**	**283**	**2,525**
Disposal	**–**	**(16,294)**	**–**	**–**	**–**	**–**	**(16,294)**
Amortisation (Note 8)	**–**	**(52,037)**	**–**	**(1,152)**	**(587)**	**(319)**	**(54,095)**
Closing net book amount	**1,767,193**	**102,372**	**1,271,751**	**4,851**	**3,727**	**454**	**3,150,348**
At 31 December 2018							
Cost	**1,767,193**	**230,340**	**1,271,751**	**7,796**	**5,025**	**776**	**3,282,881**
Accumulated amortisation	**–**	**(127,968)**	**–**	**(2,945)**	**(1,298)**	**(322)**	**(132,533)**
Net book amount	**1,767,193**	**102,372**	**1,271,751**	**4,851**	**3,727**	**454**	**3,150,348**
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 8)	–	(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

Notes:

(a) Indefinite life trademarks mainly represent the Group's rights and titles in respect of the worldwide Kent & Curwen trademark, the worldwide Cerruti 1881 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. Hardy Amies license agreements were terminated on 15 March 2018.

An amortisation charge of HK$52,037,000 from definite useful life licenses (2017: HK$55,328,000) is included in selling, marketing and distribution expenses and amortisation charge of HK$2,058,000 (2017: HK$1,616,000) is included in general and administrative expenses.

18 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 2018 and 31 December 2017 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 calculation. 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% (2017: 3.0%). The post-tax discount rate used is approximately 12.2% (2017: 11.5%) and reflects market assessments of the time value and the specific risks relating to the industry. The Group's estimated compound annual sales growth rates ("CAGRs") over five years for the Chinese Mainland, Hong Kong and Macau and Taiwan business are shown below. 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. Given the market will continue to remain volatile in the medium term, management remains confident of the long term potential of the Group.

18 Intangible assets *(Continued)*

Impairment tests for goodwill *(Continued)*

The key assumptions used in value in use calculations are as follows:

	Growth rate (note)		Discount rate		CAGRs	
	2018	2017	**2018**	2017	**2018**	2017
Hong Kong and Macau	**3.0%**	3.0%	**12.2%**	11.5%	**11.6%**	12.3%
Chinese Mainland	**3.0%**	3.0%	**12.2%**	11.5%	**18.3%**	13.6%
Taiwan	**3.0%**	3.0%	**12.2%**	11.5%	**15.1%**	8.2%

Note: Terminal growth rate beyond five-year budget period

The estimated recoverable amounts of the Chinese Mainland and Hong Kong and Macau business approximate their carrying values (headroom of approximately HK$29 million and HK$21 million respectively), consequently a small 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 0.5%, the recoverable amounts of the Chinese Mainland and Hong Kong and Macau businesses would decrease by HK$50 million and HK$23 million respectively with potential risk of impairment. If the post-tax discount rate used in the calculation had been higher by 0.2%, the recoverable amounts of the Chinese Mainland and Hong Kong and Macau businesses would decrease by HK$58 million and HK$26 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 relief-from-royalty method. This valuation uses cash flow projections based on financial estimates covering a five-year period, expected royalty rates deriving from respective trademarks and a post-tax discount rate of 12.2% (2017: 11.5%). The cash flows beyond the five-year period are extrapolated using a growth rate of 3.0% (2017: 3.0%). Management has considered the above assumptions and valuation and has also taken into account the business expansion plan going forward and concluded that no impairment is required.

19 Convertible promissory note and loan receivables

	2018 HK$'000	2017 HK$'000
Non-current assets		
Convertible promissory note and conversion right	–	112,112
Less: provision for impairment of convertible promissory note and conversion right	–	(112,112)
	–	–
Current assets		
Loan receivable	**61,371**	58,453
Less: provision for impairment of loan receivable	**(61,371)**	(58,453)
	–	–

The convertible promissory note and loan receivables consist of a convertible promissory note purchase agreement, loan agreement with BHB and the conversion right embedded in convertible promissory note.

The Group's convertible promissory note are bifurcated into loan receivables and derivative financial instrument before the adoption of HKFRS 9. Upon the adoption of HKFRS 9, the entire convertible promissory note are classified as FVPL.

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 management considered the recoverability risk to be high. Consequently, full provision of impairment was recognised for the outstanding loan receivable and the fair value of the FVPL is nil as at the year end.

20 Derivative financial instruments

	2018 HK$'000	2017 HK$'000
Current assets		
Conversion right embedded in convertible promissory note (Note 19)	–	–
Forward exchange contracts	–	890
	–	890

As at 31 December 2017, the carrying amount of the Group's derivative financial instruments approximated their fair values.

21 Deposits, prepayments and other receivables

	2018 HK$'000	2017 HK$'000
Non-current assets		
Rental deposits	**38,445**	45,011
Prepayments	**3,375**	1,611
	41,820	46,622
Current assets		
Rental deposits	**38,105**	41,472
Prepayments	**11,445**	17,055
Other receivables	**35,031**	31,527
	84,581	90,054
Total	**126,401**	136,676

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

	2018 HK$'000	2017 HK$'000
HKD	**50,600**	53,486
RMB	**40,790**	39,493
GBP	**10,960**	22,989
EUR	**14,524**	8,788
Macao Patacas ("MOP")	**8,010**	9,260
TWD	**1,513**	1,316
Singapore dollars ("SGD")	**4**	1,344
	126,401	136,676

As at 31 December 2018 and 2017, the carrying amounts of the Group's deposits, prepayments and other receivables approximated their fair values.

22 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:

	2018 HK$'000	2017 HK$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**187,058**	177,109
– Deferred income tax assets to be recovered within 12 months	**30,373**	31,736
	217,431	208,845
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	**(290,705)**	(291,182)
– Deferred income tax liabilities to be settled within 12 months	**(3,011)**	(5,317)
	(293,716)	(296,499)

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

	2018 HK$'000	2017 HK$'000
At 1 January	**(87,654)**	(94,187)
Credited to consolidated income statement (Note 12)	**11,849**	10,050
Exchange differences	**(480)**	(3,517)
At 31 December	**(76,285)**	(87,654)

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 has unrecognised tax losses of HK$164,530,000 (2017: HK$130,762,000) to carry forward for offsetting against future taxable income. These tax losses have no expiry dates except for the tax losses of HK$28,320,000 (2017: nil) which will expire at various dates up to and including 2028.

22 Deferred income tax *(Continued)*

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 HK$'000	Others HK$'000	Total HK$'000
At 1 January 2017	255,855	29,414	2,519	2	287,790
(Credited)/charged 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
Charged/(credited) to the consolidated income statement	–	**1,755**	**(2,527)**	–	**(772)**
Exchange differences	**(2,051)**	**129**	**(89)**	–	**(2,011)**
At 31 December 2018	**260,020**	**32,477**	**1,217**	**2**	**293,716**

As at 31 December 2018, the aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised totalled approximately HK$23.5 million (2017: HK$15.4 million), as the directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not be reversed in the forseeable future.

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 2017	2,015	5,389	10,457	16,767	156,382	2,593	193,603
(Charged)/credited 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
(Charged)/credited to the consolidated income statement	–	**(1,722)**	**(435)**	**(2,354)**	**16,406**	**(818)**	**11,077**
Exchange differences	–	–	**(1,275)**	–	**(1,257)**	**41**	**(2,491)**
At 31 December 2018	**2,219**	**2,561**	**8,838**	**15,575**	**186,543**	**1,695**	**217,431**

23 Inventories

	2018 **HK$'000**	2017 HK$'000
Raw materials	**2,345**	5,428
Work-in-progress	**4,588**	4,933
Finished goods	**638,691**	611,112
Total	**645,624**	621,473

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$523,665,000 (2017: HK$533,510,000), HK$387,000 (2017: HK$2,414,000) and HK$3,755,000 (2017: HK$5,065,000) respectively (Note 8).

24 Trade receivables

	2018 **HK$'000**	2017 HK$'000
Trade receivables	**186,197**	116,483
Less: provision for impairment of trade receivables	**(20,003)**	(8,876)
Trade receivables – net	**166,194**	107,607

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:

	2018 **HK$'000**	2017 HK$'000
1-30 days	**103,873**	53,534
31-60 days	**30,469**	29,467
61-90 days	**6,668**	4,941
Over 90 days	**45,187**	28,541
	186,197	116,483

24 Trade receivables *(Continued)*

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. In prior year, the impairment of trade receivables was assessed based on the incurred loss model, individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly.

In 2017, trade receivables that do not have signs of financial problems or not long outstanding are not considered impaired. Trade receivables of HK$59,603,000 as at 31 December 2017 were past due. 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
Past due	
Up to 3 months	46,753
4 to 12 months	11,036
Over 12 months	1,814
	59,603

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

	2018 HK$'000	2017 HK$'000
At 1 January	**8,876**	2,566
Impact of changes in accounting policy (Note 4)	**3,091**	–
At 1 January (restated)	**11,967**	2,566
Additional provision	**9,476**	6,048
Unused amounts reversed as collected	**(2,620)**	(120)
Exchange differences	**1,180**	382
At 31 December	**20,003**	8,876

Trade receivables of HK$20,003,000 (2017: HK$8,876,000) as at 31 December 2018 were impaired. The ageing of these receivables is as follows:

	2018 HK$'000	2017 HK$'000
Up to 3 months	**2,024**	88
4 to 12 months	**8,391**	774
Over 12 months	**9,588**	8,014
	20,003	8,876

24 Trade receivables *(Continued)*

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:

	2018 HK$'000	2017 HK$'000
RMB	**103,892**	47,635
EUR	**24,186**	18,744
TWD	**19,724**	9,876
GBP	**16,205**	17,492
HKD	**10,992**	12,088
MOP	**7,438**	6,581
United States Dollars ("USD")	**2,417**	2,639
Others	**1,343**	1,428
	186,197	116,483

25 Cash and cash equivalents

	2018 HK$'000	2017 HK$'000
Cash at bank and in hand	**198,306**	270,888
Short-term bank deposits	**1,139,750**	120,000
Cash and cash equivalents (excluding bank overdrafts)	**1,338,056**	390,888

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

	2018 HK$'000	2017 HK$'000
Cash and cash equivalents	**1,338,056**	390,888
Bank overdrafts (Note 33)	**(73,725)**	(52,705)
Cash and cash equivalents – net	**1,264,331**	338,183
Maximum exposure to credit risk	**1,337,309**	390,052

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

As at 31 December 2018, cash and bank balances amounting to HK$1,253,325,000 (2017: HK$146,984,000) were deposited in the bank accounts in the Chinese Mainland and Taiwan where exchange control applies.

25 Cash and cash equivalents *(Continued)*

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

	2018 HK$'000	2017 HK$'000
RMB	**1,235,415**	99,122
HKD	**47,870**	241,360
GBP	**24,278**	3,670
TWD	**22,041**	30,288
MOP	**2,741**	1,674
SGD	**1,600**	4,438
EUR	**1,523**	4,737
USD	**556**	2,006
Others	**2,032**	3,593
	1,338,056	390,888

26 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 2017 and 31 December 2017	**4,000,000**	**1,746,529**	**174,653**	**2,376,850**	**2,551,503**
Increase in authorised share capital (note a)	**1,000,000**	–	–	–	–
Subscription of new shares (note a)	–	**1,846,000**	**184,600**	**2,030,600**	**2,215,200**
Exercise of share options (note b)	–	**5,794**	**579**	**2,897**	**3,476**
At 31 December 2018	**5,000,000**	**3,598,323**	**359,832**	**4,410,347**	**4,770,179**

Notes:

(a) On 8 November 2017, the Company entered into a subscription agreement with Shandong Ruyi International Fashion Industry Investment Holding Company Limited (now known as "Beijing Ruyi Fashion Investment Holding Company Limited", "Ruyi") and Fung Trinity Investments Limited ("FTIL"), pursuant to which the Company has conditionally agreed to allot and issue to Ruyi, and Ruyi has conditionally agreed to subscribe for 1,846,000,000 ordinary shares of the Company at the subscription price of HK$1.20 per share (the "Subscription"). The Subscription has been approved by the shareholders of the Company at a special general meeting held on 17 January 2018 and completed on 18 April 2018 (the "Completion Date").

By the ordinary resolution passed by the shareholders of the Company at a special general meeting held on 17 January 2018, approval was obtained to increase the authorised share capital of the Company from HK$400,000,000 divided into 4,000,000,000 ordinary shares of HK$0.10 each to HK$500,000,000 divided into 5,000,000,000 ordinary shares of HK$0.10 each by the creation of additional 1,000,000,000 ordinary shares of HK$0.10 each. Such increase in authorised share capital became effective on the Completion Date.

(b) During the year, 5,794,000 (2017: nil) ordinary shares were issued at an exercise price of HK$0.60 per share to the share option holders pursuant to the share option scheme.

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

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 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
Lapsed	(6,410,000)	2.01
At 1 January 2018	**20,410,000**	**1.04**
Exercised	**(5,794,000)**	**0.60**
Forfeited	**(4,806,000)**	**1.77**
At 31 December 2018	**9,810,000**	**0.95**

On 1 January 2018, 6,410,000 share options lapsed upon the expiry of the exercisable period ended 31 December 2017 and therefore the number of outstanding share options on 1 January 2018 was 20,410,000. At the end of the year, there were 9,810,000 (31 December 2017: 26,820,000) outstanding share options and out of which all were exercisable (31 December 2017: 12,820,000). Aggregating the said 6,410,000 lapsed share options and 4,806,000 share options forfeited during the year, the total number of lapsed/forfeited share options was 11,216,000 at 31 December 2018. The Company has no legal or constructive obligation to settle the share options in cash.

The outstanding share options as at 31 December 2018 were granted under the Share Option Scheme.

26 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	2018	2017
1 January 2016 to 31 December 2017	HK$2.01	–	6,410,000
1 January 2017 to 31 December 2018	HK$2.01	**2,420,000**	6,410,000
1 January 2018 to 31 December 2019	HK$0.60	**7,390,000**	14,000,000
At 31 December		**9,810,000**	26,820,000

5,794,000 share options were exercised during the year ended 31 December 2018 (2017: nil).

The share options outstanding at 31 December 2018 had a weighted average remaining contractual life of 0.76 year (2017: 1.29 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 21 August 2014	Share options granted on 24 March 2017
Average fair value (HK$)	0.44	0.14
Closing share price on date of grant (HK$)	2.01	0.60
Exercise price (HK$)	2.01	0.60
Expected volatility	44.02%	51.86%
Expected option life	1.5–3.3 years	1.77 years
Risk free interest rate	0.11% to 0.86%	1.0%
Expected dividend yield	3.5%	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.

27 Reserves

	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 2018	**(166,463)**	**(217,064)**	**(37,623)**	**13,782**	**15,704**	**7,937**	**(383,727)**
Impact of changes in accounting policies (note 4)	(17,395)	–	–	–	(97)	–	(17,492)
Balance at 1 January 2018 (restated)	**(183,858)**	**(217,064)**	**(37,623)**	**13,782**	**15,607**	**7,937**	**(401,219)**
Comprehensive expense							
Loss for the year	(264,801)	–	–	–	–	–	(264,801)
Other comprehensive income/ (expenses)							
Remeasurements of post employment benefit obligations	1,283	–	–	–	–	–	1,283
Exchange differences on translation of foreign operations	–	–	–	–	(87,838)	–	(87,838)
Other comprehensive income/ (expenses) for the year, net of tax	1,283	–	–	–	(87,838)	–	(86,555)
Total comprehensive expenses	(263,518)	–	–	–	(87,838)	–	(351,356)
Transactions with owners							
Employee share option scheme							
– exercise of share options	790	–	–	–	–	(790)	–
– transfer to accumulated losses	4,965	–	–	–	–	(4,965)	–
Transfer from accumulated losses	(1,711)	–	–	1,711	–	–	–
Total transactions with owners	4,044	–	–	1,711	–	(5,755)	–
Balance at 31 December 2018	**(443,332)**	**(217,064)**	**(37,623)**	**15,493**	**(72,231)**	**2,182**	**(752,575)**

27 Reserves *(Continued)*

	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 foreign operations	–	–	–	–	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)

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.

28 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:

	2018 **HK$'000**	2017 HK$'000
At 1 January	**768**	6,309
Charged to the consolidated income statement – as shown below	**856**	2,200
Payments made during the year	**(976)**	(7,724)
Actuarial gains recognised in other comprehensive expenses	**(23)**	(17)
At 31 December	**625**	768

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

	2018 **HK$'000**	2017 HK$'000
Current service cost	**825**	2,042
Interest cost	**31**	158
Total, included in employee benefit expenses	**856**	2,200

The total charge of HK$856,000 (2017: HK$2,200,000) was included in general and administrative expenses.

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

	2018	2017
Discount rate	**2.5%**	1.8%
Future salary growth rate	**2.0%**	2.0%
Inflation rate	**2.3%**	2.0%

29 Retirement benefit obligations

	2018 HK$'000	2017 HK$'000
Statement of financial position obligations for:		
– Pension benefits	**15,509**	24,760

	2018 HK$'000	2017 HK$'000
Income statement charge for:		
– Pension benefits (included in general and administrative expenses)	**556**	752
Remeasurements for:		
– Pension benefits (included in other comprehensive income/(expenses))	**(1,260)**	3,561

The Group operates defined benefit pension plans in Taiwan and the United Kingdom ("UK") 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 2018. (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 2018.

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:

	2018 HK$'000	2017 HK$'000
Present value of funded obligations	**109,898**	127,796
Fair value of plan assets	**(94,389)**	(103,036)
Liability in the consolidated statement of financial position	**15,509**	24,760

29 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 2018	**127,796**	**(103,036)**	**24,760**
Current service cost	171	–	171
Interest expense/(income)	2,847	(2,462)	385
	3,018	(2,462)	556
Remeasurements:			
– Loss on plan assets, excluding interest income	–	4,278	4,278
– Gains from change in financial assumptions	(5,529)	–	(5,529)
– Gains from change in demographic assumptions	(703)	–	(703)
– Experience losses	694	–	694
	(5,538)	4,278	(1,260)
Contributions:			
– Employers	(2,200)	(5,578)	(7,778)
Payments from plans:			
– Benefit payments	(5,732)	5,732	–
Exchange differences	(7,446)	6,677	(769)
At 31 December 2018	**109,898**	**(94,389)**	**15,509**

29 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 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

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

	2018			2017		
	Taiwan HK$'000	**UK HK$'000**	**Total HK$'000**	Taiwan HK$'000	UK HK$'000	Total HK$'000
Present value of obligation	**13,582**	**96,316**	**109,898**	18,764	109,032	127,796
Fair value of plan assets	**(6,319)**	**(88,070)**	**(94,389)**	(5,404)	(97,632)	(103,036)
Total	**7,263**	**8,246**	**15,509**	13,360	11,400	24,760

29 Retirement benefit obligations *(Continued)*

The significant actuarial assumptions were as follows:

	2018		2017	
	Taiwan	**UK**	Taiwan	UK
Discount rate	**1.00%**	**2.80%**	1.00%	2.50%
Future salary growth rate and/or inflation	**2.25%**	**2.40%**	2.25%	2.40%

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:

	2018		2017	
	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**	**23**	N/A	24
– Female	**N/A**	**25**	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	**2018**	2017	**2018**	2017
(i) Taiwan plans:					
Discount rate	0.50%	**Decrease by 10.51%**	Decrease by 7.4%	**Increase by 11.39%**	Increase by 8.0%
Future salary growth rate	0.50%	**Increase by 11.19%**	Increase by 7.8%	**Decrease by 10.43%**	Decrease by 7.3%
(ii) UK plan:					
Discount rate	0.10%	**Decrease by 21.50%**	Decrease by 17.62%	**Increase by 21.50%**	Increase by 17.62%
Inflation	0.10%	**Increase by 16.54%**	Increase by 12.82%	**Decrease by 16.54%**	Decrease by 12.82%

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.

29 Retirement benefit obligations *(Continued)*

Plan assets are comprised as follows:

	2018		2017	
	Un-quoted HK$'000	**%**	Un-quoted HK$'000	%
Equities	**16,682**	**18%**	38,077	37%
Bonds and Gilts	**31,168**	**33%**	14,645	14%
Diversified Growth Fund	**46,171**	**49%**	44,910	44%
Cash	**368**	**0%**	5,404	5%
Total	**94,389**	**100%**	103,036	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 and fund in Taiwan. Investments are held as equities, bonds and gilts, diversified growth fund, property and cash in UK.

Funding levels are monitored on an annual basis and the current agreed contribution rate is 2% of pensionable salaries in the 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.

29 Retirement benefit obligations *(Continued)*

Expected contributions to post-employment benefit plans for the year ending 31 December 2018 are HK$1,293,000 (2018: HK$4,950,000).

The weighted average duration of the defined benefit obligation are 11.8 years (2017: 11.9 years) for Taiwan plans and 19.0 years (2017: 19.0 years) for UK plan.

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

At 31 December 2018	**Less than 1 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	**900**	**129**	**949**	**3,197**	**5,175**

At 31 December 2017	Less than 1 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

30 Other payables and accruals

	2018 HK$'000	2017 HK$'000
Non-current		
Royalties payables (note (i))	**56,098**	128,665
Reinstatement provisions	**5,921**	4,772
	62,019	133,437
Current		
Royalties payables	**56,292**	62,851
Value-added-tax payable	**13,946**	5,757
Sales deposits received	**22,270**	26,442
Lease incentive	**9,802**	14,774
Contract liabilities and other payables (note (ii))	**37,392**	125,594
Accrued expenses (note (iii))	**177,723**	162,631
	317,425	398,049
Total	**379,444**	531,486

Notes:

(i) The royalties payable represents the present value of minimum guaranteed royalties which were capitalised as definite life licences as disclosed in Note 18.

(ii) Revenue recognised in 2018 that was included in the contract liability balance at the beginning of the year amounted to HK$18,726,000 (2017: HK$10,552,000).

(iii) Accrued expenses include employee benefits cost amounted to HK$51,531,000 as at 31 December 2018 (2017: HK$62,554,000).

As at 31 December 2018 and 2017, the carrying amounts of the Group's other payables and accruals approximated their fair values.

31 Trade payables

	2018 HK$'000	2017 HK$'000
Trade payables	**66,129**	131,606

As at 31 December 2018 and 2017, 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:

	2018 HK$'000	2017 HK$'000
1–30 days	**29,543**	53,031
31–60 days	**21,393**	49,999
61–90 days	**5,000**	14,126
Over 90 days	**10,193**	14,450
	66,129	131,606

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

	2018 HK$'000	2017 HK$'000
EUR	**37,132**	68,058
HKD	**7,810**	11,608
GBP	**2,262**	15,341
RMB	**213**	1,011
JPY	**16**	2,478
USD	**18,696**	33,110
	66,129	131,606

32 Contingent purchase consideration payable for acquisition

	2018 HK$'000	2017 HK$'000
Total contingent purchase consideration payable for acquisition (note)	**–**	68,099
Less: current portion of contingent purchase consideration payable for acquisition	**–**	–
Non-current portion of contingent purchase consideration payable for acquisition	**–**	68,099

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.

33 Borrowings

	2018 HK$'000	2017 HK$'000
Non-current		
Bank borrowings	–	407,132
Current		
Bank overdrafts (Note 25)	**73,725**	52,705
Bank borrowings	**1,036,534**	1,100,430
	1,110,259	1,153,135
Total borrowings	**1,110,259**	1,560,267

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

	2018 HK$'000	2017 HK$'000
Within 1 year	**1,036,534**	1,100,430
Between 1 and 2 years	–	407,132
	1,036,534	1,507,562

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

	2018 HK$'000	2017 HK$'000
HKD	**937,433**	1,470,204
EUR	**24,222**	40,756
GBP	**64,776**	49,307
TWD	**3,834**	–
RMB	**78,563**	–
USD	**1,431**	–
	1,110,259	1,560,267

(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:

	2018	2017
HKD	**2.89%**	2.17%
EUR	**1.30%**	1.49%
GBP	**1.62%**	1.25%
TWD	**1.95%**	N/A
RMB	**4.87%**	N/A
USD	**3.36%**	N/A

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

(e) As at 31 December 2018, the Group has unutilised banking facilities amounted to HK$124 million (2017: HK$730 million).

34 Cash used in operations

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

	2018 HK$'000	2017 HK$'000
Loss before income tax	**(263,881)**	(607,458)
Adjustments for:		
– Provision for impairment of loan receivables and remeasurement loss on derivative (Note 10)	**2,918**	176,636
– Gain on remeasurement of contingent purchase consideration payable for acquisition (Note 10)	**(70,370)**	(119,721)
– Interest income (Note 11)	**(19,044)**	(10,544)
– Interest expense (Note 11)	**39,778**	38,999
– Depreciation of property, plant and equipment (Note 17)	**73,123**	79,946
– Amortisation of intangible assets (Note 18)	**54,095**	56,944
– Loss on disposal of intangible assets (Note 18)	**16,294**	–
– Written off of royalty payables	**(20,708)**	–
– Provision for impairment of property, plant and equipment (Note 17)	**9,172**	8,871
– Net loss on disposal of property, plant and equipment (Note 8)	**2,848**	11,223
– Additional provision for impairment of trade receivables – net (Note 24)	**6,856**	5,928
– Net contributions to long service payment provision and retirement benefit obligation	**(6,792)**	(10,912)
– Employee share option benefit (Note 27)	**–**	2,000
– Foreign exchange (gains)/losses	**(2,580)**	11,633
Changes in working capital		
– Inventories	**(47,568)**	(80,839)
– Trade and other receivables	**(67,157)**	(7,217)
– Trade and other payables	**(145,893)**	92,664
– Derivative financial instruments	**890**	(4,196)
– Balances with related parties	**(172,719)**	27,442
Cash used in operations	**(610,738)**	(328,601)

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

	2018 HK$'000	2017 HK$'000
Net book amount (Note 17)	**2,993**	11,517
Net loss on disposal of property, plant and equipment (Note 8)	**(2,848)**	(11,223)
Proceeds from disposal of property, plant and equipment	**145**	294

34 Cash used in operations *(Continued)*

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

	2018 HK$'000	2017 HK$'000
Bank borrowings		
As at 1 January	**1,507,562**	1,258,057
Proceeds from borrowings	**679,635**	522,121
Repayment of borrowings	**(1,147,988)**	(278,995)
Amortisation of front end fee	**1,554**	1,726
Exchange differences	**(4,229)**	4,653
As at 31 December	**1,036,534**	1,507,562
Bank overdrafts	**73,725**	52,705
As at 31 December	**1,110,259**	1,560,267

35 Contingent liabilities

Save as disclosed elsewhere in this report, the Group had no significant contingent liabilities as at 31 December 2018 and 2017.

36 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 21 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:

	2018 HK$'000	2017 HK$'000
No later than 1 year	**246,024**	278,117
Later than 1 year but no later than 5 years	**242,178**	305,701
Later than 5 years	**78,248**	85,324
	566,450	669,142

36 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:

	2018 HK$'000	2017 HK$'000
No later than 1 year	**2,687**	2,845
Later than 1 year but no later than 5 years	**10,749**	11,378
Later than 5 years	**2,195**	5,239
	15,631	19,462

(c) Capital commitments

	2018 HK$'000	2017 HK$'000
Contracted but not provided for:		
– Within 1 year	**941**	752
– Later than 1 year but no later than 2 years	**–**	79
	941	831

(d) Other commitments

	2018 HK$'000	2017 HK$'000
Contracted but not provided for:		
– Within 1 year	**–**	768

37 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 Ruyi (collectively, the "Ruyi Group") and Fung Holdings (1937) Limited (collectively, the "FH 1937 Group"), substantial shareholders of the Company, as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

37 Related party transactions *(Continued)*

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

The Group's connected or continuing 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 and Continuing Connected Transactions section of the Directors' Report on pages 69 to 72. Other than the related party transactions disclosed elsewhere, significant related party transactions of the Group during the year were as follows:

	Note	**2018 HK$'000**	2017 HK$'000
(I) Transactions with Ruyi Group			
Royalty income		**44,000**	–
Joining fee income		**31,000**	–
Purchase of goods		**14,023**	–
Royalty expenses			
– contingent royalty expenses		**2,666**	–
Sales of garments and fashion accessories		**54,954**	–
Reimbursement of marketing and operating cost	(iii)	**9,062**	–
(II) Transactions with FH 1937 Group			
Purchase of goods	(iii)	**7**	626
Transactions relating to sourcing activities	(i)	**432,542**	377,645
Cost reimbursements for sourcing related activities	(iii)	**1,300**	12,394
Sales of garments and fashion accessories		**5,296**	66,828
Management fee income for provision of accounting, information system and human resources services (Note 9)	(iii)	**1,186**	2,987
Service fee expense for provision of corporate compliance services, legal services, e-Commerce and other administrative expenses	(iii)	**9,792**	8,037
Service charges for provision of logistics related service		**10,942**	10,091
Transfer of fixed assets	(iii)	**547**	–
Rental income (Note 9)	(iii)	**–**	144
Rentals for property leasing and/or licensing		**16,753**	13,165
Rental deposits paid for property leasing and/or licensing	(iii)	**208**	2,127
Royalty expenses – amortisation of licences (Note 18)	(ii)	**52,037**	55,328
(III) Transactions with other related parties			
Consultancy and advisory service fee paid to directors of subsidiaries of the Company	(iii)	**1,701**	887
Service fee for marketing services paid to an associate of a director of the Company	(iii)	**–**	778
Reimbursement of marketing cost paid to an associate of a director of the Company	(iii)	**–**	1,779

37 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)*

(i) 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.

	2018 HK$'000	2017 HK$'000
Sourcing service fee to related companies	**43,000**	40,776
FOB value of the underlying purchases	**389,542**	336,869
	432,542	377,645

(ii) For the year ended 31 December 2018, total royalty expense of HK$52,037,000 (2017: HK$55,328,000) was amortised relating to the license rights of Kent & Curwen and Hardy Amies trademarks.

(iii) 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

	2018 HK$'000	2017 HK$'000
Due from		
Ruyi Group	**211,616**	–
FH 1937 Group	**3,097**	3,661
	214,713	3,661
Due to		
Ruyi Group	**17,252**	–
FH 1937 Group	**47,277**	36,702
	64,529	36,702

Balances with related parties are trade in nature, current, 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 14 and 15, is as follows:

	2018 HK$'000	2017 HK$'000
Salaries, bonuses and other short-term employee benefits	**18,666**	27,157
Pension costs – defined contribution plans	**552**	832
Employee share option benefit	**–**	886
Total	**19,218**	28,875

(d) Save as disclosed above and directors' remuneration and individuals with highest emoluments as set out in Note 14 and Note 15 to the consolidated financial statements, the Group has no other material related party transactions during the year.

38 Statement of financial position and reserves movement of the Company

(a) Statement of financial position of the Company

	Note	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**2,163,370**	2,165,470
Current assets			
Prepayments and other receivable		**3,817**	3,817
Amounts due from subsidiaries		**3,455,182**	1,267,009
Cash and cash equivalents		**153**	164
		3,459,152	1,270,990
Total assets		**5,622,522**	3,436,460
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	26	**359,832**	174,653
Share premium	26	**4,410,347**	2,376,850
Reserves		**404,203**	353,101
Total equity		**5,174,382**	2,904,604
LIABILITIES			
Non-current liabilities			
Contingent purchase consideration payable for acquisition		–	68,099
Current liabilities			
Other payables and accruals		**5,541**	79,396
Amounts due to subsidiaries		**442,599**	384,361
		448,140	463,757
Total liabilities		**448,140**	531,856
Total equity and liabilities		**5,622,522**	3,436,460

Approved by the Board of Directors on 26 March 2019

SUN Weiying
Director

Paul David HAOUZI
Director

38 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 2018	**345,164**	**7,937**	**353,101**
Profit for the year	**51,102**	**–**	**51,102**
Employee share option scheme			
– exercise of share options	**790**	**(790)**	**–**
– transfer to retained earnings	**4,965**	**(4,965)**	**–**
Balance at 31 December 2018	**402,021**	**2,182**	**404,203**
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

39 Details of subsidiaries

As at 31 December 2018, 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 2018, 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
Ferrinch (L) Limited (In members' voluntary liquidation)	5 August 1996	Federal Territory of Labuan, Malaysia	Inactive	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 2018, 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
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 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 2018, 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%
Trinity Brand Management (Shandong) Co. Ltd (note)	14 May 2018	PRC	Investment holding	RMB600,000,000	–	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:

	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018** **HK$'000**
Consolidated results					
Revenue	2,623,584	1,914,053	1,776,962	1,701,334	**1,723,138**
Core operating profit/(loss) (note)	95,284	(273,444)	(406,485)	(440,993)	**(248,102)**
Profit/(loss) before income tax	184,198	(128,964)	(440,910)	(607,458)	**(263,881)**
Income tax	(23,334)	40,446	(566)	(890)	**(920)**
Profit/(loss) for the year	160,864	(88,518)	(441,476)	(608,348)	**(264,801)**
Attributable to:					
Shareholders of the Company	160,864	(88,518)	(441,476)	(608,348)	**(264,801)**
Assets					
Non-current assets	3,701,559	3,911,719	3,790,130	3,612,469	**3,506,768**
Current assets	1,441,609	1,121,142	1,272,656	1,216,568	**2,452,293**
Total assets	5,143,168	5,032,861	5,062,786	4,829,037	**5,959,061**
Equity and liabilities					
Total equity	3,396,611	3,190,598	2,700,960	2,167,776	**4,017,604**
Liabilities					
Non-current liabilities	605,530	882,060	1,254,321	930,695	**371,869**
Current liabilities	1,141,027	960,203	1,107,505	1,730,566	**1,569,588**
Total liabilities	1,746,557	1,842,263	2,361,826	2,661,261	**1,941,457**
Total equity and liabilities	5,143,168	5,032,861	5,062,786	4,829,037	**5,959,061**

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 summary

For the year ended 31 December 2018

	Change in Total Sales HK$	Change in Same Store Sales HK$
Retail		
Chinese Mainland	**-6.5%**	**-0.9%**
Hong Kong & Macau	**+2.9%**	**+2.9%**
Taiwan	**+1.9%**	**+2.3%**
Rest of the World	**-5.7%**	**-0.4%**
Retail Subtotal	**-2.6%**	**+1.0%**
Wholesale and Licensing	**+32.5%**	
Group Total	**+1.3%**	

Headcount summary

As at 31 December 2018

	Asia		Europe		Total	
	2018	2017	**2018**	2017	**2018**	2017
Retail staff	**1,210**	1,437	**57**	71	**1,267**	1,508
Office staff	**444**	644	**85**	131	**529**	775
Total	**1,654**	2,081	**142**	202	**1,796**	2,283

Financial summary by quarter

For the year ended 31 December 2018

	1st Half Year HK$'000	3rd Quarter HK$'000	4th Quarter HK$'000
Revenue	**890,103**	**311,885**	**521,150**
Gross Profit	**619,258**	**211,697**	**364,376**
Gross Margin	**69.6%**	**67.9%**	**69.9%**
Retail Gross Margin	**67.7%**	**67.1%**	**71.6%**
Core Operating Profit/(Loss)	**(160,464)**	**(100,454)**	**12,816**

For the year ended 31 December 2017

	1st Half Year HK$'000	3rd Quarter HK$'000	4th Quarter HK$'000
Revenue	862,420	309,483	529,431
Gross Profit	594,339	213,638	352,368
Gross Margin	68.9%	69.0%	66.6%
Retail Gross Margin	68.9%	68.2%	66.0%
Core Operating Profit/(Loss)	(184,243)	(145,917)	(110,833)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