THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Trinity Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, licenced securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of Trinity Limited.

TRINITY LIMITED
利邦控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 891)

(1) PROPOSED SUBSCRIPTION OF SUBSCRIPTION SHARES
(2) APPLICATION FOR WHITEWASH WAIVER
(3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
AND
(4) NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee

中國泛海企業融資
OCEANWIDE CAPITAL

A letter from the Board is set out on pages 5 to 21 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages IBC-1 and IBC-2 of this circular.

A letter from Oceanwide Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee is set out on pages IFA-1 to IFA-27 of this circular.

A notice convening the SGM to be held at 11:30 a.m. on Wednesday, 17 January 2018 at Ground Floor, Hong Kong Spinners Industrial Building, Phases I & II, 800 Cheung Sha Wan Road, Kowloon, Hong Kong is set out on pages SGM-1 and SGM-2 of this circular. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM (or any adjournment thereof) should you so desire.

* *For identification purposes only*

22 December 2017

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"9 October Announcement"	the announcement of the Company dated 9 October 2017 in relation to, among other things, the Subscription
"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Announcement"	the announcement of the Company dated 9 November 2017 in relation to, among other things, the Subscription, the Whitewash Waiver and the Authorised Share Capital Increase
"Authorised Share Capital Increase"	the proposed increase in the authorised share capital of the Company from HK$400,000,000 divided into 4,000,000,000 Shares to HK$500,000,000 divided into 5,000,000,000 Shares
"Board"	the board of directors of the Company
"Business Day(s)"	a day (other than a Saturday or Sunday or public holiday in Hong Kong and any day on which a tropical cyclone warning signal no. 8 or above or a "black" rainstorm warning signal is hoisted in Hong Kong) on which commercial banks are open for business in Hong Kong and in the PRC
"Company"	Trinity Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Subscription pursuant to the terms of the Subscription Agreement
"Completion Date"	date of Completion
"Condition(s)"	the condition(s) precedent set out under the section headed "Conditions of the Subscription" in this circular
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Deposit"	a deposit in the amount of HK$72,000,000 paid by the Subscriber to the Company on 6 October 2017 as a deposit and part payment of the consideration for the Subscription Shares upon Completion
"Directors"	members of the board of directors of the Company
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director

"Facility Agreements"	all the agreements between members of the Group and certain banks in respect of outstanding bank loans and lines of credit advanced to members of the Group
"FTIL"	Fung Trinity Investments Limited, a limited liability company incorporated in the British Virgin Islands and the immediate controlling shareholder of the Company
"Group"	the Company and each of its subsidiaries from time to time
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent board committee comprising Mr Jean-Marc LOUBIER, a non-executive Director, and all the independent non-executive Directors, namely Mrs Eva CHENG LI Kam Fun, Mr Cassian CHEUNG Ka Sing, Mr Michael LEE Tze Hau and Mr Patrick SUN to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Subscription Agreement and the Whitewash Waiver
"Independent Financial Adviser"	Oceanwide Capital Limited, a licensed corporation authorised to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee in respect of the Subscription and the Whitewash Waiver
"Independent Shareholders"	Shareholders other than FTIL, Renown, Dr Victor FUNG Kwok King, Dr William FUNG Kwok Lun, Ms Sabrina FUNG Wing Yee, Mr WONG Yat Ming, Mr Jeremy Paul Egerton HOBBINS and Mr Srinivasan PARTHASARATHY and parties acting in concert with any of them (including Mr Terence FUNG Yue Ming) and all other Shareholders who are interested in or involved in the Subscription and the Whitewash Waiver
"Last Trading Day"	8 November 2017, being the last trading day for the Shares before the date of the Announcement
"Latest Practicable Date"	means 20 December 2017, the latest practicable date prior to the printing of this circular for ascertaining certain information for the purpose of inclusion in this circular
"Listing Committee"	has the meaning ascribed to it under the Listing Rules

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MOFCOM"	the Ministry of Commerce of the PRC or its competent local counterparts
"NDRC"	the National Development and Reform Commission of the PRC or its competent local counterparts
"Nomination Committee"	the nomination committee of the Board
"PRC"	the People's Republic of China, and for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Overseas Investment Filings"	the filings with the authorities of the PRC with respect to the Subscription to be made by the Subscriber, including (a) the filings with NDRC and MOFCOM with respect to the consummation of the Subscription; and (b) foreign exchange filings by authorised banks and supervised by SAFE in connection with the Subscription, including filings for conversion of Renminbi funds into dollar funds and transfer of dollar funds to the Company
"Relevant Period"	the period beginning six months immediately prior to the date of the 9 October Announcement and ending on the Latest Practicable Date
"Renown"	Renown Incorporated, a company listed on the Tokyo Stock Exchange, in which the Subscriber directly and indirectly through a subsidiary held 52.99% equity interest as at the Latest Practicable Date
"Ruyi Group"	the Subscriber and its subsidiaries
"SAFE"	the State Administration of Foreign Exchange of the PRC or its competent local counterparts
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be held to approve, among other things, the Subscription, the Whitewash Waiver and the Authorised Share Capital Increase

"Share(s)"	shares of HK$0.10 each in the capital of the Company
"Share Option Scheme"	the share option scheme adopted by the Shareholders on 16 October 2009
"Share Options"	share options granted pursuant to the Share Option Scheme
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	Shandong Ruyi International Fashion Industry Investment Holding Company Limited, a limited liability company established in the PRC
"Subscriber Nominee"	Ruyi Brand Holding (HongKong) Company Limited (香港如意品牌控股有限公司), a limited company incorporated in Hong Kong, being a wholly-owned subsidiary of the Subscriber and the designated nominee for taking up the Subscription Shares under the Subscription Agreement
"Subscription"	the subscription of the Subscription Shares by the Subscriber (or the Subscriber Nominee) subject to the terms and conditions of the Subscription Agreement
"Subscription Agreement"	the subscription agreement dated 8 November 2017 and entered into between the Company, the Subscriber and FTIL
"Subscription Price"	the price of HK$1.20 for the subscription of each Subscription Share
"Subscription Shares"	1,846,000,000 newly issued Shares to be subscribed by the Subscriber (or the Subscriber Nominee) upon Completion subject to the fulfillment of the Conditions
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
"Whitewash Waiver"	a waiver from the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Subscriber Nominee to make a mandatory general offer for all of the Shares not already owned or agreed to be acquired by the Subscriber or parties acting in concert with it which would, if the Subscription proceeds, otherwise arise as a result of the allotment and issue of the Subscription Shares to the Subscriber Nominee

TRINITY LIMITED
利邦控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 891)

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

Non-executive Directors:
Dr Victor FUNG Kwok King *GBM, GBS, CBE (Chairman)*
Ms Sabrina FUNG Wing Yee *(Deputy Chairman)*
Dr William FUNG Kwok Lun *SBS, OBE, JP*
Mr Terence FUNG Yue Ming
Mr Jean-Marc LOUBIER
Mr WONG Yat Ming

Independent Non-executive Directors:
Mrs Eva CHENG LI Kam Fun
Mr Cassian CHEUNG Ka Sing
Mr Michael LEE Tze Hau
Mr Patrick SUN

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business:
8/F, LiFung Tower
888 Cheung Sha Wan Road
Kowloon
Hong Kong

22 December 2017

To the Shareholders

Dear Sir or Madam,

(1) PROPOSED SUBSCRIPTION OF SUBSCRIPTION SHARES
(2) APPLICATION FOR WHITEWASH WAIVER
(3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
AND
(4) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

References are made to the announcements of the Company dated 9 October 2017 and 11 October 2017 respectively in relation to, among other things, the Subscription and the Whitewash Waiver. Reference is also made to the Announcement in which it was disclosed that the Company on 8 November

* *For identification purposes only*

2017 entered into the Subscription Agreement with the Subscriber and FTIL. Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue to the Subscriber (or the Subscriber Nominee), and the Subscriber has conditionally agreed to subscribe for (or nominate the Subscriber Nominee to subscribe for), 1,846,000,000 Subscription Shares at the Subscription Price of HK$1.20 per Subscription Share.

The primary purpose of this circular is to provide you with, among other matters, (i) further details of the Subscription, the Whitewash Waiver and the Authorised Share Capital Increase; (ii) recommendation of the Independent Board Committee to the Independent Shareholders; (iii) letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Subscription and the Whitewash Waiver; and (iv) the notice of the SGM.

SUBSCRIPTION AGREEMENT

Date: 8 November 2017

Parties

(i) the Company, as issuer;

(ii) the Subscriber, as subscriber; and

(iii) FTIL.

The Subscription

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue to the Subscriber (or the Subscriber Nominee), and the Subscriber has conditionally agreed to subscribe for (or nominate the Subscriber Nominee to subscribe for), 1,846,000,000 Subscription Shares (representing (i) approximately 105.70% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 51.38% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares; and (iii) approximately 51.00% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares and assuming all the outstanding Share Options are exercised in full) at the Subscription Price of HK$1.20 per Subscription Share.

The Subscriber has notified the Company that it will nominate the Subscriber Nominee to subscribe for the Subscription Shares pursuant to the terms of the Subscription Agreement.

The effect of the Subscription on the Company's shareholding structure immediately upon the allotment and issue of the Subscription Shares at Completion is set out in the section headed "Effect of the Subscription on the shareholding structure of the Company" in this letter.

The Company will allot and issue the Subscription Shares under a specific mandate to be approved by the Independent Shareholders at the SGM by an ordinary resolution.

The Subscription Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with all other Shares in issue as at the date of their allotment and issue.

The aggregate amount of the consideration for the Subscription Shares is HK$2,215,200,000, which shall be payable by the Subscriber in cash at Completion in the following manner:

(i) a Deposit in the amount of HK$72,000,000 having been paid by the Subscriber to the Company as a deposit shall be treated as part payment of the aggregate Subscription Price upon Completion; and

(ii) the balance of the aggregate Subscription Price in the amount of HK$2,143,200,000 shall be paid by the Subscriber to the Company by way of a bankers' draft drawn on a bank licensed in Hong Kong or by telegraphic transfer payable to the Company on the Completion Date.

The Subscription Price, being HK$1.20 per Subscription Share, represents:

(i) a premium of approximately 60.00% to the closing price of HK$0.75 per Share as quoted on the Stock Exchange on 8 November 2017, being the Last Trading Day;

(ii) a premium of approximately 80.72% to the average of the closing price per Share of approximately HK$0.66 as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;

(iii) a premium of approximately 81.82% to the average of the closing price per Share of approximately HK$0.66 as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day;

(iv) a premium of approximately 102.36% to the average of the closing prices per Share of approximately HK$0.59 as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day;

(v) a premium of approximately 141.85% over the average of the closing prices per Share of approximately HK$0.50 as quoted on the Stock Exchange for the last 90 trading days up to and including the Last Trading Day;

(vi) a discount of approximately 22.40% of the audited consolidated net asset value per Share of approximately HK$1.55 as at 31 December 2016; and

(vii) a discount of approximately 15.57% of the unaudited consolidated net asset value per Share of approximately HK$1.42 as at 30 June 2017.

The Subscription Price was arrived at after arm's length negotiations among the Company and the Subscriber, where the Company has taken into consideration the following factors:

(i) The Directors (excluding the members of the Independent Board Committee whose opinion is set out in the "Letter from the Independent Board Committee" in this circular) view the Subscription as a valuable opportunity for the Group to bring in a solid strategic corporate investor, namely the Subscriber, which can contribute its resources and expertise in the textile and garment industry.

(ii) The Company will benefit from the new business opportunities that the Subscriber may introduce to the Company, considering the Subscriber's scope of operations in the PRC and worldwide.

(iii) Through the Subscription, the Company will raise a substantial amount of additional funds which will improve the financial position and liquidity of the Group and provide the Company with the financial flexibility necessary for the expansion of the Group's existing business and the capability to capture any prospective acquisition opportunities as and when they arise.

(iv) The Subscriber's commitment to hold at Completion more than 51% interest in the Company on a fully enlarged basis upon the allotment and issuance of the Subscription Shares.

In light of the factors set out above, the Directors (excluding the members of the Independent Board Committee whose opinion is set out in the "Letter from the Independent Board Committee" in this circular) consider that the terms of the Subscription are fair and reasonable and the entering into of the Subscription Agreement is in the interests of the Company and the Shareholders as a whole.

The Subscriber has confirmed that the Subscription will be funded by bank loans and internal resources.

Conditions of the Subscription

Completion is conditional upon satisfaction (or, where applicable, waiver) of the following Conditions:

(i) the obtaining of all necessary approvals by the Independent Shareholders at general meeting as required by the Listing Rules for the allotment and issue of the Subscription Shares to the Subscriber (or the Subscriber Nominee);

(ii) the obtaining of all necessary approvals by the Independent Shareholders at general meeting as required by the Takeovers Code for the Whitewash Waiver;

(iii) the Executive granting the Whitewash Waiver to the Subscriber (or the Subscriber Nominee) and the Whitewash Waiver remaining valid;

(iv) the Listing Committee having granted (either unconditionally or subject only to conditions to which neither the Company nor the Subscriber reasonably objects) listing of and permission to deal in the Subscription Shares;

(v) the passing by the requisite majority of Shareholders or Independent Shareholders (as appropriate) at a general meeting of all resolutions required for the Authorised Share Capital Increase;

(vi) (if required) the Bermuda Monetary Authority having granted consent to the Authorised Share Capital Increase and the issue of the Subscription Shares;

(vii) there being no material breaches of any laws by any Group Company which is material in the context of the Subscription;

(viii) the obtaining of all necessary consents required under the Facility Agreements in respect of the Subscription; and

(ix) the Subscriber having made the PRC Overseas Investment Filings and having obtained competition law approval by the MOFCOM under the Anti-Monopoly Law of the PRC for the transactions contemplated under the Subscription Agreement.

Pursuant to the Subscription Agreement, any failure to obtain the consents from any of the banks under the Facility Agreements as referred to in the Condition set out in (viii) above shall not constitute any non-fulfillment of the Condition set out in (viii) above insofar as the aggregate Subscription Price is greater than all the outstanding loans under those Facility Agreements for which consent is not obtained. The Company is of the view that the aggregate amount of Subscription Price shall be sufficient to cover the amount of all the outstanding loans under the Facility Agreements.

The actual time needed to make the PRC Overseas Investment Filings and obtain the PRC anti-trust approval varies largely depending on location and staffing status of the relevant government authorities. Based on the Subscriber's past experience, it is estimated by the Subscriber that the making of the PRC Overseas Investment Filings and the obtaining of the PRC anti-trust approval will take approximately three to four months. However, there is no guarantee that such filings and approvals can be made and obtained during such time frame, if at all.

Subject to the terms of the Subscription Agreement, in the event that any of the Conditions shall not have been fulfilled (or waived, if applicable) prior to 8 May 2018 (or such later date which may be agreed by the parties to the Subscription Agreement and consented to by the Executive), the Subscription Agreement shall cease to be of any effect.

The Subscriber may at any time by notice in writing to the Company waive all or any of the Conditions set out in (vii) to (ix) above. The Conditions set out in (i) to (vi) are not waivable by any party. Hence, among other things, if the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders at the SGM, the Subscription will not proceed.

As no consent is required from the Bermuda Monetary Authority regarding the Authorised Share Capital Increase and the issue of the Subscription Shares, the Condition set out in (vi) above is expected to be satisfied. Save for the foregoing, as at the Latest Practicable Date, none of the Conditions set out above had been satisfied (or, when applicable, waived).

Completion

Completion will take place within the period of 30 Business Days after all of the Conditions have been fulfilled or, when applicable, waived, or on such other date as the parties to the Subscription Agreement may agree.

Where the Subscriber has submitted to the SFC the application for the Whitewash Waiver no later than the seventh (7th) day after the date of the Subscription Agreement but Completion does not take place due to the non-fulfillment of any of the Conditions set out in (i) to (viii) above, the Company shall refund to the Subscriber the Deposit, together with actual interest accrued thereon up to the date of receipt of the written demand by the Subscriber, within ten Business Days of the receipt of the written demand by the Subscriber.

In the event that Completion does not take place other than the reason set out in the preceding paragraph, the Deposit together with all the actual interest accrued thereon shall be absolutely forfeited (as and for liquidated damages and not as penalty) by and for the benefit of the Company without prejudice to other rights of and remedies available to the Company.

Board Composition

With effect immediately after Completion, the Company shall:

(i) cause such persons, as the Subscriber may nominate by giving not less than three Business Days' prior written notice to the Company, to be validly appointed as Directors representing a majority of the board of Directors immediately following such appointment; and

(ii) procure (a) FTIL and its affiliates to vote in favour of such appointment and (b) seven (7) existing Directors to resign as Directors with effect from Completion. In the event that such appointment of Directors shall be effected by way of Shareholders' approval in a general meeting, FTIL agrees to, and procure its affiliates to, vote in favour of such appointment in such general meeting.

Both the Company and the Subscriber acknowledge that the appointment of the proposed Directors nominated by the Subscriber will be subject to the ordinary and normal procedures for the appointment of the Directors as in the past, which will ensure that the proposed Directors will be suitably qualified to become Board members.

Such procedures include:

(i) the Nomination Committee will review and assess the profiles, qualifications and experience of each proposed Director;

(ii) the Nomination Committee will make recommendations to the Board on the appointment of the proposed Directors;

(iii) based on the recommendations of the Nomination Committee and the profiles, qualifications and experience of the proposed Directors, the Board will consider and evaluate the appointment of the proposed Directors in accordance with the Bye-laws;

(iv) the proposed Directors will be subject to retirement and re-election by Shareholders in general meeting of the Company under the Bye-laws; and

(v) a proposed Director that does not comply with the requirements under the Bye-laws, Listing Rules and the applicable laws will not be appointed as a Director, and the Subscriber will have to nominate another person with suitable experience and qualifications to be a proposed Director and go through the above procedures again.

Lock-up

Pursuant to the Subscription Agreement, FTIL undertakes to the Subscriber that at any time during the period commencing on the date of the Subscription Agreement, and ending on a date which is six months from the Completion Date, FTIL will not (and will procure each of Dr William FUNG Kwok Lun, Ms Sabrina FUNG Wing Yee, Step Dragon Enterprise Limited, First Island Developments Limited and Trinity Management Limited not to) sell, dispose of or offer to sell or dispose of any Shares (or securities, options or rights convertible or exchangeable into Shares).

Pursuant to the Subscription Agreement, the Subscriber undertakes to the Company and FTIL that at any time during the period commencing on the date of the Subscription Agreement, and ending on a date which is six months from the Completion Date, the Subscriber will not (and will procure each of its affiliates (including the Subscriber Nominee) not to) sell, dispose of or offer to sell or dispose of any Shares (or securities, options or rights convertible or exchangeable into Shares).

EFFECT OF THE SUBSCRIPTION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company *(Note 1)*:

(i) as at the Latest Practicable Date;

(ii) immediately upon Completion and assuming none of the outstanding Shares Options have been exercised; and

(iii) immediately upon Completion and assuming all the outstanding Share Options have been exercised.

	(i) As at the Latest Practicable Date		**(ii) Immediately upon Completion and assuming none of the outstanding Share Options have been exercised**		**(iii) Immediately upon Completion and assuming all the outstanding Share Options have been exercised**	
Name of Shareholder	*No. of Shares*	*Approx %*	*No. of Shares*	*Approx %*	*No. of Shares*	*Approx %*
		(Note 2)		*(Note 2)*		*(Note 2)*
FTIL and parties acting in concert with it *(Notes 3, 4, 5, 6)*						
– FTIL *(Note 3a)*	616,413,760	35.29	616,413,760	17.16	616,413,760	17.03
– William FUNG Kwok Lun *(Note 4)*	23,570,000	1.35	23,570,000	0.66	23,570,000	0.65
– Step Dragon Enterprise Limited *(Note 4)*	14,500,000	0.83	14,500,000	0.40	14,500,000	0.40
– First Island Developments Limited *(Note 3b)*	25,244,000	1.45	25,244,000	0.70	25,244,000	0.70
– Trinity Management Limited *(Note 5)*	32,613,795	1.87	32,613,795	0.91	32,613,795	0.90
– Sabrina FUNG Wing Yee *(Note 6)*	2,800,000	0.16	2,800,000	0.08	3,800,000	0.11
Sub-total	715,141,555	40.95	715,141,555	19.91	716,141,555	19.79
Directors (other than Victor FUNG Kwok King, Sabrina FUNG Wing Yee and William FUNG Kwok Lun)						
– Terence FUNG Yue Ming	50,000	0.003	50,000	0.001	50,000	0.001
– Jeremy Paul Egerton HOBBINS *(Note 7)*	5,934,500	0.34	5,934,500	0.17	7,934,500	0.22
– Srinivasan PARTHASARATHY *(Note 8)*	70,000	0.004	70,000	0.002	2,570,000	0.071
– WONG Yat Ming	50,976,563	2.92	50,976,563	1.42	50,976,563	1.41
Directors of the Company's subsidiaries (other than the Directors)	4,920,000	0.28	4,920,000	0.14	9,960,000	0.28
The Subscriber and parties acting in concert with it *(Notes 9, 10)*						
– The Subscriber Nominee *(Note 9)*	0	0.00	1,846,000,000	51.38	1,846,000,000	51.00
– Renown *(Note 10)*	21,415,633	1.23	21,415,633	0.60	21,415,633	0.59
Sub-total	21,415,633	1.23	1,867,415,633	51.98	1,867,415,633	51.60
Public Shareholders	948,020,632	54.28	948,020,632	26.39	964,300,632	26.64
Total	1,746,528,883	100.000	3,592,528,883	100.000	3,619,348,883	100.000

Notes:

1. The figures above assumed that other than the Subscription Shares and the Shares which may be issued pursuant to the exercise of the Share Options, no further Shares were issued or repurchased by the Company in each case on or after the date of the Subscription Agreement, and up to the Completion Date.

2. The percentages in the table above may not aggregate to 100% due to rounding differences.

3. Each of Dr Victor FUNG Kwok King and Ms Sabrina FUNG Wing Yee (daughter of Dr Victor FUNG Kwok King and as his family member) was deemed to have interests in 641,657,760 Shares, which were held in the following manner:

   a. 616,413,760 Shares were directly held by FTIL, an indirect wholly-owned subsidiary of King Lun Holdings Limited ("**King Lun**"). King Lun was owned as to 50% by HSBC Trustee (C.I.) Limited as trustee of a trust ("**Trustee**") established for the benefit of the family members of Dr Victor FUNG Kwok King and as to 50% by Dr William FUNG Kwok Lun; and

   b. 25,244,000 Shares were directly held by First Island Developments Limited, a company wholly owned by the Trustee.

4. Among a total of 654,483,760 Shares interested by Dr William FUNG Kwok Lun:

   a. 616,413,760 Shares were under the same block of shares indirectly held by King Lun as mentioned in Note 3a above; and

   b. 14,500,000 Shares were directly held by Step Dragon Enterprise Limited, a company beneficially owned by Dr William FUNG Kwok Lun; and 23,570,000 Shares were personally held by him.

5. 32,613,795 Shares were directly held by Trinity Management Limited, a company owned by the spouse of Dr Victor FUNG Kwok King. Therefore, Dr Victor FUNG Kwok King was deemed to be interested in these Shares. By adding up the interests mentioned in Note 3 above, Dr Victor FUNG Kwok King was deemed to be interested in an aggregate of 674,271,555 Shares.

6. Ms Sabrina FUNG Wing Yee had personal interests of 2,800,000 Shares and 1,000,000 underlying Shares deriving from Share Options. By adding up the interests mentioned in Note 3 above, Ms Sabrina FUNG Wing Yee was deemed to be interested in an aggregate of 645,457,760 Shares.

7. Among the 5,934,500 Shares interested by Mr Jeremy Paul Egerton HOBBINS, 1,700,000 Shares were held by Private Investors Limited, a company ultimately owned by him and 4,234,500 Shares were held by a trust of which he is a beneficiary. He also had personal interests of 2,000,000 underlying Shares deriving from Share Options.

8. Mr Srinivasan PARTHASARATHY had personal interests of 70,000 Shares and 2,500,000 underlying Shares deriving from Share Options.

9. The Subscriber has notified the Company that it will nominate the Subscriber Nominee to subscribe for the Subscription Shares pursuant to the terms of the Subscription Agreement.

10. Renown, a company in which the Subscriber directly and indirectly through a subsidiary held a 52.99% equity interest, was interested in 21,415,633 Shares.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company was HK$400,000,000 divided into 4,000,000,000 Shares, of which 1,746,528,883 Shares had been allotted and issued as fully paid or credited as fully paid. As at the Latest Practicable Date, other than the said 1,746,528,883 Shares and 26,820,000 outstanding share options granted by the Company, the Company did not have any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue.

In order for the Company to undertake future issuances of Shares, the Board proposes to increase the authorised share capital of the Company to HK$500,000,000 divided into 5,000,000,000 Shares by the creation of an additional 1,000,000,000 Shares (i.e. the Authorised Share Capital Increase). The proposed Authorised Share Capital Increase is subject to the approval of the Shareholders at the SGM.

Immediately after the Authorised Share Capital Increase, the authorised share capital of the Company will be HK$500,000,000 divided into 5,000,000,000 Shares.

An ordinary resolution, to be voted by way of a poll, to approve the proposed Authorised Share Capital Increase will be proposed at the SGM.

INFORMATION ON THE GROUP

The Group is principally engaged in the retailing and wholesale of premium menswear in Greater China, Singapore and Europe, as well as licensing its fully owned brands globally.

INFORMATION ON THE SUBSCRIBER

The Subscriber is the holding company of one of the largest textile manufacturers in China which ranks among the Top 100 Chinese multi-national enterprises. The Subscriber Nominee is an investment holding company and a wholly-owned subsidiary of the Subscriber. The Ruyi Group engages predominantly in textile offerings and owns a fully-integrated value chain with operations spanning across raw materials cultivation, textiles processing, and design and sale of brands and apparel. Headquartered in Jining, Shandong, the Ruyi Group operates 13 domestic industrial parks and boasts some of the largest production lines and advanced technology in China.

The Ruyi Group also has a significant distribution and point of sales network that services a global customer base spread across six continents. In Asia Pacific alone, the group operates over 3,000 points of sale. The Ruyi Group has over 20 subsidiaries, with three listed subsidiaries in China, France and Japan respectively. Mr QIU Yafu directly holds, and exercises and controls, a 51% equity interest in the Subscriber. The Articles of Association of the Subscriber provide that resolutions are passed by the general meeting of the Subscriber by simple majority except for certain matters that statutorily require super majority votes. On this basis, Mr QIU Yafu as the direct majority shareholder of the Subscriber is able to control the Subscriber. The remaining 49% equity interests in the Subscriber are held (i) as to 15.23% by a retired ex-employee of Ruyi Group; and (ii) as to 33.77% by 47 other members of management of the Ruyi Group.

Save for 21,415,633 Shares held by Renown, representing approximately 1.23% of the issued share capital of the Company as at the Latest Practicable Date, the Subscriber, the Subscriber Nominee and their ultimate beneficial owners were parties independent of the Company and its connected persons.

Pursuant to a manufacture, distribution and sales agreement dated 18 July 2007 made between Renown and D'urban Distributions (H.K.) Limited (now known as Trinity Retail (H.K.) Limited) ("**TRHKL**"), as supplemented and amended from time to time, Renown granted to TRHKL the exclusive right to import and purchase goods bearing the trademarks and logos owned by Renown ("**D'urban Products**") from companies within the Renown group or other suppliers of the D'urban Products and to distribute and sell the same within Hong Kong, Taiwan and Macau Special Administrative Region of the PRC ("**D'urban Licence Transactions**"). Further, pursuant to a distribution agreement dated 18 July 2007 made between Renown, D'urban China Distributions (B.V.I.) Limited (now known as Trinity China Distributions (B.V.I.) Limited) ("**Distributor**") and LiFung Trinity JV Brands Limited (now known as Trinity Brands Limited), as supplemented and amended from time to time, Renown granted to the Distributor the exclusive right to distribute, design and manufacture the D'urban Products in PRC (together with the D'urban Licence Transactions, collectively the "**D'urban Transactions**"). As both TRHKL and the Distributor are both subsidiaries of the Company and Renown is an associate of the Subscriber, it is contemplated that upon Completion, the D'urban Transactions will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and subject to the reporting, announcement and annual review requirements, but are exempt from the independent shareholders' approval requirements. The Company will issue a separate announcement on the D'urban Transactions upon Completion and comply with the applicable requirements under Chapter 14A of the Listing Rules as and when required.

DEALING AND INTEREST OF THE SUBSCRIBER AND PARTIES ACTING IN CONCERT WITH IT IN THE SECURITIES OF THE COMPANY

As at the Latest Practicable Date, save for the Subscription:

(i) save that the shareholding interests set out in the section headed "Effect of the Subscription on the shareholding structure of the Company" in this letter, the Subscriber and parties acting in concert with it did not hold, control or have direction over any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(ii) the Subscriber and parties acting in concert with it had not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(iii) there was no arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Subscriber, which might be material to the Subscription and the Whitewash Waiver, with any other persons;

(iv) there was no agreement or arrangement to which the Subscriber or any party acting in concert with it was a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription and the Whitewash Waiver; and

(v) none of the Subscriber or any party acting in concert with it had received any irrevocable commitment to vote for or against the Subscription or the Whitewash Waiver.

Except for the entering into of the Subscription Agreement, none of the Subscriber and parties acting in concert with it, has dealt in the Shares, outstanding options, derivatives, warrants or other securities convertible or exchangeable into Shares, during the six months prior to the date of the 9 October Announcement and up to the Latest Practicable Date.

Neither the Subscriber nor any party acting in concert with it has acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company during the six months prior to the date of the 9 October Announcement and up to the Latest Practicable Date. Save for 21,415,633 Shares held by Renown, representing approximately 1.23% of the issued share capital of the Company as at the Latest Practicable Date, none of them was interested in any issued Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the Latest Practicable Date.

FUTURE INTENTIONS OF THE SUBSCRIBER REGARDING THE GROUP

As at the Latest Practicable Date, the Subscriber intended to continue the existing business of the Group and did not intend to introduce any major changes to the existing operation and business of the Company or dispose of any of the assets of the Group other than in the ordinary course of business. Following Completion, the Subscriber will, together with the management of the Group, conduct a further and detailed review of the operations and business strategy of the Group with a view to improving the performance of the Group and to developing a corporate strategy to broaden the income stream of the Group. Subject to the result of the review, the Subscriber will consider all possible options to improve the existing operations and business of the Group or to seek new business opportunities to improve the Group's financial position and prospects, including possible co-operations with the Ruyi Group to leverage on its wide range of operations globally. If suitable investment or business opportunities are identified and are available to the Group, the Subscriber intends for the Company to utilise part of the net proceeds from the issuance of the Subscription Shares to fund those investments or opportunities. The Subscriber will also, together with the management of the Group, conduct a detailed review of the Group's financial position and potential improvements to its capital structure. The Subscriber may also provide further resources to support the current businesses of the Group or to fund further investments. The Subscriber possesses advanced production technology and is one of the industry leaders in automatic garment production. The new management team will use their expertise in advanced technology to enhance the Group's technology and efficiency in aspects of production and marketing. In addition to capital, the Subscriber will also bring in professional capability, technology, know-how and business opportunities to the Company which is beneficial to the Company and the Shareholders as a whole. As at the Latest Practicable Date, no agreement, definitive proposals, terms or timetable had been reached or determined for any such possible future transaction or arrangement.

Save as disclosed in the sections headed "Subscription Agreement – Board Composition" and "Change in Composition of the Board" in this letter from the Board, as at the Latest Practicable Date, the Subscriber had no intention to make any major changes to the continued employment of the existing employees of the Group.

CHANGE IN COMPOSITION OF THE BOARD

Resignation of Directors

Subject to the Completion having taken place, Ms Sabrina FUNG Wing Yee, Dr William FUNG Kwok Lun, Mr Terence FUNG Yue Ming, Mr Jean-Marc LOUBIER, Mr Srinivasan PARTHASARATHY, Mr WONG Yat Ming and Mr Cassian CHEUNG Ka Sing will resign as Directors with effect from the Completion Date.

Proposed appointment of Directors

In place of the above resigning Directors, the Company has received the biographies of the proposed new Directors as nominated by the Subscriber. The Nomination Committee and the Board has gone through the procedures set out in the section headed "Subscription Agreement – Board Composition" in this letter from the Board in respect of new proposed Directors, and have agreed in principle to appoint the following candidates, who are nominated by the Subscriber pursuant to the Subscription Agreement, as Directors with effect from the Completion Date, and such candidates will be subject to re-election in accordance with the Bye-laws:

(a) Ms QIU Chenran as an executive Director;

(b) Mr HO Cheuk Yin Kelvin as an executive Director;

(c) Mr QIU Yafu as a non-executive Director;

(d) Ms SUN Weiying as a non-executive Director;

(e) Mr Daniel LALONDE as a non-executive Director;

(f) Mr Minoru KITABATAKE as a non-executive Director; and

(g) Mr Paul David HAOUZI as an independent non-executive Director.

The biographical details of the above candidates are provided by the Subscriber and set out in Appendix II to this circular.

Further announcement(s) of such appointment will be made by the Company as and when appropriate.

REASONS FOR THE SUBSCRIPTION

The Directors (excluding the members of the Independent Board Committee whose opinion is set out in the "Letter from the Independent Board Committee" in this circular) are of the view that:

(i) The Subscription is a valuable opportunity for the Group to bring in a solid strategic corporate investor, namely the Subscriber which can contribute its resources and expertise in the textile and garment industry.

(ii) The Company will benefit from the new business opportunities that the Subscriber may introduce to the Company, considering the Subscriber's scope of operations in the PRC and worldwide. Leveraging on its experience, expertise and business network in the textile and garment industry, the Subscriber will introduce major players in the apparel industry in the PRC and worldwide to the Company. The Company will have the opportunity to build new business relationships with prominent suppliers, clothing brands and other business partners and to further expand the types of clothing and apparel products the Group currently offers. The Company will also seize the opportunity to form strategic alliance with other players introduced by the Subscriber in the apparel industry and explore cross selling and co-development activities as well as jointly develop new markets and new customers to foster synergies within the industry.

(iii) Through the Subscription, the Company will raise a substantial amount of additional funds which will improve the financial position and liquidity of the Group and provide the Company with the financial flexibility necessary for the expansion of the Group's existing business and the capability to capture any prospective acquisition opportunities as and when they arise.

In light of the factors set out above, the Directors (including the members of the Independent Board Committee whose opinion is set out in the "Letter from the Independent Board Committee" in this circular) consider that the terms of the Subscription are fair and reasonable and the entering into of the Subscription Agreement is in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The gross proceeds from the Subscription amount to approximately HK$2,215 million. The net proceeds, after taking into account the estimated expenses in relation to the Subscription, would be approximately HK$2,206 million, representing a net subscription price of approximately HK$1.195 per Subscription Share.

In particular, the net proceeds of the Subscription are intended to be allocated as follows:

(i) **Future potential acquisitions:** approximately HK$1,546 million (i.e. approximately 70%) of the proceeds are intended to be used to fund future potential acquisitions in the apparel industry in general.

As at the Latest Practicable Date, the Company had not identified any specific companies or assets for acquisition purpose. The Company will selectively invest in or acquire businesses that are complementary to its business, raw material sourcing, distribution, production capabilities, research and development capabilities and the Group's heritage brands. In selecting acquisition and investment targets, the Company generally considers the following criteria: suitability with the Group's strategic planning, degree of potential synergies, market position, experience of management team, valuation, historical operating metrics and financial performance.

(ii) **Repayment of bank borrowings of the Group:** approximately HK$440 million (i.e. approximately 20%) of the proceeds are intended to repay some of the existing bank borrowings of the Group.

As at 30 June 2017, the Group had bank borrowings of approximately HK$1,439 million outstanding which carry interests rates ranging from 1.2% to 2.8% per annum and have maturity terms ranging from repayable on demand to 2.5 years. The net proceeds of approximately HK$440 million to be raised from the Subscription will be applied to settle bank borrowings. As at the Latest Practicable Date, the Company currently had not determined which specific bank loans will be repaid using the proceeds from the Subscription but will make a determination in due course based on the interests rate, maturity term and other commercial terms of the outstanding loans as well as its negotiation progress with the banks.

(iii) **General working capital:** approximately HK$220 million (i.e. approximately 10%) of the proceeds are intended to be used for general working capital of the Group to support its daily business operations.

After Completion, the Company will monitor the progress of the actual use of proceeds of the Subscription. In addition, in the event that the actual use of proceeds of the Subscription significantly deviates from the intended use as disclosed above (or as subsequently disclosed by the Company), the Company will appropriately disclose such information as soon as reasonably practicable by way of an announcement if and when required.

NO FUND RAISING EXERCISE FOR THE PAST 12 MONTHS

Save for the Subscription, the Company did not undertake any equity fund raising exercise in the past 12 months immediately prior to the Latest Practicable Date.

IMPLICATIONS UNDER THE TAKEOVERS CODE

Immediately after Completion, assuming no other change in the issued share capital of the Company, the Subscriber (together with parties acting in concert with it (as defined in the Takeovers Code)) will be interested in 1,867,415,633 Shares, representing approximately 106.92% of the issued share capital of the Company as at the Latest Practicable Date and approximately 51.98% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares.

Under Rule 26.1 of the Takeovers Code, upon the allotment and issuance of the Subscription Shares at Completion (assuming there is no other change in the issued share capital of the Company), the Subscriber Nominee would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not yet owned or agreed to be acquired by the Subscriber and parties acting in concert with it, unless the Whitewash Waiver is obtained from the Executive. The Subscriber has therefore made an application to the Executive for the Whitewash Waiver in respect of the allotment and issuance of the Subscription Shares to the Subscriber Nominee.

The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders at the SGM by way of a poll.

As at the Latest Practicable Date, the Company did not believe that the transactions under the Subscription Agreement give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules) in Hong Kong. The Company notes that the Executive may not grant the Whitewash Waiver if the transactions under the Subscription Agreement do not comply with other applicable rules and regulations in Hong Kong.

If the Whitewash Waiver is approved by the Independent Shareholders and Completion occurs, the aggregate shareholding of the Subscriber and parties acting in concert with it in the Company will exceed 50%. The Subscriber may further increase their shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

GENERAL

The Independent Board Committee has been formed to advise the Independent Shareholders in relation to the Subscription and the Whitewash Waiver. The Independent Board Committee has appointed the Independent Financial Adviser to advise the Independent Board Committee in this regard.

THE SGM

The SGM will be held to consider and, if thought fit, pass the resolutions to approve, among other things: (i) the execution, delivery and performance of the Subscription Agreement; (ii) the allotment and issuance of the Subscription Shares in accordance with the Subscription Agreement under a specific mandate; (iii) the Whitewash Waiver; and (iv) the Authorised Share Capital Increase.

In order to determine the right to attend the SGM, the register of members of the Company will be closed from Monday, 15 January 2018 to Wednesday, 17 January 2018 (both days inclusive), during which no transfer of Shares can be registered. Members who are entitled to attend and vote at the SGM are those whose names appear on the Register of Members of the Company on Monday, 15 January 2018. In order to be eligible to attend the SGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 pm on Friday, 12 January 2018.

The resolutions in relation to the Subscription Agreement and the Whitewash Waiver at the SGM will be voted on by the Independent Shareholders by way of a poll.

FTIL, Renown, Dr Victor FUNG Kwok King, Dr William FUNG Kwok Lun, Ms Sabrina FUNG Wing Yee, Mr WONG Yat Ming, Mr Jeremy Paul Egerton HOBBINS and Mr Srinivasan PARTHASARATHY and parties acting in concert with any of them (including Mr Terence FUNG Yue Ming) and all other Shareholders who are interested in or involved in the Subscription and the Whitewash Waiver will abstain from voting on the relevant ordinary resolutions to be proposed at the SGM to approve the Subscription and the Whitewash Waiver.

As at the Latest Practicable Date, the shareholding interests of each of the aforesaid Shareholders who are required to abstain from voting on the relevant ordinary resolutions to approve the Subscription and the Whitewash Waiver are set out below:

	As at the Latest Practicable Date	
Name of Shareholder *(Note 1)*	*No. of Shares*	*Approx %* *(Note 2)*
FTIL	616,413,760	35.29
William FUNG Kwok Lun	23,570,000	1.35
Step Dragon Enterprise Limited	14,500,000	0.83
First Island Developments Limited	25,244,000	1.45
Trinity Management Limited	32,613,795	1.87
Sabrina FUNG Wing Yee	2,800,000	0.16
Terence FUNG Yue Ming	50,000	0.003
Jeremy Paul Egerton HOBBINS	5,934,500	0.34
Srinivasan PARTHASARATHY	70,000	0.004
WONG Yat Ming	50,976,563	2.92
Renown	21,415,633	1.23
Total	793,588,251	45.438

Notes:

1. For detailed information on their shareholding interests, refer to the notes of the table set out in the section headed "Effect of the Subscription on the shareholding structure of the Company" in this letter.

2. The percentages may not aggregate to the total percentage due to rounding differences.

All Shareholders will be able to vote on the Authorised Share Capital Increase.

Application will be made to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

It is a condition precedent to Completion that the Whitewash Waiver is granted by the Executive. If the Whitewash Waiver is not granted by the Executive or if the conditions (if any) imposed thereon are not fulfilled, the Subscription will not proceed.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the resolutions to approve the Subscription and the Whitewash Waiver, and (ii) the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee regarding the terms of the Subscription and the Whitewash Waiver.

The Board (including members of the Independent Board Committee after taking the advice of the Independent Financial Adviser) considers that (i) the execution, delivery and performance of the Subscription Agreement; (ii) the allotment and issuance of the Subscription Shares in accordance with the Subscription Agreement; and (iii) the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and recommends that the Shareholders vote in favour of the resolutions relating thereto at the SGM.

GENERAL

Your attention is drawn to the additional information set out in the appendices to this circular and the SGM Notice.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

Yours faithfully
Victor FUNG Kwok King
Chairman & Non-executive Director

The following is the text of a letter of advice from the Independent Board Committee setting out its recommendation to the Independent Shareholders for the purpose of inclusion in this circular.

TRINITY LIMITED
利邦控股有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 891)

22 December 2017

To the Independent Shareholders

Dear Sir or Madam

(1) PROPOSED SUBSCRIPTION OF SUBSCRIPTION SHARES
(2) APPLICATION FOR WHITEWASH WAIVER
(3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
AND
(4) NOTICE OF SPECIAL GENERAL MEETING

We refer to the circular dated 22 December 2017 of the Company (the ''**Circular**'') of which this letter forms part.

Capitalised terms used in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to advise you in connection with the Subscription and the Whitewash Waiver, details of which are set out in the letter from the Board in the Circular.

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 21 of the Circular, and the letter of advice from the Independent Financial Adviser, as set out on pages IFA-1 to IFA-27 of the Circular. Having considered the terms of the Subscription Agreement, the Whitewash Waiver and the advice given by the Independent Financial Adviser and the principal factors and reasons taken into consideration by it in arriving at its advice, we are of the opinion that the terms of the Subscription and the Whitewash Waiver are fair and reasonable and the Subscription and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole as far as the Independent Shareholders are concerned.

* *For identification purposes only*

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve, among other things, the Subscription and the Whitewash Waiver.

Yours faithfully
Independent Board Committee

Jean-Marc LOUBIER
Non-executive Director

Eva CHENG LI Kam Fun
Independent Non-executive Director

Cassian CHEUNG Ka Sing
Independent Non-executive Director

Michael LEE Tze Hau
Independent Non-executive Director

Patrick SUN
Independent Non-executive Director

The following is the full text of a letter of advice from Oceanwide Capital Limited, the independent financial adviser to the Independent Board Committee, which has been prepared for the purpose of incorporation in this circular, setting out its advice to the Independent Board Committee in respect of the Subscription and the Whitewash Waiver.

22 December 2017

中國泛海企業融資
OCEANWIDE CAPITAL

To the Independent Board Committee

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

Dear Sirs/Madams,

(1) PROPOSED SUBSCRIPTION OF SUBSCRIPTION SHARES AND (2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the independent financial adviser (the "**Independent Financial Adviser**") to the Independent Board Committee in respect of the Subscription and the Whitewash Waiver, details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular of the Company dated 22 December 2017 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 8 November 2017, the Company entered into the Subscription Agreement with the Subscriber and FTIL. Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue to the Subscriber (or the Subscriber Nominee), and the Subscriber has conditionally agreed to subscribe for (or nominate the Subscriber Nominee to subscribe for), 1,846,000,000 Subscription Shares at the Subscription Price of HK$1.20 per Subscription Share. The Subscriber has notified the Company that it will nominate the Subscriber Nominee to subscribe for the Subscription Shares pursuant to the terms of the Subscription Agreement.

Save for 21,415,633 Shares held by Renown, representing approximately 1.23% of the issued share capital of the Company as at the Latest Practicable Date, neither the Subscriber nor any party acting in concert with it was interested in any issued Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the Latest Practicable Date.

Immediately upon Completion, assuming no other change in the issued share capital of the Company, the Subscriber (together with parties acting in concert with it (as defined in the Takeovers Code)) will be interested in 1,867,415,633 Shares, representing approximately 106.92% of the issued share capital of the Company as at the Latest Practicable Date and approximately 51.98% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares.

Under Rule 26.1 of the Takeovers Code, upon the allotment and issuance of the Subscription Shares at Completion (assuming there is no other change in the issued share capital of the Company), the Subscriber Nominee would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not yet owned or agreed to be acquired by the Subscriber and parties acting in concert with it, unless the Whitewash Waiver is obtained from the Executive. The Subscriber has therefore made an application to the Executive for the Whitewash Waiver in respect of the allotment and issuance of the Subscription Shares to the Subscriber Nominee. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders at the SGM by way of a poll.

The Independent Board Committee comprising Mr. Jean-Marc LOUBIER, a non-executive Director, and all the independent non-executive Directors, namely Mrs. Eva CHENG LI Kam Fun, Mr. Cassian CHEUNG Ka Sing, Mr. Michael LEE Tze Hau and Mr. Patrick SUN, has been established to advise the Independent Shareholders on (i) whether the terms of the Subscription Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Subscription and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole; and (iii) the voting action that should be taken by the Independent Shareholders at the SGM. As the independent financial adviser, our role is to give an independent opinion to the Independent Board Committee in such regard.

We are not associated with the Company, the Subscriber or any of their respective substantial shareholders, or any party acting, or presumed to be acting, in concert with any of them. Apart from normal professional fees paid or payable to us in connection with this engagement, no other arrangement exists whereby we will receive any fees or benefits from the Company, the Subscriber or any of their respective substantial shareholders, or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give an independent advice on the Subscription and the Whitewash Waiver.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information and facts supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have also relied on the responsibility statements made by the Directors and directors of the Subscriber contained in the Circular. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects at the time they were made and up to the Latest Practicable Date and may be relied upon. We have also sought and received confirmation from the Directors and the management of the Group that no material facts have been withheld or omitted from the information provided and opinions expressed to us by them and that all information or representations regarding the Group provided to us by the Group, the Directors, the management of the Group and the advisers of the Company are true, accurate, complete and not misleading in all material respects at the time they were made and up to the Latest Practicable Date. Shareholders will be informed as soon as possible if we become aware of any material change to such information. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Group, the Directors, the management of the Group and the advisers of the Company.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinions expressed by the Group, the Directors, the management of the Group and the advisers of the Company, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of any member of the Group, the Ruyi Group or their associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation regarding the Subscription and Whitewash Waiver, we have considered the principal factors and reasons set out below:

1. Information on the Group

(i) Background of the Group

The Group is principally engaged in the retailing and wholesale of premium menswear in Greater China, Singapore and Europe, as well as licensing its fully owned brands globally. The Group manages five international menswear brands, namely Gieves & Hawkes, Kent & Curwen and Cerruti 1881 which are owned by the Group; and D'URBAN and Hardy Amies which the Group operates under renewable licences. As at 30 June 2017, the Group operated 306 retail stores, of which 211, 41, 37, 13 and 4 retail stores were in the PRC, Taiwan, Hong Kong and Macau, Europe and Singapore respectively.

(ii) Financial performance

Set out below is certain key financial information of the Group as extracted from the consolidated income statements for the three years ended 31 December 2014, 2015 and 2016 set out in the annual reports for the year ended 31 December 2015 (the "**2015 Annual Report**") and 31 December 2016 (the "**2016 Annual Report**") and for the six months ended 30 June 2016 and 2017 set out in the interim report for the six months ended 30 June 2017 (the "**2017 Interim Report**"):

	For the six months ended 30 June		**For the year ended 31 December**		
	2017	**2016**	**2016**	**2015**	**2014**
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue *(Note)*	862,420	890,820	1,776,962	1,914,053	2,623,584
The PRC	*433,874*	*432,916*	*835,532*	*904,602*	*1,287,978*
Hong Kong and Macau	*245,452*	*260,075*	*528,522*	*581,132*	*840,782*
Europe	*119,412*	*129,821*	*276,579*	*275,154*	*297,924*
Taiwan	*60,280*	*64,807*	*129,406*	*148,926*	*196,900*
Others	*3,402*	*3,201*	*6,923*	*4,239*	*–*
Gross profit	594,339	606,800	1,213,238	1,385,157	1,942,885
Gross profit margin	*68.9%*	*68.1%*	*68.3%*	*72.4%*	*74.1%*
(Loss)/profit before income tax	(257,641)	(201,216)	(440,910)	(128,964)	184,198
(Loss)/profit for the period/year attributable to the Shareholders	(257,035)	(200,390)	(441,476)	(88,518)	160,864

Note: The Group has three business lines, namely, retail, wholesale and licensing. Retail segment accounted for more than 85% of the revenue of the Group for each of the three years ended 31 December 2016 and each of the six months ended 30 June 2016 and 2017.

Year ended 31 December 2015 compared to year ended 31 December 2014

Revenue of the Group decreased by approximately 27.0% from approximately HK$2,623.6 million for the year ended 31 December 2014 to approximately HK$1,914.1 million for the year ended 31 December 2015. The Group's same-stores sales decreased by approximately 26.0%. This was mainly attributable to the dampened consumer spending environment in Greater China and ongoing adjustment within the PRC economy.

In line with the decrease in revenue, gross profit of the Group decreased by approximately 28.7% from approximately HK$1,942.9 million for the year ended 31 December 2014 to approximately HK$1,385.2 million for the year ended 31 December 2015. Gross profit margin was approximately 72.4% for the year ended 31 December 2015, representing approximately 1.7 percentage points decrease as compared to that for the year ended 31 December 2014. This was mainly attributable to the decrease in reversal of provision for impairment of inventories. Excluding the adjustments for inventory provision, gross profit margin increased by approximately 0.3 percentage point compared with that for the year ended 31 December 2014.

The Group recorded loss attributable to the Shareholders of approximately HK$88.5 million for the year ended 31 December 2015 as compared to profit attributable to the Shareholders of approximately HK$160.9 million for the year ended 31 December 2014. This was mainly attributable to the decrease in gross profit of approximately HK$557.7 million as discussed above which was partially offset by (a) the decrease in selling, marketing and distribution expenses of approximately HK$150.0 million mainly as a result of the management's continued efforts to improve efficiencies of the Group and (b) the increase in other income of approximately HK$81.1 million mainly due to a fair value adjustment on the contingent consideration payable relating to the acquisition of Gieves & Hawkes in 2012 and compensation income from a landlord for the ending of a store lease in Europe.

Year ended 31 December 2016 compared to year ended 31 December 2015

Revenue of the Group further decreased by approximately 7.2% from approximately HK$1,914.1 million for the year ended 31 December 2015 to approximately HK$1,777.0 million for the year ended 31 December 2016. Excluding the effect of exchange rate differences caused by the depreciation of Renminbi (the "**RMB**"), Sterling and Euro (the "**EUR**") versus HK$, revenue decreased by approximately 3.7%. The drop in revenue was mainly attributable to the adverse effect of on-going weakened state of the Hong Kong and Macau retail markets due to declining Chinese tourism and continued dampened consumer sentiment in the PRC. The retail sales and same-stores sales of the Group decreased by approximately 9.8% and 6.0% respectively.

Gross profit of the Group decreased by approximately 12.4% from approximately HK$1,385.2 million for the year ended 31 December 2015 to approximately HK$1,213.2 million for the year ended 31 December 2016. Gross profit margin decreased by approximately 4.1 percentage points to approximately 68.3% for the year ended 31 December 2016. The decrease in gross profit margin was mainly due to more sales and promotional activities and inventory provision during the year.

Loss attributable to the Shareholders increased by about four times from approximately HK$88.5 million for the year ended 31 December 2015 to approximately HK$441.5 million for the year ended 31 December 2016. Such increase was mainly attributable to (i) the decrease in gross profit by approximately HK$172.0 million as discussed above; (ii) the one-off gain on fair value adjustment on the contingent consideration payable relating to the acquisition of Gieves & Hawkes in 2012 of approximately HK$85.0 million for the year ended 31 December 2015; and (iii) other losses of approximately HK$7.7 million for the year ended 31 December 2016, which mainly represented the compensation relating to the surrendering of the lease for a Group's store in Paris as compared to other gains of approximately HK$70.8 million for the year ended 31 December 2015, which was mainly attributable to the non-recurring compensation income from a landlord for the ending of a store lease in Europe.

Six months ended 30 June 2017 compared to six months ended 30 June 2016

Revenue of the Group decreased by approximately 3.2% from approximately HK$890.8 million for the six months ended 30 June 2016 to approximately HK$862.4 million for the six months ended 30 June 2017, primarily attributable to the ongoing depressed state of Hong Kong and Macau markets due to keen price competition and changing consumer preference towards casual wear products at lower price points, which was partially offset by some improvement in consumer sentiment in the PRC. The same-stores sales of the Group in the first half of 2017 decreased by approximately 4.6%. Excluding the effect of exchange rate differences, revenue increased by approximately 0.9% in the first half of 2017.

Gross profit of the Group decreased by approximately 2.1% from approximately HK$606.8 million for the six months ended 30 June 2016 to approximately HK$594.3 million for the six months ended 30 June 2017. Gross profit margin increased from approximately 68.1% for the six months ended 30 June 2016 to approximately 68.9% for the six months ended 30 June 2017. The increase in gross profit margin was primarily as a result of the improved wholesale margin and rising licensing income.

Loss attributable to the Shareholders increased by approximately 28.3% from approximately HK$200.4 million for the six months ended 30 June 2016 to approximately HK$257.0 million for the six months ended 30 June 2017. Such increase was mainly attributable to (i) the increase in restructuring costs of approximately HK$37.4 million due to the closure of the Group's business wear production line in Hong Kong and the associated restructuring of sourcing functions; and (ii) the decrease in gross profit of approximately HK$12.5 million as discussed above.

(iii) Financial position

Set out below is the summary of the consolidated statements of financial position of the Group as at 31 December 2014, 2015 and 2016 and 30 June 2017 as extracted from the 2015 Annual Report, 2016 Annual Report and the 2017 Interim Report:

	As at 30 June 2017 (unaudited) HK$'000	As at 31 December 2016 (audited) HK$'000	2015 (audited) HK$'000	2014 (audited) HK$'000
Non-current assets				
Property, plant and equipment	128,689	150,394	172,175	236,985
Intangible assets	3,244,073	3,252,541	3,263,364	3,054,502
Loan receivables	159,111	142,225	101,447	71,930
Deferred income tax assets	214,793	193,603	193,091	144,651
Other non-current assets	54,498	51,367	181,642	193,491
	3,801,164	3,790,130	3,911,719	3,701,559
Current assets				
Inventories	494,515	504,940	591,891	612,475
Trade receivables	67,369	80,663	90,211	179,978
Deposits, prepayments and other receivables	90,807	100,899	190,640	110,803
Cash and cash equivalents (excluding bank overdrafts)	547,630	580,574	235,239	522,677
Other current assets	12,596	5,580	13,161	15,676
	1,212,917	1,272,656	1,121,142	1,441,609
Total assets	5,014,081	5,062,786	5,032,861	5,143,168
Non-current liabilities				
Borrowings	446,376	565,579	160,000	–
Other payables and accruals	165,400	188,702	203,260	–
Contingent purchase consideration payable for acquisition	184,789	181,758	175,892	252,475
Deferred income tax liabilities	295,896	287,790	306,233	311,457
Other non-current liabilities	24,887	30,492	36,675	41,598
	1,117,348	1,254,321	882,060	605,530
Current liabilities				
Trade payables	95,023	62,518	70,264	43,870
Other payables and accruals	297,933	287,283	277,942	321,869
Borrowings	992,366	738,673	566,288	747,920
Other current liabilities	28,951	19,031	45,709	27,368
	1,414,273	1,107,505	960,203	1,141,027
Total liabilities	2,531,621	2,361,826	1,842,263	1,746,557
Net asset value	2,482,460	2,700,960	3,190,598	3,396,611
Gearing ratio	26.4%	21.1%	13.3%	6.2%

Intangible assets were the principal assets of the Group which accounted for approximately 64.7% of the Group's total assets as at 30 June 2017. Intangible assets mainly represented trademarks and licences with indefinite useful lives, licences with definite useful lives and goodwill. Other major assets consisted of cash and cash equivalents (excluding bank overdrafts) of approximately HK$547.6 million and inventories of approximately HK$494.5 million as at 30 June 2017. As at 30 June 2017, the Group's total liabilities was approximately HK$2,531.6 million, which mainly consisted of (i) borrowings; (ii) other payables and accruals; and (iii) deferred income tax liabilities. Net asset value of the Group was approximately HK$2,482.5 million as at 30 June 2017. Excluding the intangible assets, the Group had net liabilities of approximately HK$761.6 million as at 30 June 2017. The Group's gearing ratio, being net debt (calculated by interest bearing bank borrowings and bank overdrafts less cash and cash equivalents) divided by total capital (calculated by total equity plus net debt), increased gradually from approximately 6.2% as at 31 December 2014 to approximately 26.4% as at 30 June 2017.

(iv) Cash flow

The following table is a condensed summary of the consolidated cash flow statements of the Group for the three years ended 31 December 2014, 2015 and 2016 set out in the 2015 Annual Report and the 2016 Annual Report and for the six months ended 30 June 2016 and 2017 set out in the 2017 Interim Report:

	For the six months ended 30 June		**For the year ended 31 December**		
	2017	**2016**	**2016**	**2015**	**2014**
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net cash generated from/ (used in) operating activities	(139,779)	(138,753)	(260,313)	(107,106)	143,647
Net cash generated from/ (used in) investing activities	(29,132)	(51,219)	27,512	(84,888)	(94,759)
Net cash generated from/ (used in) financing activities	130,000	540,000	607,639	(110,666)	(881,023)
Cash and cash equivalents at end of the period/year	500,822	513,270	534,379	159,771	465,837

The Group recorded net cash used in operating activities for the years ended 31 December 2015 and 2016 and also for the six months ended 30 June 2017, which was primarily attributable to the losses incurred from operations. Net cash used in operating activities was approximately HK$260.3 million and approximately HK$139.8 million for the year ended 31 December 2016 and the six months ended 30 June 2017 respectively.

Cash generated from financing activities were primarily proceeds from borrowings whereas cash used in financing activities were primarily repayment of borrowings. Net cash generated from financing activities was approximately HK$607.6 million and approximately HK$130.0 million for the year ended 31 December 2016 and the six months ended 30 June 2017 respectively.

As shown above, due to the losses incurred in recent years, the Group has financed its operations mainly by internal resources and borrowings.

(v) Prospects of the Group

In recent years, the Group's financial performance has been adversely affected by external factors including changing consumption habit of increasingly casual and lifestyle dressing of menswear, growing middle class consumers in the PRC with more frequent travelling pattern and spending abroad rather than in the PRC, the austerity spending culture as advocated by the PRC government and intense competition in the premium menswear industry. Confronted by the difficult marketplace, the Group has incurred losses for the two years ended 31 December 2015 and 2016 and the six months ended 30 June 2017.

In light of the challenges, the management of the Group has implemented several initiatives including building brand equity, driving global licensing business and enhancing brand visibility to revive the Group's renowned heritage brands, thereby bringing the brands to a wider audience while maintaining the distinct DNA of each of the historic brands. Together with different operational efforts including streamlining the management team, optimising the supply chain, rationalisation of non-performing stores and manufacturing operation and launching of e-commerce platform which recorded a doubling revenue in the first half of 2017 as compared to the same period in 2016, the Board remains confident in the future of the Group.

Revenue generated from the PRC, Hong Kong and Macau markets accounted for more than 75% of the Group's revenue for each of the three years ended 31 December 2016 and each of the six months ended 30 June 2016 and 2017. Among them, the PRC is the most important market of the Group.

As mentioned in the 2017 Interim Report, while the Group continues to face challenges, the Board considers there are signs that the economic headwinds of the past few years are stabilising. Although the sales in other major regions operated by the Group continued to decrease, the previously depressed retail environment in the PRC, being the most important market of the Group, shows some signs of growth in 2017 as mentioned in the 2017 Interim Report. The Group recorded double-digit growth in the number of units sold across the three wholly-owned international menswear brands and one licensed brand in the first half of 2017. Excluding the effect of exchange rate differences, the Group's same-stores sales in the PRC grew by approximately 8.1% in the first half of 2017. We noted the statistics from the website of the National Bureau of Statistics of China that the retail sales of goods of "garments, footwear, hats, knitwear" category in January to November 2017 increased by approximately 7.6% as compared to the corresponding period in 2016 to approximately RMB1,325.2 billion.

In November 2017, the retail sales of goods of "garments, footwear, hats, knitwear" category increased by approximately 9.5% as compared to corresponding period in 2016 to approximately RMB156.1 billion. Based on our discussion with the management of the Group and the latest growth of retail sales of apparel industry as indicated from the statistics mentioned above, we concur with the management regarding signs of a potential recovery in the retail sales of apparel industry in the PRC.

Based on the Reports on Monthly Survey of Retail Sales for October 2017 published by the Census and Statistics Department of Hong Kong Government, the value of retail sales of "wearing apparel" category in January to October 2017 decreased by approximately 0.4% as compared to the corresponding period in 2016 to approximately HK$40.5 billion. In October 2017, the value of retail sales of "wearing apparel" category increased by approximately 7.2% as compared to the corresponding period in 2016 to approximately HK$3.9 billion. We noted that there are two categories under the "clothing, footwear and allied products" classification in the report, namely "wearing apparel" and "footwear, allied products and other clothing accessories". We consider that "wearing apparel" is the relevant category of retail sales in relation to the business of the Group and it can provide a general trend of the retail sales of the industry that the Group operates in Hong Kong. Based on the Hong Kong Tourism Board, the number of visitor arrivals in Hong Kong from all countries in October 2017 increased by approximately 6.6% as compared to corresponding period in 2016 to 5,278,677. Among the visitor arrivals in Hong Kong from all countries, it is noted that the visitor arrivals in Hong Kong from the PRC in October 2017 increased by approximately 8.3% as compared to corresponding period in 2016 to 4,033,473.

Based on the Retail Sales Survey for the third quarter 2017 published by the Statistics and Census Service of Macau Government (the "**SCSM**"), the value of retail sales of "adults' clothing" category in the first three quarters of 2017 increased by approximately 10.1% as compared to the corresponding period in 2016 to approximately Macau patacas (the "**MOP**") 6.0 billion. In the third quarter of 2017, the value of retail sales of "adults' clothing" category increased by approximately 20.4% as compared to the corresponding period in 2016 to approximately MOP2.1 billion. We noted that there are two categories under the "retail of textiles, garments, footwear and leather products" classification by SCSM, namely "retail of household textiles" and "adults' clothing". We consider that "adults' clothing" is the relevant category of retail sales in relation to the business of the Group and it can provide a general trend of the retail sales of the industry that the Group operates in Macau. Based on the Visitor Arrivals for October 2017 published by SCSM, the number of visitor arrivals in Macau from all countries in October 2017 increased by approximately 7.9% as compared to the corresponding period in 2016 to approximately 2,888,700. Among the visitor arrivals in Macau from all countries, it is noted that the visitor arrivals in Macau from the PRC in October 2017 increased by approximately 12.8% as compared to corresponding period in 2016 to approximately 2,058,500.

The latest increases in both retail sales of wearing apparel and number of inbound tourists in Hong Kong and Macau suggest there are signs that the retail sentiment and consumer confidence are picking up.

Based on (i) the aforesaid statistical data relating to the retail market in the PRC, Hong Kong and Macau, (ii) our discussion with the management of the Group, (iii) the measures taken by the Group in controlling operating costs, and (iv) the benefits to be derived from the Subscription as mentioned in section headed "4. Reasons for and benefits of the Subscription" below, we consider that the prospect of the Group is optimistic.

2. Information on the Subscriber

As mentioned in the Circular, the Subscriber is the holding company of one of the largest textile manufacturers in the PRC which ranks among the Top 100 Chinese multi-national enterprises (中國跨國企業百強). The Ruyi Group engages predominantly in textile offerings and owns a fully-integrated value chain with operations spanning across raw materials cultivation, textiles processing, and design and sale of brands and apparel. Headquartered in Jining, Shandong, the Ruyi Group operates 13 domestic industrial parks and boasts some of the largest production lines and advanced technology in the PRC. The Ruyi Group also has a significant distribution and point of sales network that services a global customer base spread across six continents. In Asia Pacific alone, the Ruyi Group operates over 3,000 points of sale. The Ruyi Group has over 20 subsidiaries, with three listed subsidiaries in the PRC, France and Japan.

The Subscriber Nominee is a wholly-owned subsidiary of the Subscriber and the designated nominee for taking up the Subscription Shares under the Subscription Agreement.

Set out below is information relating to other companies controlled by Mr. QIU Yafu (the direct majority shareholder of the Subscriber), which are also engaged in the textile and apparel industry for reference purpose.

As confirmed by the Subscriber, Shandong Ruyi Technology Group Co., Ltd., a company controlled by Mr. QIU Yafu, and its subsidiaries (the "**Shandong Ruyi Technology Group**") operates along the full length of the textile and apparel products value chain, from raw materials sourcing to sales and marketing through distributors and directly to retail customers from self-owned stores. They are involved in both wool and cotton production, owning sheep farms and Cubbie Station cotton field in Australia. They place strong focus on employing technologically advanced machinery and production methods and have adopted advanced, automated production lines and equipment. The Shandong Ruyi Technology Group was listed first among the Top 500 Competitive Chinese Textile and Apparel Enterprises (中國紡織服裝企業競爭力500強) by China National Textile and Apparel Council (中國紡織工業聯合會) in 2015 and 2016. In 2016, they were awarded the China Industrial Awards (中國工業大奬) by China Industrial Design Association (中國工業設計協會).

As confirmed by the Subscriber, revenue of Shandong Ruyi Technology Group were approximately RMB20,965.3 million (equivalent to approximately HK$24,644.7 million), RMB22,770.4 million (equivalent to approximately HK$26,766.6 million) and RMB29,087.0 million (equivalent to approximately HK$34,191.8 million) for the three years ended 31 December 2014, 2015 and 2016, respectively. Net profit of Shandong Ruyi Technology Group were approximately RMB665.6 million (equivalent to approximately HK$782.4 million), RMB701.7 million (equivalent to approximately HK$824.8 million) and RMB2,496.2 million (equivalent to approximately HK$2,934.3 million) for the three years ended 31 December 2014, 2015 and 2016, respectively.

As shown above, the scope of businesses and scale of operations of the companies controlled by Mr. QIU Yafu are significantly larger than those of the Group. Given that Mr. QIU Yafu has substantial experience in managing textile and apparel businesses, he is able to contribute his expertise in managing the Group's business and also bring in new business opportunities.

3. Future intentions of the Subscriber regarding the Group

As mentioned in the Letter from the Board, as at the Latest Practicable Date, the Subscriber intended to continue the existing business of the Group and did not intend to introduce any major changes to the existing operation and business of the Company or dispose of any of the assets of the Group other than in the ordinary course of business. Following Completion, the Subscriber will, together with the management of the Group, conduct a further and detailed review of the operations and business strategy of the Group with a view to improving the performance of the Group and to developing a corporate strategy to broaden the income stream of the Group. Subject to the result of the review, the Subscriber will consider all possible options to improve the existing operations and business of the Group or to seek new business opportunities to improve the Group's financial position and prospects, including possible co-operations with the Ruyi Group to leverage on its wide range of operations globally. If suitable investment or business opportunities are identified and are available to the Group, the Subscriber intends for the Company to utilise part of the net proceeds from the issuance of the Subscription Shares to fund those investments or opportunities. The Subscriber will also, together with the management of the Group, conduct a detailed review of the Group's financial position and potential improvements to its capital structure. The Subscriber may also provide further resources to support the current businesses of the Group or to fund further investments. The Subscriber possesses advanced production technology and is one of the industry leaders in automatic garment production. The new management team will use their expertise in advanced technology to enhance the Group's technology and efficiency in aspects of production and marketing. In addition to capital, the Subscriber will also bring in professional capability, technology, know-how and business opportunities to the Company which is beneficial to the Company and the Shareholders as a whole. As at the Latest Practicable Date, no agreement, definitive proposals, terms or timetable had been reached or determined for any such possible future transaction or arrangement.

4. Reasons for and benefits of the Subscription

As stated in the Letter from the Board, the Directors consider that the entering into of the Subscription Agreement is in the interests of the Company and the Shareholders as a whole in view of the following factors:

(i) the Subscription is a valuable opportunity for the Group to bring in a solid strategic corporate investor, namely the Subscriber which can contribute its resources and expertise in the textile and garment industry;

(ii) the Company will benefit from the new business opportunities that the Subscriber may introduce to the Company, considering the Subscriber's scope of operations in the PRC and worldwide. Leveraging on its experience, expertise and business network in the textile and garment industry, the Subscriber will introduce major players in the apparel industry in the PRC and worldwide to the Company. The Company will have the opportunity to build new business relationships with prominent suppliers, clothing brands and other business partners and to further expand the types of clothing and apparel products the Group currently offers. The Company will also seize the opportunity to form strategic alliance with other players introduced by the Subscriber in the apparel industry and explore cross selling and co-development activities as well as jointly develop new markets and new customers to foster synergies within the industry; and

(iii) through the Subscription, the Company will raise a substantial amount of additional funds which will improve the financial position and liquidity of the Group and provide the Company with the financial flexibility necessary for the expansion of the Group's existing business and the capability to capture any prospective acquisition opportunities as and when they arise.

Based on the information set out in the section headed "2. Information on the Subscriber" above, we concur with the Directors that the Subscriber is a solid strategic investor that can contribute its resources and expertise in the textile and garment industry and the Company will benefit from the new business opportunities that the Subscriber may introduce to the Company, considering the Subscriber's scope of operations in the PRC and worldwide.

As stated in the section headed "1. Information on the Group – (iv) Cash flow", the Group recorded net cash used in operating activities for the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017. The Group has financed its operations mainly by internal resources and borrowings. Furthermore, net debt of the Group (calculated by subtracting cash and cash equivalents (excluding bank overdrafts) of approximately HK$547.6 million from total borrowings of approximately HK$1,438.7 million) was approximately HK$891.1 million as at 30 June 2017. The net proceeds from the Subscription will be approximately HK$2,206.0 million, representing approximately 4.0 times of cash and cash equivalents (excluding bank overdrafts) and approximately 1.5 times of total borrowings as at 30 June 2017. Based on the aforesaid, we consider that the Subscription will improve the financial position and liquidity of the Group. Therefore, the Group is able to expand its business and capture new business opportunities.

Based on the above, we consider that the Subscription is in the interests of the Company and the Shareholders as a whole.

5. Principal terms of the Subscription Agreement

Set out below is a summary of the principal terms of the Subscription Agreement. Further details of terms of the Subscription Agreement are set out in the Letter from the Board.

(i) The Subscription

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue to the Subscriber (or the Subscriber Nominee), and the Subscriber has conditionally agreed to subscribe for (or nominate the Subscriber Nominee to subscribe for), 1,846,000,000

Subscription Shares at the Subscription Price of HK$1.20 per Subscription Share. The Subscription Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with all other Shares in issue as at the date of their allotment and issue. The aggregate amount of the consideration for the Subscription Shares is HK$2,215,200,000, which shall be payable by the Subscriber in cash at Completion in the following manner:

(i) a Deposit in the amount of HK$72,000,000 having been paid by the Subscriber to the Company as a deposit shall be treated as part payment of the aggregate Subscription Price upon Completion; and

(ii) the balance of the aggregate Subscription Price in the amount of HK$2,143,200,000 shall be paid by the Subscriber to the Company on the Completion Date.

The Subscriber has notified the Company that it will nominate the Subscriber Nominee to subscribe for the Subscription Shares pursuant to the terms of the Subscription Agreement.

(ii) Conditions of the Subscription

Completion is conditional upon satisfaction (or, where applicable, waiver) of, among other things, the following Conditions:

(i) the obtaining of all necessary approvals by the Independent Shareholders at general meeting as required by the Listing Rules for the allotment and issue of the Subscription Shares to the Subscriber (or the Subscriber Nominee);

(ii) the obtaining of all necessary approvals by the Independent Shareholders at general meeting as required by the Takeovers Code for the Whitewash Waiver;

(iii) the Executive granting the Whitewash Waiver to the Subscriber (or the Subscriber Nominee) and the Whitewash Waiver remaining valid;

(iv) the passing by the requisite majority of Shareholders or the Independent Shareholders (as appropriate) at a general meeting of all resolutions required for the Authorised Share Capital Increase;

(v) (if required) the Bermuda Monetary Authority having granted consent to the Authorised Share Capital Increase and the issue of the Subscription Shares; and

(vi) the Subscriber having made the PRC Overseas Investment Filings and having obtained competition law approval by the MOFCOM under the Anti-Monopoly Law of the PRC for the transactions contemplated under the Subscription Agreement.

Details of all conditions of the Subscription Agreement are set out in the section headed "Subscription Agreement – Conditions of the Subscription" in the Letter from the Board. As mentioned in the Letter from the Board, as no consent is required from the Bermuda Monetary Authority regarding the Authorised Share Capital Increase and the issue of the Subscription Shares, the Condition set out in (v) above is expected to be satisfied. Save for the foregoing, as at the Latest Practicable Date, none of the Conditions had been satisfied or waived.

6. Evaluation of the Subscription Price

The Subscription Price is HK$1.20 per Subscription Share. As mentioned in the Letter from the Board, the Subscription Price was arrived at after arm's length negotiations among the Company and the Subscriber.

(i) Comparison of the Subscription Price to closing prices

The Subscription Price of HK$1.20 per Share represents:

(a) a premium of approximately 60.00% over the closing price of HK$0.75 per Share as quoted on the Stock Exchange on 8 November 2017, being the Last Trading Day;

(b) a premium of approximately 80.72% over the average closing price per Share of approximately HK$0.66 as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day;

(c) a premium of approximately 81.82% over the average closing price per Share of approximately HK$0.66 as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day;

(d) a premium of approximately 102.36% over the average closing price per Share of approximately HK$0.59 as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day;

(e) a premium of approximately 141.85% over the average closing price per Share of approximately HK$0.50 as quoted on the Stock Exchange for the last 90 trading days up to and including the Last Trading Day;

(f) a discount of approximately 22.40% to the audited consolidated net asset value per Share of approximately HK$1.55 as at 31 December 2016;

(g) a discount of approximately 15.57% to the unaudited consolidated net asset value per Share of approximately HK$1.42 as at 30 June 2017; and

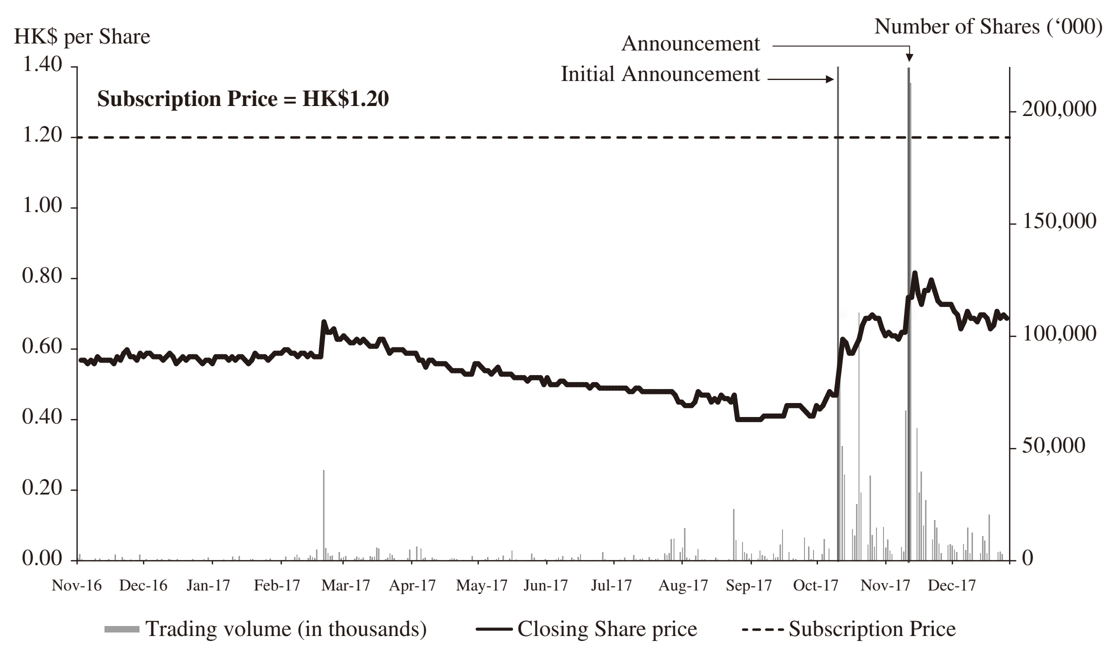
(h) a premium of approximately 73.9% over the closing price of HK$0.69 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

These premiums over the closing price and the average closing prices are compared with the discounts and/or premiums for comparable issues set out in the sub-section headed "Market comparables on subscription of new shares" below.

Net tangible assets value allows people to analyse a company's asset position without including obsolete or difficult to value intangible assets such as goodwill, patents and trademarks. As mentioned in the section headed "1. Information on the Group – (iii) Financial position", excluding the intangible assets of approximately HK$3,244.1 million, the Group had net liabilities of approximately HK$761.6 million as at 30 June 2017. It was stated in the independent auditor's report in the 2016 Annual Report that the impairment assessment of intangible assets of the Group was based on the assessments that require significant management judgement including future revenue growth rate, terminal growth rate, operating margin, royalty rate and discount rates applied. The independent auditor has identified such impairment assessment as a key audit matter in the 2016 Annual Report. We also noted that the Group incurred losses and generated net cash used in operating activities for the two years ended 31 December 2015 and 2016 and the six months ended 30 June 2017. Any significant change in the value of the aforesaid parameters as determined by the management would lead to significant change in value of intangible assets. As a result, we consider that the discounts to the consolidated net asset value per Share is not one of the key factors in assessing fairness and reasonableness of the Subscription Price.

(ii) Analysis of historical share price performance

The chart below illustrates the daily closing prices and trading volume of the Shares for the period from 1 November 2016 up to and including the Latest Practicable Date (the "**Review Period**"):



Source: The website of the Stock Exchange

As shown in the chart above, during the Review Period, the closing prices fluctuated between HK$0.40 per Share and HK$0.82 per Share. The Subscription Price is substantially higher than all closing prices of the Shares throughout the Review Period. The Subscription Price represents a premium of approximately 46.3% over the highest closing price of HK$0.82 on 10 November 2017 and a premium of approximately 200.0% over the lowest closing price of HK$0.40 on 24 August 2017 to 4 September 2017 during the Review Period.

From 1 November 2016 to 17 February 2017, the closing prices fluctuated between HK$0.56 per Share and HK$0.60 per Share. During this period, the Company published, among other things, the announcement on 9 November 2016 in relation to continuing connected transactions with Fung Holdings (1937) Limited in respect of property leasing and/or licensing arrangements for a term of three years and the announcement on 20 December 2016 in relation to disposal of 20% interests in Ferragamo Korea Limited, Ferragamo (Malaysia) Sdn Bhd, Ferragamo (Singapore) Pte Ltd and Ferragamo (Thailand) Limited with a cash consideration of US$16.1 million, subject to adjustments.

On 20 February 2017, the closing price surged to HK$0.68 per Share, representing an approximately 17.2% increase as compared to the previous trading day. We were advised by the management of the Company that the Company was not aware of any particular matter that might be price sensitive at that time.

The closing price then gradually fell from HK$0.68 per Share on 20 February 2017 to HK$0.405 per Share on 26 September 2017. During this period, the Company published, among other things, the 2016 Annual Report on 12 April 2017, the announcement in respect of continuing connected transactions with Li & Fung (Trading) Limited in respect of sourcing and related services for a term of two years and seven months on 7 June 2017, the announcement in respect of continuing connected transactions with Fung Holdings (1937) Limited relating to property leasing and/or licensing arrangements in Hong Kong for a term of two years and five months on 24 July 2017, and the 2017 Interim Report on 14 September 2017.

On 6 October 2017, the Share price closed at HK$0.47 per Share and trading of the Shares was then halted on 9 October 2017 pending the issuance of the announcement of the Company dated 9 October 2017 (the "**Initial Announcement**") in relation to the potential subscription by the Subscriber. On 10 October 2017, being the day following the Initial Announcement, the Share price surged by approximately 17.0% as compared to the previous trading day and closed at HK$0.55 per Share. The Share price continued to rise and closed at HK$0.75 per Share on 8 November 2017 immediately prior to the suspension of trading of the Shares on 9 November 2017 pending the issuance of the Announcement. On 10 November 2017, after the publication of the Announcement, the Shares resumed trading and closed at HK$0.82 per Share, representing an increase of approximately 9.3% as compared to the previous trading day.

The Share price closed at HK$0.69 per Share as at the Latest Practicable Date. The Subscription Price represents a premium of approximately 73.9% over the closing price as at the Latest Practicable Date.

As shown above, we consider that the surge in Share prices following the issue of the Initial Announcement and the Announcement might be attributable to the positive market sentiment on the Subscription.

(iii) Liquidity of the Shares

The following table sets out the average daily trading volume of the Shares for each month or period and the percentages such average daily trading volumes to the total issued share capital and the public float of the Company during the Review Period:

Month/period	Total trading volume for the month/period *(Number of Shares in thousands)*	Approximate average daily trading volume for the month/period *(Note 1)* *(Number of Shares in thousands)*	Approximate percentage of average daily trading volume to total number of Shares in issue as at the Latest Practicable Date *(Note 2)*	Approximate percentage of average daily trading volume to total number of Shares held by public Shareholders as at the Latest Practicable Date *(Note 3)*
2016				
November	19,616	892	0.05%	0.09%
December	11,588	579	0.03%	0.06%
2017				
January	11,482	604	0.03%	0.06%
February	79,984	3,999	0.23%	0.42%
March	44,746	1,945	0.11%	0.21%
April	24,832	1,461	0.08%	0.15%
May	22,076	1,104	0.06%	0.12%
June	19,292	877	0.05%	0.09%
July	44,658	2,127	0.12%	0.22%
August	84,884	3,858	0.22%	0.41%
September	71,319	3,396	0.19%	0.36%
October	583,370	30,704	1.76%	3.24%
November	559,250	26,631	1.52%	2.81%
From 1 December 2017 to the Latest Practicable Date	104,490	7,464	0.43%	0.79%

Source: The website of the Stock Exchange

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period.

2. There were 1,746,528,883 Shares in issue as at the Latest Practicable Date.

3. There were 948,020,632 Shares held by the public Shareholders as at the Latest Practicable Date.

As illustrated in the table above, the average daily trading volume for the respective month/period during the Review Period ranged from approximately 579,000 Shares to approximately 30,704,000 Shares, representing approximately 0.03% to approximately 1.76% of the total number of Shares in issue as at the Latest Practicable Date and approximately 0.06% to approximately 3.24% of the total number of Shares held by public Shareholders as at the Latest Practicable Date, respectively. The trading of the Shares was not active in general during the Review Period.

Subsequent to the publication of the Initial Announcement on 9 October 2017 and the Announcement on 9 November 2017, the average daily trading volume in October and November 2017 increased significantly probably due to the market reaction towards the Subscription.

(iv) Market comparables on subscription of new shares

We have identified from the website of the Stock Exchange, on a best efforts basis, an exhaustive list of 10 share issue transactions (the "**Comparable Issues**") announced since 1 October 2015 and up to the Latest Practicable Date by companies listed on the Stock Exchange involving (a) subscription of new shares of a listed company by subscriber(s) and/or parties acting in concert with it/them, that result in change of control (holding 30% or more of the voting rights of the listed companies) of the company; and (b) the application of whitewash waiver by the subscriber(s). We have excluded those (a) which have subsequently lapsed; (b) announced by listed companies which, as at the date of announcement and/or currently, were/are under prolonged suspension of trading of the shares; (c) involving issue of other securities at the same time; and (d) involving open offers or rights issues of new shares, which are extended to all shareholders.

It should be noted that the subject companies involved in the Comparable Issues may have different principal activities, market capitalisation, profitability and financial positions as compared to those of the Company. The circumstances surrounding such subscriptions may also be different from those relating to the Company. As a result, the Comparable Issues only provide the Shareholders with a general reference for assessing the fairness and reasonableness of the Subscription Price. The table below sets out the details of the Comparable Issues:

			Premium/(discount) of subscription price over/(to) the				
Date of announcement	**Company name**	**Stock code**	**Closing price on the last trading day immediately prior to the announcement**	**Average closing price for the 5 trading days immediately prior to the announcement**	**Average closing price for the 10 trading days immediately prior to the announcement**	**Average closing price for the 30 trading days immediately prior to the announcement**	**Average closing price for the 90 trading days immediately prior to the announcement**
			%	%	%	%	%
21 March 2017	Jutal Offshore Oil Services Limited	3303	(40.0)%	(39.5)%	(35.3)%	(22.5)%	12.7%
6 January 2017	Addchance Holdings Limited	3344	(92.0)%	(92.1)%	(92.1)%	(92.4)%	(88.4)%
16 November 2016	Ozner Water International Holding Limited	2014	2.4%	7.4%	6.9%	5.3%	10.2%
17 May 2016	New Times Energy Corporation Limited	166	(3.1)%	(0.9)%	(3.4)%	0.2%	7.5%
29 February 2016	Hang Fat Ginseng Holdings Company Limited (now known as Qianhai Health Holdings Limited) *(Note 1)*	911	(86.5)%	(92.3)%	(96.7)%	(98.1)%	(98.3)%
19 February 2016	Sino Credit Holdings Limited (now known as Gome Finance Technology Co., Ltd.)	628	(55.5)%	(56.5)%	(54.5)%	(51.2)%	(49.4)%
16 February 2016	Varitronix International Limited (now known as BOE Varitronix Limited) *(Note 2)*	710	(3.4)%	(5.2)%	(2.8)%	(4.4)%	(2.9)%

				Premium/(discount) of subscription price over/(to) the			
Date of announcement	Company name	Stock code	Closing price on the last trading day immediately prior to the announcement	Average closing price for the 5 trading days immediately prior to the announcement	Average closing price for the 10 trading days immediately prior to the announcement	Average closing price for the 30 trading days immediately prior to the announcement	Average closing price for the 90 trading days immediately prior to the announcement
			%	%	%	%	%
15 December 2015	Huscoke Resources Holdings Limited	704	(63.0)%	(63.8)%	(64.4)%	(65.2)%	(67.1)%
10 December 2015	China Jiuhao Health Industry Corporation Limited (now known as Huayi Tencent Entertainment Company Limited) *(Note 3)*	419	(86.2)%	(87.7)%	(87.9)%	(84.1)%	(79.1)%
12 October 2015	SRE Group Limited *(Note 4)*	1207	(75.0)%	(74.2)%	(72.8)%	(71.4)%	(80.1)%
	Maximum		2.4%	7.4%	6.9%	5.3%	12.7%
	Minimum		(92.0)%	(92.3)%	(96.7)%	(98.1)%	(98.3)%
	Average		(50.2)%	(50.5)%	(50.3)%	(48.4)%	(43.5)%
9 November 2017	The Company		60.0%	80.7%	81.8%	102.4%	141.9%

Source: The website of the Stock Exchange

Notes:

1. Hang Fat Ginseng Holdings Company Limited published an announcement in relation to a non-legally binding memorandum of understanding with subscription price in relation to a possible subscription of shares involving a possible application for whitewash waiver after trading hours on 15 February 2016. Accordingly, we have taken 12 February 2016 (i.e. the last day of trading of the shares immediately prior to the aforesaid announcement) as the last trading day for our assessment, including calculation of the average closing prices of different periods prior to and including 12 February 2016.

2. As set out in the circular of Varitronix International Limited dated 22 March 2016, the subscription price took into account the waiver by the subscriber of all its rights and interests to participate in the special dividend as well as the final dividend. The comparison of the subscription price to historical trading prices as set out in the table above was based on the theoretical price reduced by the amount of the special dividend and final dividend as set out in the circular.

3. China Jiuhao Health Industry Corporation Limited ("**China Jiuhao**") published an announcement dated 10 December 2015 in relation to, among other things, subscription of shares and application for whitewash waiver. As set out in the aforesaid announcement, there was a distribution to shareholders of China Jiuhao of cash and shares in Eternity Investment Limited. Such distribution was completed in October 2015 and the subscribers were not entitled to the distribution. The comparison of the subscription price to historical trading prices as set out in the table above was based on the theoretical ex-entitlement closing prices of China Jiuhao as set out in its announcement dated 10 December 2015.

4. SRE Group Limited published an announcement in relation to a memorandum of understanding with subscription price in relation to a possible subscription of shares involving a possible application for whitewash waiver on 15 September 2015. Accordingly, we have taken 11 September 2015 (i.e. the last day of trading of the shares immediately prior to the aforesaid announcement) as the last trading day for our assessment, including calculation of the average closing prices of different periods prior to and including 11 September 2015.

Out of the 10 Comparable Issues, only one company, namely Ozner Water International Holding Limited, involved in subscription of new shares at premiums over the closing price on the last trading day and the average closing prices for all periods as indicated above. The premiums ranged from approximately 2.4% to approximately 10.2%. Other than this company, the Comparable Issues generally involved subscriptions of new shares at discounts to their respective historical trading prices.

The Subscription Price represents a premium of approximately 60.0% over the closing price of the Shares on the Last Trading Day, which is more favourable than the average discount of approximately 50.2% of the Comparable Issues. The Subscription Price represents premiums of approximately 80.7% to approximately 141.9% over the average closing prices of the Shares for 5, 10, 30 and 90 trading days up to and including the Last Trading Day, which is more favourable than discounts of approximately 43.5% to approximately 50.5% of the Comparable Issues.

(v) Peer comparison

The Group is principally engaged in retailing and wholesale of premium menswear mainly in the PRC, Hong Kong and Macau. Based on the closing price of HK$0.75 per Share and 1,746,528,883 Shares in issue on the Last Trading Day, the market capitalisation of the Company was approximately HK$1,309.9 million on the Last Trading Day. Accordingly, we have researched, for companies (the "**Comparable Companies**") (i) listed on the Main Board of the Stock Exchange; (ii) derived over 50% of revenue from retailing and wholesale of apparel and over 50% of their revenue from the PRC and Hong Kong in their respective latest financial years; and (iii) with market capitalisations ranging between HK$650 million and HK$2,000 million (being a range of approximately 50% lower and 50% higher than the market capitalisation of the Company on the Last Trading Day) on the Last Trading Day. The Comparable Companies set out in the table below represent an exhaustive list of the companies comparable to the Company based on the above criteria.

As the Group recorded losses attributable to the Shareholders and negative earnings before interest, tax, depreciation and amortisation ("**EBITDA**") for the year ended 31 December 2016 and the six months ended 30 June 2017, price to earnings and enterprise value to EBITDA analysis is not considered to be meaningful in this case. As such, we have performed analysis of historical enterprise value to sales ("**EV/S**"), represents a comparison of the total value of a company to the sales of that company, and price to book ratio ("**P/B**"), represents a comparison of the market value of the shares of a company to its book value, detailed below for reference purpose only. In general, a higher EV/S suggest a higher total value of a company perceived by the market when holding sales of the company constant. A higher P/B suggest a higher value of the shares of a company perceived by the market when holding the book value of the company constant.

Comparable Companies	Stock Code	Market capitalisation on the Last Trading Day *(HK$'million)*	Historical EV/S *(times)* *(Note 1)*	Historical P/B *(times)* *(Note 2)*
Crocodile Garments Limited	122	834	4.90	0.51
ENM Holdings Limited	128	768	4.39	0.76
YGM Trading Limited	375	1,261	1.50	1.11
Glorious Sun Enterprises Limited	393	1,367	0.38	0.56
Bauhaus International (Holdings) Limited	483	661	0.29	0.82
Portico International Holdings Limited	589	1,497	0.52	0.62
Bossini International Holdings Limited	592	762	0.18	0.80
China Outfitters Holdings Limited	1146	1,275	1.41	0.63
Cabbeen Fashion Limited	2030	1,455	1.20	1.24
		Maximum	4.90	1.24
		Minimum	0.18	0.51
		Average	1.64	0.78
The Company	891	1,310	2.93 *(Note 3)*	0.84 *(Note 4)*

Source: The website of the Stock Exchange

Notes:

1. Calculated based on the enterprise value (represents the market capitalisations on the Last Trading Day plus non-controlling interests and debts and less cash and cash equivalents of the respective Comparable Companies as extracted from their respective latest published interim or annual results) divided by revenue of the respective Comparable Companies as extracted from their respective latest published annual results.

2. Calculated based on the market capitalisations of the respective Comparable Companies on the Last Trading Day divided by the equity attributable to owners of the respective Comparable Companies as extracted from their respective latest published annual or interim results.

3. Calculated based on the implied enterprise value (represents the Subscription Price multiplied by the number of issued Shares as enlarged by the Subscription plus borrowings and less cash and cash equivalents (excluding bank overdrafts) as at 30 June 2017) divided by revenue for the year ended 31 December 2016.

4. Calculated based on the Subscription Price and the equity attributable to the Shareholders as at 30 June 2017.

As set out in the table above, the historical EV/Ss of the Comparable Companies ranged from approximately 0.18 time to approximately 4.90 times, with an average of approximately 1.64 times. The implied EV/S of the Subscription based on the gross proceeds of the Subscription is approximately 2.93 times, which is higher than the average of the historical EV/Ss of the Comparable Companies. The historical P/Bs of the Comparable Companies ranged from approximately 0.51 time to approximately 1.24 times, with an average of approximately 0.78 time. The implied P/B of the Subscription based on the Subscription Price is approximately 0.84 time, which is higher than the average of the historical P/Bs of the Comparable Companies. A higher EV/S or P/B of the Company implied by the Subscription as compared to the historical EV/S or P/B of the Comparable Companies suggests the valuation of the Company is higher than the Comparable Companies, when holding sales or book value constant, respectively.

Based on the analyses in this section, we consider that the Subscription Price is fair and reasonable.

7. Other alternative financing methods

As advised by the management of the Group, the Board has considered other fund raising alternatives before resolving to the Subscription that will bring in a strategic investor and raise gross proceeds of approximately HK$2,215 million.

Given that the Group has incurred losses for the two years ended 31 December 2015 and 2016 and the six months ended 30 June 2017 and its net liabilities (excluding intangible assets) amounted to approximately HK$761.6 million as at 30 June 2017, the Company will not be able to obtain such scale of borrowings with reasonable interest rate from financial institutions. Furthermore, the principal amount of any debt financing would require repayment upon maturity. Therefore, debt financing such as bank borrowings is not a viable option.

As a rights issue or open offer is an equity fund raising, it will not create any financial burden on the Group in the form of payment of interest and repayment of principal. However, it will be difficult to identify underwriter(s) which is/are interested to underwrite a rights issue or open offer with a fund raising size comparable to that of the Subscription in light of the Group's loss position and low trading volume of the Shares. As advised by the management of the Group, the Subscriber intends to acquire a controlling stake in the Company and it is unlikely that the Subscriber would consider to be an underwriter of a rights issue or an open offer of the Company as there is no certainty that it can acquire a controlling stake under the fund raising exercise. Furthermore, the subscription price of shares under a rights issue or open offer is normally at a discount to the prevailing market prices in contrast to the Subscription Price that represents a substantial premium to the closing prices of the Shares prior to the issue of the Announcement, and the rights issue or open offer will incur costly underwriting commission.

Furthermore, the Board considers that the Subscription provides the opportunity to bring in a solid strategic corporate investor and other benefits as set out in the section headed "4. Reasons for and benefits of the Subscription" above.

Having considered the factors set out above, the Directors are of the view that the Subscription is an appropriate means of fund raising for the Company amongst the other financing alternatives.

8. Financial effects on the Group

(i) Net asset value

As set out in the 2017 Interim Report, net asset value (the "**NAV**") of the Group was approximately HK$2,482.5 million as at 30 June 2017. Upon Completion, it is expected that the NAV will increase by approximately the amount of the net proceeds from the Subscription of approximately HK$2,206 million. Accordingly, the Subscription is expected to have a positive impact on the NAV.

As at the Latest Practicable Date, the number of Shares in issue was 1,746,528,883 Shares. Accordingly, the NAV per Share based on the NAV as at 30 June 2017 was approximately HK$1.42. Assuming there is no change to the Group's NAV as at 30 June 2017 other than the net proceeds from the Subscription, the NAV per Share is expected to decrease upon Completion, given that the Subscription Price is lower than the NAV per Share as at 30 June 2017. It should be noted that excluding intangible assets, the Group had net liabilities of approximately HK$761.6 million as at 30 June 2017. We consider the decrease in NAV per Share is acceptable in light of the benefits of the Subscription as a whole, as set out in the section headed "4. Reasons for and benefits of the Subscription" above.

(ii) Gearing ratio

As set out in the section headed "1. Information on the Group – (iii) Financial position" above, the gearing ratio of the Group was approximately 26.4% as at 30 June 2017. As the Subscription is a form of equity financing, the Group's gearing and capital structure will be improved following Completion.

(iii) Working capital

As set out in the 2017 Interim Report, cash and cash equivalents (excluding bank overdrafts) of the Group was approximately HK$547.6 million as at 30 June 2017. As the net proceeds of the Subscription will be approximately HK$2,206 million, the liquidity and cash position of the Group will be improved upon Completion.

Shareholders should note that the aforesaid analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon Completion.

9. Dilution effect on shareholding interests of the public Shareholders

The shareholding interests of the public Shareholders were approximately 54.28% in aggregate as at the Latest Practicable Date. As shown in the section headed "Effect of the Subscription on the shareholding structure of the Company" in the Letter from the Board, immediately upon Completion and assuming none of the outstanding Share Options have been exercised, the shareholding interests of the public Shareholders will decrease to approximately 26.39%, representing a dilution effect of approximately 51.4%. Immediately upon Completion and assuming all the outstanding Share Options have been exercised, the shareholding interests of the public Shareholders will be approximately 26.64%, representing a dilution effect of approximately 50.9%.

Taking into account (i) the benefits to be derived by the Group from the Subscription as set out in the section headed "4. Reasons for and benefits of the Subscription" above; (ii) the Subscription Price is considered to be fair and reasonable as set out in the section headed "6. Evaluation of the Subscription Price" above; and (iii) the Subscription is expected to improve working capital, gearing and capital structure of the Group, we consider that the dilution effect to the shareholding interests of the existing public Shareholders as a result of the Subscription is acceptable.

10. The Whitewash Waiver

Shareholders should note that the Subscription is conditional on, among other things, (i) the Independent Shareholders having approved the Whitewash Waiver at the SGM; and (ii) the Executive having granted to the Subscriber Nominee the Whitewash Waiver, which cannot be waived. The approval of the Whitewash Waiver by the Independent Shareholders is necessary for the Group to proceed to Completion to raise additional capital and bring in the Subscriber as a strategic investor.

Shareholders should note that if the Whitewash Waiver is not approved by the Independent Shareholders, the Subscription Agreement will not become unconditional and thus, the Subscription will not proceed. In other words, a general offer obligation will not arise even if the Subscriber Nominee fails to obtain the Whitewash Waiver.

Given that (i) the Whitewash Waiver is a condition precedent to the Subscription Agreement; and (ii) the Subscription is in the interests of the Company and the Shareholders, we consider that the approval of the Whitewash Waiver is in the interests of the Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons described above and in particular the following (which should be read in conjunction in the full context of this letter):

- the Group incurred losses for the two years ended 31 December 2015 and 2016 and the six months ended 30 June 2017;
- the Group recorded net cash used in operating activities and net cash generated from financing activities for the year ended 31 December 2016 and the six months ended 30 June 2017 which indicated the Group (i) was not able to generate positive cash flow from its operating activities alone; and (ii) relied on internal resources and borrowings to finance its operation;
- net debt of the Group (calculated by subtracting cash and cash equivalents (excluding bank overdrafts) from total borrowings) was approximately HK$891.1 million as at 30 June 2017;

- the Subscription will improve the financial position and liquidity of the Group;

- the Subscription provides an opportunity for the Group to bring in a strategic investor with sizable operations in the textile and garment industry which may introduce new business opportunities to the Group;

- the Subscription Price represents a premium of approximately 46.3% over the highest closing price of HK$0.82 on 10 November 2017 and a premium of approximately 200.0% over the lowest closing price of HK$0.40 on 24 August 2017 to 4 September 2017 during the Review Period;

- the Subscription Price represents a premium of approximately 60.0% over the closing price of the Shares on the Last Trading Day, which is more favourable than the average discount of approximately 50.2% of the Comparable Issues for reference purpose;

- the Subscription Price represents premiums of approximately 80.7% to approximately 141.9% over the average closing prices of the Shares for 5, 10, 30 and 90 trading days up to and including the Last Trading Day, which is more favourable than the discounts of approximately 43.5% to approximately 50.5% of the Comparable Issues for reference purpose;

- the implied EV/S and P/B of the Subscription are above the average of the historical EV/Ss and P/Bs of the Comparable Companies for reference purpose;

- the dilution effect to the shareholding interests of the existing public Shareholders as a result of the Subscription is acceptable taking into account the benefits to be derived by the Group from the Subscription; and

- the approval of the Whitewash Waiver by the Independent Shareholders is a condition precedent to the Subscription Agreement,

we consider that the terms of the Subscription Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Subscription Agreement and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Oceanwide Capital Limited
Noelle Hung
Managing Director

Ms. Noelle Hung is a licensed person and a responsible officer of Oceanwide Capital Limited registered with the SFC to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 15 years of experience in corporate finance.

1. FINANCIAL SUMMARY

The following is a summary of the consolidated results and financial information of the Group for each of the three financial years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, details of which were extracted from the annual reports of the Company for each of the three financial years ended 31 December 2014, 2015 and 2016 and the interim reports of the Company for the six months ended 30 June 2016 and 2017.

CONSOLIDATED INCOME STATEMENT

	Six months ended 30 June		Year ended 31 December		
	2017	2016	2016	2015	2014
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	862,420	890,820	1,776,962	1,914,053	2,623,584
Cost of sales	(268,081)	(284,020)	(563,724)	(528,896)	(680,699)
Gross profit	594,339	606,800	1,213,238	1,385,157	1,942,885
Other income	7,447	5,658	15,769	24,124	21,396
Selling, marketing and distribution expenses	(547,045)	(522,248)	(1,114,783)	(1,179,098)	(1,329,073)
General and administrative expenses	(238,984)	(260,583)	(520,709)	(503,627)	(539,924)
Core operating profit/(loss)	(184,243)	(170,373)	(406,485)	(273,444)	95,284
Other (losses)/gains	–	–	(7,731)	70,810	–
Gain on disposal of investments in associates	–	–	16,514	–	–
Gain on remeasurement of contingent purchase consideration payable for acquisition	–	–	–	85,003	77,475
Restructuring costs	(60,132)	(22,780)	(23,106)	–	–
Operating (loss)/profit	(244,375)	(193,153)	(420,808)	(117,631)	172,759
Net finance (costs)/income	(13,266)	(7,753)	(19,026)	(15,618)	3,649
Share of (loss)/profit of associates	–	(310)	(1,076)	4,285	7,790
(Loss)/profit before income tax	(257,641)	(201,216)	(440,910)	(128,964)	184,198
Income tax	606	826	(566)	40,446	(23,334)
(Loss)/profit for the period/year attributable to shareholders of the Company	(257,035)	(200,390)	(441,476)	(88,518)	160,864
Basic (loss)/earnings per share attributable to shareholders of the Company during the period/year (expressed in HK cents per share)	(14.7) cents	(11.5) cents	(25.3) cents	(5.1) cents	9.3 cents
Diluted (loss)/earnings per share attributable to shareholders of the Company during the period/year (expressed in HK cents per share)	(14.7) cents	(11.5) cents	(25.3) cents	(5.1) cents	9.3 cents
Dividend per share (HK cents)					
– Interim	n/a	n/a	n/a	n/a	2.4
– Final	n/a	n/a	n/a	n/a	4.3
Amount absorbed by dividend	n/a	n/a	n/a	n/a	116,891

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June		Year ended 31 December		
	2017	**2016**	**2016**	**2015**	**2014**
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
(Loss)/profit for the period/year	(257,035)	(200,390)	(441,476)	(88,518)	160,864
Other comprehensive income/(expenses) for the period/year					
Item that will not be reclassified subsequently to profit or loss					
Remeasurements of post employment benefit obligations	–	230	1,622	353	(13,120)
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of subsidiaries and associates	37,798	(1,289)	(47,545)	(50,360)	(28,842)
Exchange differences realised upon disposal of investments in associates	–	–	(2,747)	–	–
Exchange differences realised upon liquidation of a subsidiary	–	–	–	–	(124)
Other comprehensive income/(expenses) for the period/year, net of tax	37,798	(1,059)	(48,670)	(50,007)	(42,086)
Total comprehensive (expenses)/income for the period/year	(219,237)	(201,449)	(490,146)	(138,525)	118,778
Total comprehensive (expenses)/income attributable to:					
– Shareholders of the Company	(219,237)	(201,449)	(490,146)	(138,525)	118,778

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2017 (unaudited) *HK$'000*	30 June 2016 (unaudited) *HK$'000*	31 December 2016 (audited) *HK$'000*	31 December 2015 (audited) *HK$'000*	31 December 2014 (audited) *HK$'000*
ASSETS					
Non-current assets					
Property, plant and equipment	128,689	146,734	150,394	172,175	236,985
Intangible assets	3,244,073	3,290,215	3,252,541	3,263,364	3,054,502
Investments in associates	–	127,938	–	125,727	131,486
Loan receivables	159,111	132,197	142,225	101,447	71,930
Derivative financial instruments	6,061	6,024	6,022	6,018	6,023
Deposits, prepayments and other receivables	48,437	44,371	45,345	49,897	55,982
Deferred income tax assets	214,793	191,138	193,603	193,091	144,651
	3,801,164	3,938,617	3,790,130	3,911,719	3,701,559
Current assets					
Inventories	494,515	523,777	504,940	591,891	612,475
Trade receivables	67,369	83,061	80,663	90,211	179,978
Deposits, prepayments and other receivables	90,807	164,178	100,899	190,640	110,803
Derivative financial instruments	4,330	–	–	–	–
Amounts due from related parties	6,055	1,115	3,379	949	77
Current income tax recoverables	2,211	6,919	2,201	12,212	15,599
Cash and cash equivalents (excluding bank overdrafts)	547,630	567,223	580,574	235,239	522,677
	1,212,917	1,346,273	1,272,656	1,121,142	1,441,609
Total assets	5,014,081	5,284,890	5,062,786	5,032,861	5,143,168
EQUITY					
Capital and reserves attributable to the Company's shareholders					
Share capital	174,653	174,653	174,653	174,653	174,653
Share premium	2,376,850	2,376,850	2,376,850	2,376,850	2,376,850
Reserves	(69,043)	438,789	149,457	639,095	845,108
Total equity	2,482,460	2,990,292	2,700,960	3,190,598	3,396,611

	30 June 2017 (unaudited) *HK$'000*	30 June 2016 (unaudited) *HK$'000*	31 December 2016 (audited) *HK$'000*	31 December 2015 (audited) *HK$'000*	31 December 2014 (audited) *HK$'000*
LIABILITIES					
Non-current liabilities					
Borrowings	446,376	140,000	565,579	160,000	–
Provision for long service payments	1,582	6,427	6,309	7,151	10,377
Retirement benefit obligations	23,305	27,722	24,183	29,524	31,221
Other payables and accruals	165,400	201,934	188,702	203,260	–
Contingent purchase consideration payable for acquisition	184,789	178,825	181,758	175,892	252,475
Deferred income tax liabilities	295,896	308,555	287,790	306,233	311,457
	1,117,348	863,463	1,254,321	882,060	605,530
Current liabilities					
Trade payables	95,023	52,031	62,518	70,264	43,870
Other payables and accruals	297,933	248,065	287,283	277,942	321,869
Derivative financial instruments	–	–	3,306	–	–
Amounts due to related parties	10,370	21,582	7,962	38,256	13,089
Current income tax liabilities	18,581	3,759	7,763	7,453	14,279
Borrowings	992,366	1,105,698	738,673	566,288	747,920
	1,414,273	1,431,135	1,107,505	960,203	1,141,027
Total liabilities	2,531,621	2,294,598	2,361,826	1,842,263	1,746,557
Total equity and liabilities	5,014,081	5,284,890	5,062,786	5,032,861	5,143,168

The consolidated financial statements of the Group for the years ended 31 December 2014, 2015 and 2016 were audited by PricewaterhouseCoopers. No qualification was made by the auditors of the Company in respect of the consolidated financial statements of the Group for the years ended 31 December 2014, 2015 and 2016.

The Group did not have any items which are exceptional because of size, nature or incidence for each of the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 in its financial statements for those periods.

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2016

The following is the full text of the audited consolidated financial statements of the Group for the financial year ended 31 December 2016 as extracted from the annual report of the Company for the year ended 31 December 2016:

Consolidated Income Statement
For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Revenue	6(a)	1,776,962	1,914,053
Cost of sales		(563,724)	(528,896)
Gross profit		1,213,238	1,385,157
Other income	8	15,769	24,124
Selling, marketing and distribution expenses		(1,114,783)	(1,179,098)
General and administrative expenses		(523,003)	(484,287)
Other operating income/(expenses)	9	2,294	(19,340)
Core operating profit/(loss)		(406,485)	(273,444)
Other (losses)/gains	10	(7,731)	70,810
Gain on disposal of investments in associates	19	16,514	–
Gain on remeasurement of contingent purchase consideration payable for acquisition		–	85,003
Restructuring costs	7	(23,106)	–
Operating loss	7	(420,808)	(117,631)
Net finance costs	11	(19,026)	(15,618)
Share of (loss)/profit of associates	19	(1,076)	4,285
Loss before income tax		(440,910)	(128,964)
Income tax	12	(566)	40,446
Loss for the year attributable to shareholders of the Company		(441,476)	(88,518)
Basic loss per share attributable to shareholders of the Company during the year (expressed in HK cents per share)	13(a)	(25.3) cents	(5.1) cents
Diluted loss per share attributable to shareholders of the Company during the year (expressed in HK cents per share)	13(b)	(25.3) cents	(5.1) cents

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2016

	2016	2015
	HK$'000	*HK$'000*
Loss for the year	(441,476)	(88,518)
Other comprehensive expenses		
Item that will not be reclassified subsequently to profit or loss		
Remeasurements of post employment benefit obligations	1,622	353
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of subsidiaries and associates	(47,545)	(50,360)
Exchange differences realised upon disposal of investments in associates	(2,747)	–
Other comprehensive expenses for the year, net of tax	(48,670)	(50,007)
Total comprehensive expenses for the year	(490,146)	(138,525)
Total comprehensive expenses attributable to:		
– Shareholders of the Company	(490,146)	(138,525)

Consolidated Statement of Financial Position
As at 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	150,394	172,175
Intangible assets	18	3,252,541	3,263,364
Investments in associates	19	–	125,727
Loan receivables	20	142,225	101,447
Derivative financial instruments	21	6,022	6,018
Deposits, prepayments and other receivables	22	45,345	49,897
Deferred income tax assets	23	193,603	193,091
		3,790,130	3,911,719
Current assets			
Inventories	24	504,940	591,891
Trade receivables	25	80,663	90,211
Deposits, prepayments and other receivables	22	100,899	190,640
Amounts due from related parties	38(b)	3,379	949
Current income tax recoverables		2,201	12,212
Cash and cash equivalents (excluding bank overdrafts)	26	580,574	235,239
		1,272,656	1,121,142
Total assets		5,062,786	5,032,861
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	27	174,653	174,653
Share premium	27	2,376,850	2,376,850
Reserves	28	149,457	639,095
Total equity		2,700,960	3,190,598

	Note	2016 HK$'000	2015 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	34	565,579	160,000
Provision for long service payments	29	6,309	7,151
Retirement benefit obligations	30	24,183	29,524
Other payables and accruals	31	188,702	203,260
Contingent purchase consideration payable for acquisition	33	181,758	175,892
Deferred income tax liabilities	23	287,790	306,233
		1,254,321	882,060
Current liabilities			
Trade payables	32	62,518	70,264
Other payables and accruals	31	287,283	277,942
Derivative financial instruments	21	3,306	–
Amounts due to related parties	38(b)	7,962	38,256
Current income tax liabilities		7,763	7,453
Borrowings	34	738,673	566,288
		1,107,505	960,203
Total liabilities		2,361,826	1,842,263
Total equity and liabilities		5,062,786	5,032,861

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

		Attributable to shareholders of the Company				
		Share capital	**Share premium**	**Retained earnings**	**Other reserves**	**Total**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2016		174,653	2,376,850	887,043	(247,948)	3,190,598
Comprehensive expense						
Loss for the year		–	–	(441,476)	–	(441,476)
Other comprehensive expenses						
Remeasurements of post employment benefit obligations	*28*	–	–	1,622	–	1,622
Exchange differences on translation of subsidiaries and associates	*28*	–	–	–	(47,545)	(47,545)
Exchange differences realised upon disposal of investments in associates	*28*	–	–	–	(2,747)	(2,747)
Other comprehensive expenses for the year, net of tax		–	–	1,622	(50,292)	(48,670)
Total comprehensive expenses		–	–	(439,854)	(50,292)	(490,146)
Transactions with owners						
Employee share option scheme						
– value of employee services	*28*	–	–	–	508	508
– transfer to retained earnings	*28*	–	–	2,888	(2,888)	–
Transfer from retained earnings	*28*	–	–	(7,842)	7,842	–
Transfer of reserve upon disposal of investments in associates	*28*	–	–	2,544	(2,544)	–
Total transactions with owners		–	–	(2,410)	2,918	508
Balance at 31 December 2016		174,653	2,376,850	444,779	(295,322)	2,700,960

		Attributable to shareholders of the Company				
		Share capital	**Share premium**	**Retained earnings**	**Other reserves**	**Total**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2015		174,653	2,376,850	1,045,076	(199,968)	3,396,611
Comprehensive expense						
Loss for the year		–	–	(88,518)	–	(88,518)
Other comprehensive expenses						
Remeasurements of post employment benefit obligations	*28*	–	–	353	–	353
Exchange differences on translation of subsidiaries and associates	*28*	–	–	–	(50,360)	(50,360)
Other comprehensive expenses for the year, net of tax		–	–	353	(50,360)	(50,007)
Total comprehensive expenses		–	–	(88,165)	(50,360)	(138,525)
Transactions with owners						
Employee share option scheme						
– value of employee services	*28*	–	–	–	7,613	7,613
– transfer to retained earnings	*28*	–	–	5,233	(5,233)	–
2014 final dividends paid		–	–	(75,101)	–	(75,101)
Total transactions with owners		–	–	(69,868)	2,380	(67,488)
Balance at 31 December 2015		174,653	2,376,850	887,043	(247,948)	3,190,598

Consolidated Cash Flow Statement

For the year ended 31 December 2016

	Note	**2016** *HK$'000*	**2015** *HK$'000*
Cash flows from operating activities			
Cash used in operations	*35*	(227,202)	(79,094)
Interest paid on bank borrowings and overdrafts		(19,382)	(13,254)
Income tax paid		(13,729)	(14,758)
Net cash used in operating activities		(260,313)	(107,106)
Cash flows from investing activities			
Purchase of property, plant and equipment		(75,053)	(60,163)
Payments for intangible assets		(2,879)	(6,881)
Increase in loan receivables		(31,526)	(29,076)
Proceeds from disposal of investments in associates	*19*	124,901	–
Dividend received from an associate	*19*	10,733	–
Proceeds from disposal of property, plant and equipment		153	6,377
Interest income received		1,183	4,855
Net cash generated from/(used in) investing activities		27,512	(84,888)
Cash flows from financing activities			
Proceeds from borrowings		1,214,820	997,315
Repayment of borrowings		(607,181)	(1,032,880)
Dividends paid	*28*	–	(75,101)
Net cash generated from/(used in) financing activities		607,639	(110,666)
Net increase/(decrease) in cash and cash equivalents		374,838	(302,660)
Cash and cash equivalents at beginning of the year		159,771	465,837
Effect on foreign exchange rates changes		(230)	(3,406)
Cash and cash equivalents at end of the year	*26*	534,379	159,771

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

Trinity Limited (the "Company") is an investment holding company and was incorporated in Bermuda as an exempted company with limited liability under Companies Act 1981 of Bermuda. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Company and its subsidiaries (together the "Group") are principally engaged in the retailing and wholesale of premium menswear in the Chinese Mainland, Hong Kong, Macau, Taiwan (the "Greater China"), Singapore and Europe, as well as licensing its fully owned brands globally. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is at 30/F, OCTA Tower, 8 Lam Chak Street, Kowloon Bay, Kowloon, Hong Kong.

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

2 BASIS OF PREPARATION

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

3 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

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

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

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

To conform with such management's assessment, the classification of certain items on the consolidated income statement for the year ended 31 December 2016 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 2015 were comprised of a decrease in other income by HK$155,813,000 which is reclassified to gain on remeasurement of contingent purchase consideration payable for acquisition of HK$85,003,000 and other gains of HK$70,810,000.

(a) Adoption of amendments to existing standards effective in 2016

The Group has adopted the following amendments to existing standards which are mandatory for accounting periods beginning on or after 1 January 2016 and relevant to the Group:

HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 27 (Amendment)	Separate Financial Statements: Equity Method
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
Annual Improvements Project	Annual Improvements 2012-2014 Reporting Cycle

The adoption of such amendments to existing standards and minor amendments to HKAS/HKFRS under the annual improvements projects of HKICPA does not have material impact on the consolidated financial statements and does not result in substantial changes to the Group's accounting policies.

(b) New standard and amendments to existing standards effective in 2016 but not relevant to the Group

The following new standard and amendments to existing standards are mandatory for accounting periods beginning on or after 1 January 2016 but currently not relevant to the Group:

HKAS 16 and HKAS 41 (Amendments)	Bearer Plants
HKFRS 11 (Amendment)	Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

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

Up to the date of issue of the consolidated financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2016 and which have not been early adopted in the consolidated financial statements. These include the following which may be relevant to the Group.

HKAS 7 (Amendment)	Statement of Cash Flows: Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017)
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017)
HKFRS 2 (Amendment)	Share-based Payment: Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018)
HKFRS 9 (2014)	Financial Instruments (effective for annual periods beginning on or after 1 January 2018)
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date to be determined)
HKFRS 15	Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)
HKFRS 16	Leases (effective for annual periods beginning on or after 1 January 2019)

All these new standards and amendments to existing standards are effective in the financial year of 2017 or years after 2017. The Group is in the process of making an assessment of the impact of these new standards and amendments in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below.

As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

HKFRS 9 (2014), Financial Instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial Instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the Group's financial statements are as follows:

(i) *Classification and measurement*

Based on preliminary assessment, the Group expects that the adoption of HKFRS 9 will affect Group's classification and measurement of the financial assets, including the convertible promissory note and will have impact on the Group's net assets, loss for the year and loss per share and total comprehensive income.

(ii) *Impairment*

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

(iii) *Hedging*

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

HKFRS 15, Revenue from Contracts with Customers

HKFRS 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. The Group is in the process of assessing the impacts of HKFRS 15 on the Group's consolidated financial statements.

HKFRS 16, Leases

HKFRS 16 will affect primarily the accounting for Group's operating leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised in the consolidated statement of financial position. The Group is in the process of assessing to what extent the operating lease commitments as disclosed in Note 37(a) will result in the recognition of an asset and a liability for future payments and how this will affect the Group's loss for the year and classification of cash flows.

3.1 Merger accounting for common control combination

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

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

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

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

3.2 Consolidation

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

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

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

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

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

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

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

(ii) Associates

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

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

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

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

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

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

3.3 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 'Other operating income/(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.

(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:

– Buildings	10 years
– 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' and 'other (losses)/gains' relating to office, staff quarter or factory in the consolidated income statement.

3.6 Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, 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.

(iii) Computer software and website development costs

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

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

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

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

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

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

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

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

3.8 Inventories

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

3.9 Financial assets

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprises as 'loan receivables' (Note 3.10), 'trade receivables' (Note 3.12), 'deposits, prepayments and other receivables', 'amounts due from related parties' and 'cash and cash equivalents' in the consolidated statement of financial position. The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial asset is impaired.

Financial assets at fair value through profit or loss

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

3.10 Loan receivable

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

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

3.11 Derivative financial instruments

Derivatives financial instruments include forward exchange contracts and conversion right embedded in convertible promissory note (Note 21) 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 within 'Other operating income/(expenses)'. Trading derivatives are classified as a current asset or liability.

3.12 Trade and other receivables

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

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

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'general and administrative expenses' in the consolidated income statement.

3.13 Cash and cash equivalents

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

3.14 Share capital

Ordinary shares are classified as equity.

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

3.15 Trade and other payables

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

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

3.16 Borrowings

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

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

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

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

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

3.17 Financial guarantee contracts

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

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

3.18 Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Current income tax recoverables which could not be offset against current income tax liabilities of another entity were presented under current assets.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Outside basis differences

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

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

(c) Offsetting

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

3.19 Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the market rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

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

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

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

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

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

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(iv) Profit-sharing and bonus plans

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

(v) Share-based compensation

(a) Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan under which the entity receives services from employees as consideration for equity instrument of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted:

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

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

– including the impact of any non-vesting conditions.

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

At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity (employee share-based compensation reserve). The amounts recognised in the employee share-based compensation reserve are transferred to the retained earnings when the options are exercised or options expire.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(b) Share-based payment transactions among Group entities

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

3.20 Provisions

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

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

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

3.21 Revenue recognition

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

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

(i) Sales of goods – retail

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

(ii) ***Royalty income from licensing***

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

(iii) ***Sales of goods – wholesale***

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

(iv) ***e-Commerce revenue***

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

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

(v) ***Interest income***

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

(vi) ***Administration, management fee and consultancy fee income***

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

(vii) ***Rental income***

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

3.22 Leases

(a) ***As the lessee of operating leases***

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

(b) As the lessor of operating leases

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

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

3.23 Dividend distribution

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

3.24 Contingent liabilities

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

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

3.25 Royalty expense

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

3.26 Subsidy income

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

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

4.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign currency risk arising from various currencies, primarily with respect to Renminbi ("RMB"), Euro ("EUR"), Pound Sterling ("GBP"), Japanese Yen ("JPY") and Taiwan Dollars ("TWD"). Foreign exchange risk arises from future commercial transactions or recognised assets or liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations.

Management has adopted a policy to require Group companies to manage their foreign exchange risk against their functional currency. To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts. As at 31 December 2016, the Group had three outstanding forward contracts with notional principal amounts of EUR6,440,000 (buying EUR at fixed exchange rate of 8.55 HKD), GBP680,000 (buying GBP at fixed exchange rate of 9.508 HKD), and JPY126,300,000 (buying JPY at fixed exchange rate of 0.0745 HKD). As at 31 December 2015, the Group had no outstanding forward contracts.

The Group's foreign exchange risk mainly comes from RMB denominated payables (as at 31 December 2015: RMB denominated receivables), bank balances and trade payables recorded in the books of the Group's entities in Hong Kong and HKD denominated payables recorded in the books of the Group's entities in the Chinese Mainland.

At 31 December 2016, if HK dollar had weakened or strengthened by 5% against the RMB with all other variables held constant, loss for the year would have been HK$5,321,000 higher or lower and the loss for the year ended 31 December 2015 would have been HK$3,967,000 lower or higher, mainly as a result of foreign exchange losses or gains on translation of RMB denominated receivables, payables, bank balances and trade payables recorded in the books of the Group's entities in Hong Kong and HKD denominated payables recorded in the books of the Group's entities in the Chinese Mainland.

(ii) Interest rate risk

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

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$945,000 (2015: HK$581,000) for the year ended 31 December 2016.

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

(b) Credit risk

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

In respect of trade receivables, the majority of sales made by the Group are in the form of cash and credit cards. The Group's trade receivables comprise mainly of credit card sales and amounts owing from department stores in the Chinese Mainland and licensees in Europe. For those long term relationship customers, the Group offers credit terms up to 120 days.

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

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

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

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

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

(c) Liquidity risk

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

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

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		
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
As at 31 December 2016	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	62,518	–	–	–
Contingent purchase consideration payable for acquisition	–	–	–	264,218
Other payables and accruals	167,198	59,680	128,650	–
Derivative financial instruments	3,306	–	–	–
Amounts due to related parties	7,962	–	–	–
Borrowings	754,058	170,728	418,583	–
	995,042	230,408	547,233	264,218

As at 31 December 2015	Repayment period 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	70,264	–	–	–
Contingent purchase consideration payable for acquisition	–	–	–	261,771
Other payables and accruals	140,385	38,761	166,670	–
Amounts due to related parties	38,256	–	–	–
Borrowings	571,910	43,615	120,740	–
	820,815	82,376	287,410	261,771

4.2 Fair value estimation

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

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

31 December 2016	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Assets				
Derivative financial instrument – conversion right embedded in convertible promissory note *(Note 21)*	–	–	6,022	6,022
Liabilities				
Derivative financial instruments – forward exchange contracts *(Note 21)*	–	3,306	–	3,306
Contingent purchase consideration payable for acquisition *(Note 33)*	–	–	181,758	181,758
Total liabilities	–	3,306	181,758	185,064

31 December 2015	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Assets				
Derivative financial instrument – conversion right embedded in convertible promissory note *(Note 21)*	–	–	6,018	6,018
Liabilities				
Contingent purchase consideration payable for acquisition *(Note 33)*	–	–	175,892	175,892

There were no changes in valuation techniques and no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2015: nil).

(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 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 fair value measurement is positively correlated to the expected volatility. The Group's loss attributable to shareholders of the Company would decrease/increase and the conversion right would increase/decrease by HK$1,220,000 (2015: HK$1,390,000) and HK$1,204,000 (2015: HK$1,420,000) respectively if the expected volatility is 3.0% higher/lower at the end of the reporting period.

The valuation technique used to determine contingent purchase consideration payable for acquisition is discounted cash flow analysis. The Group's acquisition of Gieves & Hawkes group involved post-acquisition performance-based contingent purchase consideration which was recognised at fair value at the acquisition date as part of the total consideration for the acquired business. The fair value measurement requires, among other things, significant estimation of post-acquisition performance of the acquired business and significant judgement in relation to the time value of money. All outstanding contingent purchase consideration will be re-measured at fair value reflecting the impact of any events or factors which occur after the acquisition date, with any resulting gain or loss recognised in the consolidated income statement. The determination of outstanding contingent purchase consideration payable involves significant judgement and estimation of the future performance of the acquired business. The Group's loss attributable to shareholders of the Company would increase/decrease and the contingent purchase consideration payable would increase/decrease by HK$25,900,000 (2015: HK$28,787,000) and HK$23,772,000 (2015: HK$25,833,000) respectively if future revenue growth is 1.0 percentage point higher/lower than the estimation made by management at the end of the reporting period.

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

	Conversion right embedded in convertible promissory note *(Note 21)* *HK$'000*	**Contingent purchase consideration payable for acquisition** *(Note 33)* *HK$'000*
Opening net book amount at 1 January 2016	6,018	(175,892)
Notional interest expenses on contingent purchase consideration payable for acquisition	–	(5,866)
Exchange differences	4	–
Closing net book amount at 31 December 2016	6,022	(181,758)
Total net gains/(losses) for the year included in profit or loss	4	(5,866)
Change in unrealised losses for the year included in profit or loss for liabilities held at the end of the year, under 'Net finance costs'	–	(5,866)
Opening net book amount at 1 January 2015	6,023	(252,475)
Remeasurement gain recognised in profit or loss	–	85,003
Notional interest expenses on contingent purchase consideration payable for acquisition	–	(8,420)
Exchange differences	(5)	–
Closing net book amount at 31 December 2015	6,018	(175,892)
Total net (losses)/gains for the year included in profit or loss	(5)	76,583
Change in unrealised gains for the year included in profit or loss for liabilities held at the end of the year, under 'Gain on remeasurement of contingent purchase consideration payable for acquisition'	–	85,003
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'	–	(8,420)

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

For exchange gain on conversion right embedded in convertible promissory note HK$4,000 (2015: loss of HK$5,000) was included in 'Other operating income/(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.

(c) Group's valuation processes

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

The main Level 3 inputs used by the Group include:

- The discount rate for conversion right embedded in convertible promissory note and estimated future performance of the BHB business. The discount rate is referenced to weighted average cost of capital of comparable listed companies. The estimated future performance of BHB business was determined with reference to senior management's best estimate.

- The discount rate for contingent purchase consideration payable for acquisition and estimated post acquisition performance of the acquired business. The discount rate is estimated based on the expected cost of borrowings with similar maturity. The estimated post acquisition performance of the acquired business was determined with reference to senior management's best estimate.

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

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

4.3 Capital management

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (Note 34) less cash and cash equivalents (Note 26). Total capital is calculated as total equity, as shown in the consolidated statement of financial position, plus net debt.

The gearing ratios as at 31 December 2016 and 2015 were as follows:

	2016	**2015**
	HK$'000	*HK$'000*
Long-term borrowings *(Note 34)*	565,579	160,000
Short-term borrowings *(Note 34)*	738,673	566,288
	1,304,252	726,288
Less: Cash and cash equivalents *(Note 26)*	(580,574)	(235,239)
Net debt	723,678	491,049
Total equity	2,700,960	3,190,598
Net debt	723,678	491,049
Total capital	3,424,638	3,681,647
Gearing ratio	21.1%	13.3%

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of intangibles – goodwill and trademarks

The Group tests annually or whenever there is an indicator of impairment whether goodwill and trademarks have suffered any impairment in accordance with the accounting policy stated in Note 3.7. The recoverable amounts of CGUs are determined based on fair value less costs of disposal 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.

(c) Net realisable value of inventories

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

(d) Contingent purchase consideration payable for acquisition

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

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

(e) Estimated impairment of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade and other receivables are impaired. If an indication of impairment is identified, management prepares discounted cashflow to assess the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at effective interest rate and make provision for the impairment loss. Management reassesses the provision at the end of each reporting period.

(f) Income tax

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

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

6 SEGMENT INFORMATION

The Group is principally engaged in the retailing and wholesale of premium menswear in Greater China, Singapore and Europe, as well as licensing its fully owned brands globally. The associates are retailers of luxury fashion and accessories in South Korea and various countries in Southeast Asia. The performance of the Group's retail stores is subject to seasonal fluctuations and certain holiday seasons.

Management has determined the operating segments based on reports reviewed by the senior executive management of the Group that are used to make strategic decisions. Management considers the business from both geographic and business lines perspectives. Geographically, management considers the performance of the retail businesses in the Chinese Mainland, Hong Kong & Macau, Taiwan, Europe and others. Management also assesses the performance of the individual business line, namely retail, wholesale and licensing. Management assesses the performance of operating segments based on a measure of segmental earnings before net finance costs and income tax ("Segmental contributions") for the year. Inter-segment revenue are priced with reference to prices charged to external parties for similar orders. During the year, certain amendments and reclassifications (allocation of certain expenses from individual segment to corporate management overheads) were made to the management reports presented to the senior executive management in order to better reflect the composition and performance of each segment. Prior year comparatives have been restated accordingly.

Segment asset consists only of inventories.

(a) Segment results

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

	Asia						Europe			
	HK & Macau		Chinese Mainland		Taiwan	Others				
	Retail	**Wholesale**	**Retail**	**Wholesale**	**Retail**	**Retail**	**Retail**	**Wholesale**	**Licensing**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total segment revenue	525,016	452,861	739,879	95,653	129,406	6,923	138,204	53,266	118,101	2,259,309
Inter-segment revenue	–	(449,355)	–	–	–	–	–	–	(32,992)	(482,347)
Segment revenue and revenue from external customers	525,016	3,506	739,879	95,653	129,406	6,923	138,204	53,266	85,109	1,776,962
Gross profit	372,560	975	518,792	42,892	85,301	4,828	76,867	25,914	85,109	1,213,238
Segmental contributions	32,019	975	17,766	42,746	13,421	(12,306)	6,631	(6,160)	61,145	156,237
Segmental contributions includes:										
Depreciation	(18,694)	–	(44,287)	(146)	(3,474)	(1,281)	(8,425)	(548)	(63)	(76,918)
Additional provision for impairment of property, plant and equipment	(3,117)	–	692	–	(4)	–	–	–	–	(2,429)
Write off of trade receivables	–	(11)	–	–	–	–	–	–	(15,175)	(15,186)
Share of loss of associates	–	–	–	–	–	(1,076)	–	–	–	(1,076)
Segment asset	144,902	–	252,012	–	53,315	6,213	48,498	–	–	504,940

The segment results for the year ended 31 December 2015 were as follows:

	Asia						Europe			
	HK & Macau		Chinese Mainland		Taiwan	Others				
	Retail	Wholesale	Retail	Wholesale	Retail	Retail	Retail	Wholesale	Licensing	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total segment revenue	556,104	538,153	845,829	58,773	148,926	4,239	151,630	54,398	132,702	2,490,754
Inter-segment revenue	–	(513,125)	–	–	–	–	–	(25,515)	(38,061)	(576,701)
Segment revenue and revenue from external customers	556,104	25,028	845,829	58,773	148,926	4,239	151,630	28,883	94,641	1,914,053
Gross profit	415,243	12,817	621,577	40,326	100,641	3,219	82,347	14,346	94,641	1,385,157
Segmental contributions	45,420	12,817	8,752	38,288	23,754	(5,822)	2,187	(1,731)	86,794	210,459
Segmental contributions includes:										
Depreciation	(24,904)	–	(74,177)	(2,035)	(4,873)	(720)	(9,680)	(619)	(91)	(117,099)
Share of profit of associates	–	–	–	–	–	4,285	–	–	–	4,285
Segment asset	171,020	–	323,178	–	46,826	5,111	45,756	–	–	591,891

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

	2016	**2015**
	HK$'000	*HK$'000*
Segmental contributions for reportable segments	156,237	210,459
Add:		
Other income *(Note 8)*	15,769	24,124
Other operating income/(expenses) *(Note 9)*	2,294	(19,340)
Gain on remeasurement of contingent purchase consideration payable for acquisition	–	85,003
Other (losses)/gains *(Note 10)*	(7,731)	70,810
Gain on disposal of investments in associates	16,514	–
Less:		
Net finance costs *(Note 11)*	(19,026)	(15,618)
Employee benefit expenses	(243,005)	(212,265)
Rental and other operating expenses	(42,904)	(36,115)
Depreciation and amortisation	(41,929)	(9,875)
Advertising and promotion expenses	(119,487)	(116,456)
Legal and professional fees	(17,872)	(17,004)
Product design, sourcing and related management expenses	(73,615)	(63,787)
Restructuring costs	(23,106)	–
Other unallocated expenses	(43,049)	(28,900)
Total Group's loss before income tax	(440,910)	(128,964)

(c) Geographic information

The following tables set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, deposits, prepayments and other receivables and investments in associates ("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:

	2016	**2015**
	HK$'000	*HK$'000*
Hong Kong & Macau	525,574	576,793
Chinese Mainland	838,494	906,588
Taiwan	129,406	148,926
United Kingdom	145,529	149,315
Other countries	137,959	132,431
Total	1,776,962	1,914,053

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

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

	2016	**2015**
	HK$'000	*HK$'000*
Hong Kong & Macau	765,045	807,984
Chinese Mainland	799,897	799,985
Taiwan	81,924	82,046
United Kingdom	838,870	824,979
France	666,375	664,950
Singapore	296,169	313,873
South Korea	–	105,154
Malaysia	–	8,728
Thailand	–	3,464
Total	3,448,280	3,611,163

7 OPERATING LOSS

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

	2016	2015
	HK$'000	*HK$'000*
Cost of inventories *(Note 24)*	552,971	533,131
Write off of inventories *(Note 24)*	1,170	4,213
Additional/(reversal of) provision for impairment of inventories *(Note 24) & (note (a))*	9,583	(8,448)
Depreciation of property, plant and equipment *(Note 17)*	89,132	126,960
Amortisation of intangible assets (excluding licence) *(Note 18)*	877	14
Provision for impairment of property, plant and equipment *(Note 17)*	2,429	–
Loss/(gain) on disposal of property, plant and equipment – net	6,307	(4,677)
Write off of intangible asset *(Note 18)*	–	4,253
Operating lease rental expenses		
– minimum lease payment	345,353	387,948
– contingent rents	137,531	163,715
Additional/(reversal of) provision for impairment of trade receivables – net *(Note 25)*	1,859	(808)
Write off of trade receivables	15,186	–
Employee benefit expenses *(Note 14)*	616,060	635,800
Advertising and promotion expenses *(note (b))*	136,920	132,812
Royalty expenses		
– amortisation of licence *(Note 18)*	28,838	–
– contingent royalty expenses	4,032	5,232
Product design, sourcing and related management expenses	73,615	63,787
Restructuring costs *(note (c))*	23,106	–

Notes:

(a) The additional/(reversal of) provision for impairment of inventories arose due to a decrease/(increase) 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$14,372,000 (2015: HK$13,659,000) and HK$3,061,000 (2015: HK$2,697,000).

(c) Restructuring costs relating to casual wear production line at the Hong Kong factory included employee benefit expenses, operating lease rental expenses, reinstatement costs and loss on disposal of property, plant and equipment of HK$12,276,000, HK$4,549,000, HK$4,228,000 and HK$2,053,000 (2015: nil).

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

	2016	2015
	HK$'000	*HK$'000*
Audit services	5,856	5,695
Non-audit services		
– taxation services	1,393	594
– other services	396	383
	7,645	6,672

Note: HK$5,839,000 (2015: HK$5,677,000) of the audit services fees and HK$1,789,000 (2015: HK$977,000) of non-audit services fees are payable to the Company's auditor.

8 OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Subsidy income	3,921	10,965
Rental income from third parties	3,405	1,440
Rental income from related parties *(Note 38(a))*	170	672
Management fee income from related parties *(Note 38(a))*	606	476
Claims received	1,108	2,569
Sales commission	360	1,263
Others	6,199	6,739
	15,769	24,124

9 OTHER OPERATING INCOME/(EXPENSES)

	2016	2015
	HK$'000	*HK$'000*
Fair value losses on forward foreign exchange contracts	(3,306)	(1,633)
Net foreign exchange gains/(losses)	5,600	(17,707)
	2,294	(19,340)

10 OTHER (LOSSES)/GAINS

	2016	2015
	HK$'000	*HK$'000*
Gain on disposal of property	–	5,830
Compensation (expense)/income *(note)*	(7,731)	64,980
Other (losses)/gains	(7,731)	70,810

Note: In 2015, compensation income included the compensation receivable of HK$61,469,000 from the landlord for surrendering the indefinite operating lease right for a Group's store in France.

11 NET FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Finance costs		
– Interest expenses on bank borrowings and overdrafts	(21,391)	(13,407)
– Notional interest expenses on contingent purchase consideration payable for acquisition	(5,866)	(8,420)
	(27,257)	(21,827)
Finance income		
– Interest income on bank deposits	1,183	922
– Interest income on loan receivables	7,048	5,287
	8,231	6,209
Net finance costs	(19,026)	(15,618)

12 INCOME TAX

Hong Kong profits tax has been provided for at the rate of 16.5% (2015: 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.

	2016	2015
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	1,834	5,346
– Overseas taxation	21,691	9,992
– Over provision in prior years	(2,560)	(3,978)
Deferred income tax *(Note 23)*	(20,399)	(51,806)
	566	(40,446)

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:

	2016	**2015**
	HK$'000	*HK$'000*
Loss before income tax	(440,910)	(128,964)
Tax calculated at domestic tax rates applicable to profits/(losses) in the respective countries	(54,439)	(20,923)
Withholding tax on distributable profits, royalty income and interest income	2,826	6,012
Income not subject to tax	(3,298)	(24,555)
Over provision in prior years	(2,560)	(3,978)
Effect of unrecognised tax losses/(recognition of the previously unrecognised tax losses)	33,219	(13,921)
Expenses not deductible for tax purposes	24,818	16,919
Income tax	566	(40,446)

The weighted average applicable tax rate for the year was 12.3% (2015: 16.2%). The decrease 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% (2015: 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.

	2016	**2015**
Weighted average number of ordinary shares in issue	1,746,529,000	1,746,529,000
Loss attributable to shareholders of the Company *(HK$'000)*	(441,476)	(88,518)
Basic loss per share (HK cents per share)	(25.3) cents	(5.1) cents

(b) Diluted

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

No adjustment had been made to the basic loss per share for the year ended 31 December 2016 and 2015 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share.

14 EMPLOYEE BENEFIT EXPENSES

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

	2016	2015
	HK$'000	*HK$'000*
Wages, salaries and bonus including restructuring costs HK$12,276,000 (2015: nil)	522,672	541,474
Additional/(reversal of) provision for long service payment *(Note 29)*	3,190	(2,637)
Pension costs – defined benefit plans	953	1,162
Pension costs – defined contribution plans	12,038	11,149
Social security and benefits	76,699	77,039
Employee share option benefit	508	7,613
Total	616,060	635,800

There were no forfeited contributions during the year (2015: nil).

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

	Number of individuals	
	2016	2015
Emolument bands		
– HK$2,000,001 to HK$2,500,000	–	2
– HK$2,500,001 to HK$3,000,000	2	1
– HK$3,000,001 to HK$3,500,000	1	1
– HK$3,500,001 to HK$4,000,000	1	2
– HK$4,000,001 to HK$4,500,000	2	–
– HK$4,500,001 to HK$5,000,000	1	1
– HK$5,000,001 to HK$5,500,000	1	–
– HK$6,000,001 to HK$6,500,000	–	1
– HK$7,000,001 to HK$7,500,000	1	–
– HK$7,500,001 to HK$8,000,000	–	1
	9	9

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2016 include two (one of whom resigned with effect from 4 June 2016) (2015: two) directors whose emoluments are reflected in the analysis shown in Note 15. The emoluments payable to the remaining three highest paid individuals (2015: three) during the year are as follows:

	2016	**2015**
	HK$'000	*HK$'000*
Basic salaries, housing allowances, other allowances and benefits-in-kind	13,874	12,269
Bonuses	1,235	1,889
Employer's contribution to pension scheme	164	231
Employee share option benefit	204	1,041
	15,477	15,430

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 (2015: nil). During the year, the Group paid Mr Richard Samuel COHEN a contractual sum of US$500,000 (approximately HK$3,884,000) for the termination pursuant to the employment contract as set out in Note 15(c) (2015: nil).

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

	Number of individuals	
	2016	**2015**
Emolument bands		
– HK$3,500,001 to HK$4,000,000	–	1
– HK$4,500,001 to HK$5,000,000	1	1
– HK$5,000,001 to HK$5,500,000	1	–
– HK$5,500,001 to HK$6,000,000	1	–
– HK$6,000,001 to HK$6,500,000	–	1
	3	3

15 BENEFITS AND INTERESTS OF DIRECTORS

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

(i) For the year ended 31 December 2016:

	Fees	Salary	Bonuses	Other Benefits**	Share options	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000 or equivalent*	*HK$'000 or equivalent*	*HK$'000 or equivalent*	*HK$'000 or equivalent*	*HK$'000*	*HK$'000*
Executive Directors							
Jeremy Paul Egerton HOBBINS [1] (Chief Executive Officer)	115	2,106	666	576	–	–	3,463
Richard Samuel COHEN [2]	85	1,877	–	867	289	–	3,118
Srinivasan PARTHASARATHY [3]	122	3,402	–	504	161	18	4,207
Danny LAU Sai Wing [4]	79	3,000	–	964	215	18	4,276
Non-executive Directors							
Victor FUNG Kwok King	250	–	–	–	–	–	250
Sabrina FUNG Wing Yee	200	–	–	–	–	–	200
William FUNG Kwok Lun	250	–	–	–	–	–	250
Terence FUNG Yue Ming [5]	93	–	–	–	–	–	93
WONG Yat Ming	200	–	–	–	–	–	200
Jean-Marc LOUBIER	300	–	–	–	–	–	300
Independent Non-executive Directors							
Cassian CHEUNG Ka Sing	430	–	–	–	–	–	430
Michael LEE Tze Hau	430	–	–	–	–	–	430
Patrick SUN	390	–	–	–	–	–	390
Eva CHENG LI Kam Fun	350	–	–	–	–	–	350
	3,294	10,385	666	2,911	665	36	17,957

(ii) For the year ended 31 December 2015:

	Fees	Salary	Bonuses*	Other Benefits**	Share options	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000 or equivalent*	*HK$'000 or equivalent*	*HK$'000 or equivalent*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors							
Richard Samuel COHEN [2] (Chief Executive Officer)	200	3,877	388	1,980	1,368	–	7,813
Bruno LI Kwok Ho (retired with effect from 1 July 2015)	99	1,306	–	449	540	2	2,396
Danny LAU Sai Wing [4]	200	3,000	–	965	688	18	4,871
Non-executive Directors							
Victor FUNG Kwok King	250	–	–	–	–	–	250
William FUNG Kwok Lun	250	–	–	–	–	–	250
WONG Yat Ming	200	–	–	–	–	–	200
Sabrina FUNG Wing Yee	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
	3,299	8,183	388	3,394	2,596	20	17,880

Notes:

1. Mr Jeremy Paul Egerton HOBBINS has been appointed as an Executive Director and the Chief Executive Officer with effect from 4 June 2016. The bonuses to Mr Hobbins are contractual bonuses.

2. Mr Richard Samuel COHEN has resigned as an Executive Director and ceased to be the Chief Executive Officer with effect from 4 June 2016.

3. Mr Srinivasan PARTHASARATHY has been appointed as an Executive Director with effect from 23 May 2016. His emolument for the period from 23 May 2016 to 31 December 2016 amounted to HK$2,611,000.

4. Mr Danny LAU Sai Wing has retired as an Executive Director with effect from 23 May 2016. His emolument for the period from 1 January 2016 to 23 May 2016 amounted to HK$1,718,000.

5. Mr Terence FUNG Yue Ming has been appointed as a Non-executive Director with effect from 10 August 2016.

* The discretionary bonuses are approved by the Remuneration Committee.

** Other benefits include insurance premium and housing allowance.

(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 and Continuing Connected Transactions section of the Directors' Report on pages 61 to 63 and Note 38 "Related party transactions" to the consolidated financial statements.

(c) Directors' termination benefits

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

16 DIVIDENDS

The Board of Directors does not recommend the payment of any final dividend for the year of 2016 (2015: nil).

17 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements, furniture and fixtures	Computers, equipment and air-conditioners	Plant and machinery	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2016					
Cost	470,290	65,733	12,818	2,239	551,080
Accumulated depreciation and impairment	(306,802)	(58,538)	(11,880)	(1,685)	(378,905)
Net book amount	163,488	7,195	938	554	172,175
Year ended 31 December 2016					
Opening net book amount	163,488	7,195	938	554	172,175
Exchange differences	(9,422)	(425)	(1)	–	(9,848)
Additions	79,246	6,842	–	–	86,088
Disposals	(6,043)	(289)	(128)	–	(6,460)
Impairment provision *(Note 7)*	(2,429)	–	–	–	(2,429)
Depreciation *(Note 7)*	(83,076)	(5,552)	(312)	(192)	(89,132)
Closing net book amount	141,764	7,771	497	362	150,394
At 31 December 2016					
Cost	436,962	67,431	12,464	2,240	519,097
Accumulated depreciation and impairment	(295,198)	(59,660)	(11,967)	(1,878)	(368,703)
Net book amount	141,764	7,771	497	362	150,394

	Buildings	Leasehold improvements, furniture and fixtures	Computers, equipment and air-conditioners	Plant and machinery	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015						
Cost	1,716	541,781	65,049	12,818	2,239	623,603
Accumulated depreciation and impairment	(1,716)	(316,249)	(55,817)	(11,451)	(1,385)	(386,618)
Net book amount	–	225,532	9,232	1,367	854	236,985
Year ended 31 December 2015						
Opening net book amount	–	225,532	9,232	1,367	854	236,985
Exchange differences	–	(6,235)	(206)	–	–	(6,441)
Additions	–	67,374	2,917	–	–	70,291
Disposals	–	(1,698)	(2)	–	–	(1,700)
Depreciation *(Note 7)*	–	(121,485)	(4,746)	(429)	(300)	(126,960)
Closing net book amount	–	163,488	7,195	938	554	172,175
At 31 December 2015						
Cost	–	470,290	65,733	12,818	2,239	551,080
Accumulated depreciation and impairment	–	(306,802)	(58,538)	(11,880)	(1,685)	(378,905)
Net book amount	–	163,488	7,195	938	554	172,175

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

	2016	**2015**
	HK$'000	*HK$'000*
Cost of sales	2,233	3,092
Selling, marketing and distribution expenses	74,167	109,869
General and administrative expenses	12,732	13,999
Total	89,132	126,960

The recoverable amount of the property, plant and equipment is its value in use, which amounted to HK$150,394,000 (2015: HK$172,175,000).

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 2016							
Cost	1,754,010	230,339	1,271,751	6,008	854	416	3,263,378
Accumulated amortisation	–	–	–	(14)	–	–	(14)
Net book amount	1,754,010	230,339	1,271,751	5,994	854	416	3,263,364
Year ended 31 December 2016							
Opening net book amount	1,754,010	230,339	1,271,751	5,994	854	416	3,263,364
Exchange difference	(7,018)	(1,810)	–	–	–	(32)	(8,860)
Addition *(Note 38(a)(iii))*	–	24,873	–	–	2,879	–	27,752
Amortisation *(Note 7)*	–	(28,838)	–	(699)	(178)	–	(29,715)
Closing net book amount	1,746,992	224,564	1,271,751	5,295	3,555	384	3,252,541
At 31 December 2016							
Cost	1,746,992	253,402	1,271,751	6,008	3,733	384	3,282,270
Accumulated amortisation	–	(28,838)	–	(713)	(178)	–	(29,729)
Net book amount	1,746,992	224,564	1,271,751	5,295	3,555	384	3,252,541
At 1 January 2015							
Cost	1,777,672	–	1,271,751	–	–	5,079	3,054,502
Accumulated amortisation	–	–	–	–	–	–	–
Net book amount	1,777,672	–	1,271,751	–	–	5,079	3,054,502
Year ended 31 December 2015							
Opening net book amount	1,777,672	–	1,271,751	–	–	5,079	3,054,502
Exchange difference	(23,662)	–	–	–	–	(429)	(24,091)
Addition	–	230,339	–	6,008	854	19	237,220
Write off	–	–	–	–	–	(4,253)	(4,253)
Amortisation *(Note 7)*	–	–	–	(14)	–	–	(14)
Closing net book amount	1,754,010	230,339	1,271,751	5,994	854	416	3,263,364
At 31 December 2015							
Cost	1,754,010	230,339	1,271,751	6,008	854	416	3,263,378
Accumulated amortisation	–	–	–	(14)	–	–	(14)
Net book amount	1,754,010	230,339	1,271,751	5,994	854	416	3,263,364

Notes:

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

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

An amortisation charge of HK$28,838,000 from definite useful life licenses (2015: nil) is included in selling, marketing and distribution expenses and amortisation charge of HK$877,000 (2015: HK$14,000) is included in general and administrative expenses.

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 2016 and 31 December 2015 is presented below.

	HK$'000
Goodwill	
Chinese Mainland	724,898
Hong Kong	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 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% (2015: 3.0%). The discount rate used is approximately 11.2% (post-tax) (2015: 11.2%) and reflects market assessments of the time value and the specific risks relating to the industry. This assessment was based on past performance and management's cash flow projections derived from the latest expected revenue growth and profitability of the business in the Chinese Mainland, Hong Kong and Taiwan. 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.

The key assumptions used in fair value less costs of disposal calculations are as follows:

	Operating profit/(loss) margin *(note (i))*		Growth rate *(note (ii))*		Discount rate *(note (iii))*	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Hong Kong	1.7% – 16.4%	(5.9%) – 17.6%	3.0%	3.0%	11.2%	11.2%
Chinese Mainland	(0.2%) – 23.1%	3.1% – 23.0%	3.0%	3.0%	11.2%	11.2%
Taiwan	4.5% – 16.1%	5.3% – 19.2%	3.0%	3.0%	11.2%	11.2%

Notes:

(i) Budgeted operating profit margin

(ii) Terminal growth rate beyond five-year budget period

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

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

Trademarks and licences 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. The carrying amount of these trademarks and licences is not amortised and there is no foreseeable limit on the period of time over which it is expected to generate positive cash flows. Management has performed an annual impairment test of the carrying amount of each trademark as a corporate asset based on a fair value less costs of disposal calculation. 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 11.2% (2015: 11.2%). The cash flows beyond the five-year period are extrapolated using a growth rate of 3.0% (2015: 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 INVESTMENTS IN ASSOCIATES

	2016	**2015**
	HK$'000	*HK$'000*
At 1 January	125,727	131,486
Share of (loss)/profit of associates	(1,076)	4,285
Dividend received	(10,733)	–
Disposal *(note)*	(111,034)	–
Exchange differences	(2,884)	(10,044)
At 31 December	–	125,727

Note:

On 20 December 2016, the Group disposed its 20% equity interest in Ferragamo Korea Limited, Ferragamo (Malaysia) Sdn Bhd, Ferragamo (Singapore) Pte Ltd and Ferragamo (Thailand) Limited (collectively "Ferragamo entities") to Salvatore Ferragamo S.p.A. for a total cash consideration of US$16.8 million (approximately HK$130.3 million). As at 31 December 2016, the Group ceased to have any interest in the Ferragamo entities.

Details of consideration and net assets disposed of were as follows:

	HK$'000
Total cash consideration received	124,901
Total cash consideration receivable	5,394
Net assets disposed of:	
20% share of net assets of interest in associates disposed	(111,034)
Translation reserve	(2,747)
Gain on disposal of investments in associates	16,514

Set out below are the summarised financial information for Ferragamo entities.

	Ferragamo (Malaysia) Sdn Bhd		Ferragamo (Thailand) Limited		Ferragamo (Singapore) Pte Ltd		Ferragamo Korea Limited		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Summarised statement of comprehensive income										
Revenue	87,471	85,754	47,173	43,102	233,623	259,694	1,006,147	999,903	1,374,414	1,388,453
Depreciation and amortisation	(5,070)	(4,978)	(3,190)	(3,423)	(8,025)	(11,584)	(21,177)	(20,509)	(37,462)	(40,494)
Interest income	–	3,073	3	233	–	1,152	6	37	9	4,495
Interest expense	(608)	(3,137)	(1,491)	(1,876)	(2,138)	(3,332)	(20)	–	(4,257)	(8,345)
Profit/(loss) before tax from continuing operations	(1,801)	2,846	(3,897)	(3,240)	(27,678)	(14,918)	43,485	48,731	10,109	33,419
Income tax (expense)/credit	(1,346)	(1,014)	–	(37)	–	3	(9,622)	(10,947)	(10,968)	(11,995)
Post-tax profit/(loss) from continuing operations	(3,147)	1,832	(3,897)	(3,277)	(27,678)	(14,915)	33,863	37,784	(859)	21,424
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive income	(3,147)	1,832	(3,897)	(3,277)	(27,678)	(14,915)	33,863	37,784	(859)	21,424
Dividends received from associates	–	–	–	–	–	–	10,733	–	10,733	–

The information above reflects the amounts presented in the financial statements of the Ferragamo entities (and not Trinity Limited's share of those amounts) adjusted for differences in accounting policies between the Group and the Ferragamo entities.

The losses of the Ferragamo entities for period from 1 January 2016 to 20 December 2016 amounted to HK$5,380,000.

20 LOAN RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Non-current assets		
Loan receivables	142,225	101,447
Less: provision for impairment of loan receivables	–	–
Loan receivables – net	142,225	101,447

(a) On 21 March 2016, the Group entered into an amended and restated convertible promissory note purchase agreement and a new loan agreement with BHB. The convertible promissory note (denominated in US dollars) carries interest at 5% per annum maturing on 31 December 2027 with a principal amount of US$15.0 million. Under the amended and restated convertible promissory note purchase agreement, the Group could have an equity interest in BHB up to 75% after exercising the conversion right exercisable from 1 April 2018 to 31 March 2019 or upon the occurrence of certain events under the provisions of the restated convertible promissory note purchase agreement.

The Group has agreed to lend to BHB a new loan up to US$9.0 million from 21 March 2016 to 31 December 2018 according to the new loan agreement. The new loan (denominated in US dollars) carries interest at 5% per annum maturing on 31 December 2018. The Group has contributed US$4.1 million to BHB for the new loan as at 31 December 2016.

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

(b) The effective interest rate of the convertible promissory note at the end of reporting period was 5.45% (2015: 5.38%).

(c) As at 31 December 2016 and 2015, the carrying amounts of the Group's loan receivables approximated their fair values.

21 DERIVATIVE FINANCIAL INSTRUMENTS

	2016	2015
	HK$'000	*HK$'000*
Non-current assets		
Conversion right embedded in convertible promissory note *(Note 4.2(b))*	6,022	6,018
Current liabilities		
Forward exchange contracts	3,306	–

The conversion right embedded in convertible promissory note referred to the Group's investment in an unlisted convertible promissory note issued by BHB mentioned in Note 20.

22 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Non-current assets		
Rental deposits	43,575	49,897
Prepayments	1,770	–
	45,345	49,897
Current assets		
Rental deposits	36,282	40,196
Prepayments	19,977	35,491
Other receivables	44,640	114,953
	100,899	190,640
Total	146,244	240,537

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

	2016	2015
	HK$'000	*HK$'000*
HKD	57,839	76,570
RMB	34,699	41,533
GBP	22,131	17,201
EUR	14,390	89,033
Macao Patacas ("MOP")	8,828	10,759
USD	5,065	2,492
TWD	1,667	969
Singapore dollars ("SGD")	1,625	1,980
	146,244	240,537

As at 31 December 2016 and 2015, the carrying amounts of the Group's deposits, prepayments and other receivables approximated their fair values.

23 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:

	2016	2015
	HK$'000	*HK$'000*
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	157,419	160,307
– Deferred income tax assets to be recovered within 12 months	36,184	32,784
	193,603	193,091
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	(287,405)	(285,299)
– Deferred income tax liabilities to be settled within 12 months	(385)	(20,934)
	(287,790)	(306,233)

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

	2016	2015
	HK$'000	*HK$'000*
At 1 January	(113,142)	(166,806)
Credited to consolidated income statement *(Note 12)*	20,399	51,806
Utilisation for the year	2,343	–
Exchange differences	(3,787)	1,858
At 31 December	(94,187)	(113,142)

Deferred income tax assets are recognised for deductible temporary differences and tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$53,370,000 (2015: HK$20,131,000) in respect of losses amounting to HK$257,686,000 (2015: HK$66,593,000) that can be carried forward against future taxable income. The unrecognised tax losses of HK$257,686,000 (2015: HK$63,280,000) can be carried forward indefinitely.

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

	Intangible assets-trademarks *HK$'000*	Accelerated tax depreciation allowances *HK$'000*	Undistributed profits of subsidiaries and associates *HK$'000*	Others *HK$'000*	Total *HK$'000*
At 1 January 2015	262,592	29,503	19,350	12	311,457
Charged to the consolidated income statement	–	795	1,648	–	2,443
Exchange differences	(5,166)	(1,066)	(1,435)	–	(7,667)
At 31 December 2015	257,426	29,232	19,563	12	306,233
Charged/(credited) to the consolidated income statement	–	603	(13,929)	(10)	(13,336)
Utilisation for the year	–	–	(2,343)	–	(2,343)
Exchange differences	(1,571)	(421)	(772)	–	(2,764)
At 31 December 2016	255,855	29,414	2,519	2	287,790

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 2015	2,785	4,690	9,858	56,142	65,668	5,508	144,651
Credited/(charged) to the consolidated income statement	–	1,631	(522)	(28,370)	81,824	(314)	54,249
Exchange differences	(100)	(35)	(1)	–	(5,305)	(368)	(5,809)
At 31 December 2015	2,685	6,286	9,335	27,772	142,187	4,826	193,091
Credited/(charged) to the consolidated income statement	(966)	(842)	1,750	(11,022)	21,435	(3,292)	7,063
Exchange differences	296	(55)	(628)	17	(7,240)	1,059	(6,551)
At 31 December 2016	2,015	5,389	10,457	16,767	156,382	2,593	193,603

24 INVENTORIES

	2016 *HK$'000*	2015 *HK$'000*
Raw materials	16,164	22,357
Work-in-progress	3,981	14,744
Finished goods	484,795	554,790
Total	504,940	591,891

The cost of inventories, write off of inventories and additional/(reversal of) provision for impairment of inventories recognised as expense and included in 'cost of sales' amounted to HK$552,971,000 (2015: HK$533,131,000), HK$1,170,000 (2015: HK$4,213,000) and HK$9,583,000 (2015: reversal of impairment of HK$8,448,000) respectively (Note 7).

25 TRADE RECEIVABLES

	2016 *HK$'000*	2015 *HK$'000*
Trade receivables	83,229	91,048
Less: provision for impairment of trade receivables	(2,566)	(837)
Trade receivables – net	80,663	90,211

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:

	2016 *HK$'000*	2015 *HK$'000*
1-30 days	38,431	22,190
31-60 days	22,589	24,053
61-90 days	5,512	13,958
Over 90 days	16,697	30,847
	83,229	91,048

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

	2016 *HK$'000*	2015 *HK$'000*
Current	47,277	35,485
1-30 days	13,595	19,972
31-60 days	5,353	1,308
61-90 days	4,045	6,408
Over 90 days	12,959	27,875
	83,229	91,048

Trade receivables that do not have signs of financial problems or not long outstanding are not considered impaired. Trade receivables of HK$33,386,000 (2015: HK$54,682,000) as at 31 December 2016 were past due but not impaired. These relate to a number of independent department stores and licensees for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	2016	**2015**
	HK$'000	*HK$'000*
Past due		
Up to 3 months	22,994	27,644
4 to 12 months	8,561	19,427
Over 12 months	1,831	7,611
	33,386	54,682

Trade receivables of HK$2,566,000 (2015: HK$837,000) as at 31 December 2016 were impaired and fully provided for. The individually impaired receivables mainly arise from licensees in Europe, which are in unexpectedly difficult economic situations. The ageing of these receivables is as follows:

	2016	**2015**
	HK$'000	*HK$'000*
4 to 12 months	2,105	321
Over 12 months	461	516
	2,566	837

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

	2016	**2015**
	HK$'000	*HK$'000*
At 1 January	837	1,722
Additional/(reversal of) provision	1,859	(808)
Exchange differences	(130)	(77)
At 31 December	2,566	837

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

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

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

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

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

	2016	2015
	HK$'000	*HK$'000*
RMB	28,415	22,997
EUR	19,014	40,043
GBP	12,777	10,955
HKD	7,619	2,116
TWD	7,273	7,536
MOP	6,039	5,641
USD	2,047	1,715
SGD	45	45
	83,229	91,048

26 CASH AND CASH EQUIVALENTS

	2016	2015
	HK$'000	*HK$'000*
Cash at bank and in hand	362,650	222,303
Short-term bank deposits *(note (i))*	217,924	12,936
Cash and cash equivalents (excluding bank overdrafts)	580,574	235,239

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

	2016	2015
	HK$'000	*HK$'000*
Cash and cash equivalents	580,574	235,239
Bank overdrafts *(Note 34)*	(46,195)	(75,468)
Cash and cash equivalents – net	534,379	159,771
Maximum exposure to credit risk	579,775	234,292

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

As at 31 December 2016, cash and bank balances amounting to HK$171,515,000 (2015: HK$144,697,000) were deposited in the bank accounts in the Chinese Mainland and Taiwan where exchange control applies.

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

	2016	2015
Effective interest rate	8.86%	0.86%
Average maturity days of deposits	75	59

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

	2016	2015
	HK$'000	*HK$'000*
HKD	243,363	50,103
USD	132,318	11,434
RMB	119,813	99,917
TWD	35,062	48,233
EUR	26,958	14,372
MOP	10,842	4,972
GBP	7,106	2,075
SGD	3,844	3,499
Others	1,268	634
	580,574	235,239

27 SHARE CAPITAL, SHARE PREMIUM AND SHARE OPTIONS

	Number of authorised shares of HK$0.10 each	Number of issued and fully paid shares of HK$0.10 each	Amount		
			Ordinary shares of HK$0.10 each	Share premium	Total
	(Thousands)	*(Thousands)*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015, 31 December 2015 and 31 December 2016	4,000,000	1,746,529	174,653	2,376,850	2,551,503

Share Option Scheme

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

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

	2016		2015	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
		HK$		*HK$*
At 1 January	31,980,000	1.99	33,000,000	1.99
Forfeited	(11,010,000)	1.96	(1,020,000)	2.01
At 31 December	20,970,000	2.01	31,980,000	1.99

At the end of the year, there were 20,970,000 (2015: 31,980,000) outstanding share options and out of which, 13,980,000 share options were exercisable (2015: 10,660,000). The Company has no legal or constructive obligation to settle the share options in cash.

The outstanding share options as at 31 December 2016 were granted under the Post-IPO Share Option Scheme.

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

Exercisable periods	**Exercise price**	**2016**	**2015**
1 April 2015 to 31 December 2016	HK$2.01	6,990,000	9,660,000
1 January 2016 to 31 December 2017	HK$2.01	6,990,000	9,660,000
1 January 2017 to 31 December 2018	HK$2.01	6,990,000	9,660,000
1 April 2015 to 31 December 2016	HK$1.84	–	1,000,000
1 January 2016 to 31 December 2017	HK$1.84	–	1,000,000
1 January 2017 to 31 December 2018	HK$1.84	–	1,000,000
At 31 December		20,970,000	31,980,000

No share options were exercised during the year ended 31 December 2016 and 2015.

The share options outstanding at 31 December 2016 had a weighted average remaining contractual life of 1.0 year (2015: 2.01 years).

The fair values of options granted were determined using the Black-Scholes valuation model.

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

During the year ended 31 December 2016 and 2015, the Company had not granted any share options.

28 RESERVES

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

	Retained earnings HK$'000	Merger reserves HK$'000 (note (a))	Other reserve HK$'000 (note (b))	Statutory reserves HK$'000 (note (c))	Translation reserve HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
Balance at 1 January 2015	1,045,076	(217,064)	(37,623)	5,949	39,648	9,122	845,108
Comprehensive expense							
Loss for the year	(88,518)	–	–	–	–	–	(88,518)
Other comprehensive expenses							
Remeasurements of post employment benefit obligations	353	–	–	–	–	–	353
Exchange differences on translation of subsidiaries and associates	–	–	–	–	(50,360)	–	(50,360)
Other comprehensive expenses for the year, net of tax	353	–	–	–	(50,360)	–	(50,007)
Total comprehensive expenses	(88,165)	–	–	–	(50,360)	–	(138,525)
Transactions with owners							
Employee share option scheme							
– value of employee services	–	–	–	–	–	7,613	7,613
– transfer to retained earnings	5,233	–	–	–	–	(5,233)	–
2014 final dividends paid	(75,101)	–	–	–	–	–	(75,101)
Total transactions with owners	(69,868)	–	–	–	–	2,380	(67,488)
Balance at 31 December 2015	887,043	(217,064)	(37,623)	5,949	(10,712)	11,502	639,095

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, the Republic of Korea, 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.

29 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:

	2016	**2015**
	HK$'000	*HK$'000*
At 1 January	7,151	10,377
Charged/(credited) to the consolidated income statement		
– as shown below	3,190	(2,637)
Payments made during the year	(2,455)	(589)
Actuarial gains recognised in other comprehensive expenses	(1,577)	–
At 31 December	6,309	7,151

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

	2016	**2015**
	HK$'000	*HK$'000*
Current service cost	3,012	(2,896)
Interest cost	178	259
Total, included in employee benefit expenses (included in general and administrative expenses)	3,190	(2,637)

The total charge of HK$3,190,000 (2015: credit of HK$2,637,000) was included in general and administrative expenses.

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

	2016	**2015**
Discount rate	1.4%	1.9%
Future salary growth rate	2.0%	2.0%
Inflation rate	2.6%	3.0%

30 RETIREMENT BENEFIT OBLIGATIONS

	2016	2015
	HK$'000	*HK$'000*
Statement of financial position obligations for:		
– Pension benefits	24,183	29,524

	2016	2015
	HK$'000	*HK$'000*
Income statement charge for:		
– Pension benefits (included in general and administrative expenses)	953	1,082
Remeasurements for:		
– Pension benefits (included in other comprehensive expenses)	(45)	(353)

The Group operates defined benefit pension plans in Taiwan and the United Kingdom respectively. The assets of the funded plans are held independently of the Group's assets in separate trustee administered funds. (i) Taiwan: The latest independent actuarial valuation of the plan was prepared by Mercer (Taiwan) Limited, which is a member of the American Academy of Actuaries, based on the projected unit credit method as at 31 December 2016. (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 2016.

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:

	2016	2015
	HK$'000	*HK$'000*
Present value of funded obligations	109,585	119,182
Fair value of plan assets	(85,402)	(89,658)
Liability in the consolidated statement of financial position	24,183	29,524

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

	Present value of obligation	Fair value of plan assets	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2015	126,545	(95,324)	31,221
Current service cost	274	–	274
Interest expense/(income)	4,058	(3,250)	808
	4,332	(3,250)	1,082
Remeasurements:			
– Return on plan assets, excluding interest income	–	1,834	1,834
– Gain from change in financial assumptions	(1,758)	–	(1,758)
– Gain from change in demographic assumptions	(810)	–	(810)
– Experience losses	381	–	381
	(2,187)	1,834	(353)
Contributions:			
– Employers	–	(1,083)	(1,083)
Payments from plans:			
– Benefit payments	(3,300)	3,300	–
Exchange differences	(6,208)	4,865	(1,343)
At 31 December 2015	119,182	(89,658)	29,524

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

	2016			**2015**		
	Taiwan	**UK**	**Total**	**Taiwan**	**UK**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Present value of obligation	20,157	89,428	109,585	23,622	95,560	119,182
Fair value of plan assets	(4,908)	(80,494)	(85,402)	(5,378)	(84,280)	(89,658)
Total	15,249	8,934	24,183	18,244	11,280	29,524

The significant actuarial assumptions were as follows:

	2016		**2015**	
	Taiwan	**UK**	**Taiwan**	**UK**
Discount rate	1.50%	2.70%	1.45% – 1.50%	3.90%
Future salary growth rate and/or inflation	2.25%	2.50%	2.25%	2.50%

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

	2016		**2015**	
	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	23
– Female	N/A	26	N/A	25

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			
	Change in assumption	**Increase in assumption**		**Decrease in assumption**	
		2016	**2015**	**2016**	**2015**
(i) Taiwan plans:					
– Discount rate	0.50%	Decrease by 7.9%	Decrease by 7.9%	Increase by 8.6%	Increase by 8.6%
– Future salary growth rate	0.50%	Increase by 8.5%	Increase by 8.4%	Decrease by 7.9%	Decrease by 7.9%
(ii) UK plan:					
– Discount rate	0.10%	Decrease by 18.44%	Decrease by 13.95%	Increase by 18.44%	Increase by 13.95%
– Inflation	0.10%	Increase by 14.39%	Increase by 10.18%	Decrease by 14.39%	Decrease by 10.18%

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.

Plan assets are comprised as follows:

	2016		**2015**	
	Un-quoted	**%**	**Un-quoted**	**%**
	HK$'000		*HK$'000*	
Equities	33,808	40%	41,297	46%
Bonds and Gilts	8,049	9%	15,170	17%
Diversified Growth Fund	38,637	45%	22,756	25%
Property	–	–	843	1%
Cash	4,908	6%	9,592	11%
Total	85,402	100%	89,658	100%

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

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

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

Expected contributions to post-employment benefit plans for the year ending 31 December 2017 are HK$1,104,900 (2016: HK$1,221,400).

The weighted average duration of the defined benefit obligation are 12.6 years (2015: 12.8 years) for Taiwan plans and 17.0 years (2015: 17.0 years) for UK plan.

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

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

At 31 December 2015	**Less than a year**	**Between 1-2 years**	**Between 2-5 years**	**Between 5-10 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Pension benefits	240	294	2,192	5,141	7,867

31 OTHER PAYABLES AND ACCRUALS

	2016	2015
	HK$'000	*HK$'000*
Non-current		
Royalties payables *(note (i))*	188,702	203,260
Current		
Royalties payable	41,972	18,098
Value-added-tax payable	16,096	26,138
Sales deposits received	25,004	31,575
Lease incentive	18,831	12,736
Other payables	41,414	49,485
Accrued expenses *(note (ii))*	143,966	139,910
	287,283	277,942
Total	475,985	481,202

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) Accrued expenses include employee benefits cost amounted to HK$60,154,000 as at 31 December 2016 (2015: HK$68,853,000).

As at 31 December 2016 and 2015, the carrying amounts of the Group's other payables and accruals approximated their fair values.

32 TRADE PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables	62,518	70,264

As at 31 December 2016 and 2015, 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:

	2016	2015
	HK$'000	*HK$'000*
1–30 days	33,204	18,721
31–60 days	12,090	14,473
61–90 days	8,015	10,063
Over 90 days	9,209	27,007
	62,518	70,264

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

	2016	2015
	HK$'000	*HK$'000*
EUR	31,377	26,593
HKD	12,697	9,855
GBP	10,161	10,305
RMB	3,389	15,082
JPY	3,375	2,807
USD	1,519	5,622
	62,518	70,264

33 CONTINGENT PURCHASE CONSIDERATION PAYABLE FOR ACQUISITION

	2016	2015
	HK$'000	*HK$'000*
Total contingent purchase consideration payable for acquisition *(note)*	181,758	175,892
Less: current portion of contingent purchase consideration payable for acquisition	–	–
Non-current portion of contingent purchase consideration payable for acquisition	181,758	175,892

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

34 BORROWINGS

	2016	2015
	HK$'000	*HK$'000*
Non-current		
Bank borrowings	565,579	160,000
Current		
Bank overdrafts *(Note 26)*	46,195	75,468
Bank borrowings	692,478	490,820
	738,673	566,288
Total borrowings	1,304,252	726,288

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

	2016	2015
	HK$'000	*HK$'000*
Within 1 year	692,478	490,820
Between 1 and 2 years	157,946	40,000
Between 2 and 5 years	407,633	120,000
	1,258,057	650,820

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

	2016	2015
	HK$'000	*HK$'000*
HKD	1,225,353	600,000
EUR	32,704	75,380
GBP	45,646	50,908
TWD	549	–
	1,304,252	726,288

(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:

	2016	2015
HKD	1.85%	1.78%
EUR	1.50%	1.46%
GBP	1.71%	1.85%
TWD	7.84%	–
RMB	–	6.07%

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

(e) As at 31 December 2016, the Group has unutilised banking facilities amounted to HK$1,018 million (2015: HK$2,385 million).

35 CASH USED IN OPERATIONS

Reconciliation of loss before income tax to cash used in operations

	2016	**2015**
	HK$'000	*HK$'000*
Loss before income tax	(440,910)	(128,964)
Adjustments for:		
– Share of loss/(profit) of associates *(Note 19)*	1,076	(4,285)
– Gain on disposal of investment in associates *(Note 19)*	(16,514)	–
– Remeasurement gain on convertible promissory note	–	(166)
– Interest income *(Note 11)*	(8,231)	(6,209)
– Interest expense *(Note 11)*	27,257	21,827
– Depreciation of property, plant and equipment *(Note 17)*	89,132	126,960
– Amortisation of intangible assets *(Note 18)*	29,715	14
– Write off of intangible asset *(Note 7)*	–	4,253
– Provision for impairment of property, plant and equipment *(Note 17)*	2,429	–
– Loss/(gain) on disposal of property, plant and equipment – net *(Note 7)*	6,307	(4,677)
– Additional/(reversal of) provision for impairment of trade receivables – net *(Note 25)*	1,859	(808)
– Write off of trade receivables	15,186	–
– Net contributions to long service payment provision and retirement benefit obligation	(3,051)	(3,227)
– Employee share option benefit *(Note 28)*	508	7,613
– Gain on remeasurement of contingent purchase consideration payable for acquisition	–	(85,003)
– Foreign exchange (gains)/losses	(11,013)	17,864
Changes in working capital		
– Inventories	60,774	(8,124)
– Trade and other receivables	83,058	6,818
– Trade and other payables	(35,248)	(44,925)
– Derivative financial instruments	3,306	(2,428)
– Balances with related parties	(32,842)	24,373
Cash used in operations	(227,202)	(79,094)

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

	2016	**2015**
	HK$'000	*HK$'000*
Net book amount *(Note 17)*	6,460	1,700
(Loss)/gain on disposal of property, plant and equipment – net *(Note 7)*	(6,307)	4,677
Proceeds from disposal of property, plant and equipment	153	6,377

The table below shows the amount of net (loss)/gain on disposal of property, plant and equipment included in general and administrative expenses and other (losses)/gains.

	2016	2015
	HK$'000	*HK$'000*
General and administrative expenses	(6,307)	(1,153)
Other gains – net	–	5,830
Total	(6,307)	4,677

The principal non-cash transaction includes the capitalisation of minimum guaranteed royalties payable of HK$24,873,000 as a definite life licence as disclosed in Note 18 (2015: HK$230,339,000).

36 CONTINGENT LIABILITIES

Save as disclosed elsewhere in this report, the Group had no significant contingent liabilities as at 31 December 2016 and 2015.

37 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 23 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:

	2016	2015
	HK$'000	*HK$'000*
No later than 1 year	290,872	320,141
Later than 1 year but no later than 5 years	330,457	308,114
Later than 5 years	77,769	55,226
	699,098	683,481

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

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

	2016	**2015**
	HK$'000	*HK$'000*
No later than 1 year	2,576	3,107
Later than 1 year but no later than 5 years	1,932	5,437
	4,508	8,544

(c) Capital commitments

	2016	**2015**
	HK$'000	*HK$'000*
Contracted but not provided for:		
Within 1 year	1,063	4,462
Later than 1 year but no later than 2 years	–	132
	1,063	4,594

(d) Other commitments

	2016	**2015**
	HK$'000	*HK$'000*
Contracted but not provided for:		
Within 1 year	–	2,222
Later than 1 year but no later than 2 years	–	2,790
	–	5,012

38 RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

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

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

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 61 to 63. Other than the related party transactions disclosed elsewhere, significant related party transactions of the Group during the year were as follows:

	Note	2016 HK$'000	2015 HK$'000
(I) Transactions with the Substantial Shareholder Group			
Sub-contracting fee expense for production of product parts	*(i)*	8,149	33,460
Purchase of goods	*(ii)*	13,950	5,263
Sales of garments and fashion accessories		84,951	78,288
Management fee income for provision of accounting, information system and human resources services *(Note 8)*	*(ii)*	606	476
Service fee expense for provision of corporate compliance services, legal services and other administrative expenses	*(ii)*	6,517	5,483
Service charges for provision of logistics related services		10,383	11,317
Sourcing services fee for garments and fashion accessories		722	2,752
Reimbursement of operating cost for provision of sourcing services	*(ii)*	22,596	8,587
Rental income *(Note 8)*	*(ii)*	170	569
Rentals for property leasing and/or licensing		7,610	4,418
Purchase of property, plant and equipment	*(iii)*	9,236	–
Royalty expenses – amortisation of licences *(Note 7)*	*(iv)*	28,838	–
(II) Transactions with other related parties			
Rental income received from an associate of a director of a subsidiary of the Company *(Note 8)*	*(ii)*	–	103
Consultancy and advisory service fee paid to directors of subsidiaries of the Company	*(ii)*	1,054	1,048
Advertising and promotion expense paid to an associate of a director of the Company	*(ii)*	–	419

Notes:

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

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

(iii) According to the agreement entered into between the Group, Hardy Amies London Limited ("HALL") and No.14 Savile Row Management Limited on 21 March 2016, the Group purchased property, plant and equipment of GBP830,000 (equivalent to HK$9,236,000) and obtained a definite life licence for the right to advertise, promote, design, manufacture, distribute menswear products under "HARDY AMIES" brand for the period from 1 April 2016 to 31 December 2021 with the minimum royalty of HK$24,873,000 (Note 18) recognised as intangible asset.

(iv) For the year ended 31 December 2016, total royalty expense of HK$28,838,000 (2015: nil) was amortised relating to the licence rights of Kent & Curwen and Hardy Amies trademarks.

(b) Year-end balance with related parties

	2016	2015
	HK$'000	*HK$'000*
Due from		
Substantial Shareholder Group	3,379	949
Due to		
Substantial Shareholder Group	7,962	38,209
Other related party	–	47
	7,962	38,256

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

(c) The compensation paid or payable to key management personnel of the Group, including amounts paid to certain directors and certain of the highest paid employees as disclosed in Notes 14 and 15, is as follows:

	2016	2015
	HK$'000	*HK$'000*
Salaries, bonuses and other short-term employee benefits	32,740	32,783
Pension costs – defined contribution plans	290	299
Employee share option benefit	964	4,141
Compensation for termination pursuant to the employment contract	3,884	–
Total	37,878	37,223

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

39 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2016 *HK$'000*	2015 *HK$'000*
ASSETS			
Non-current assets			
Investments in subsidiaries		2,688,201	2,688,097
Current assets			
Prepayments and other receivable		4,041	4,090
Amounts due from subsidiaries		1,271,123	1,278,194
Cash and cash equivalents		304	356
		1,275,468	1,282,640
Total assets		3,963,669	3,970,737
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	*27*	174,653	174,653
Share premium	*27*	2,376,850	2,376,850
Reserves		769,632	782,086
Total equity		3,321,135	3,333,589
LIABILITIES			
Non-current liabilities			
Contingent purchase consideration payable for acquisition		181,758	175,892
Current liabilities			
Other payables and accruals		5,823	6,242
Amounts due to subsidiaries		454,953	455,014
		460,776	461,256
Total liabilities		642,534	637,148
Total equity and liabilities		3,963,669	3,970,737

(b) Reserves movement of the Company

	Retained earnings *HK$'000*	Employee share-based compensation reserve *HK$'000*	Total *HK$'000*
Balance at 1 January 2016	770,584	11,502	782,086
Loss for the year	(12,962)	–	(12,962)
Employee share option scheme			
– value of employee services	–	508	508
– transfer to retained earnings	2,888	(2,888)	–
Balance at 31 December 2016	760,510	9,122	769,632
Balance at 1 January 2015	663,475	9,122	672,597
Profit for the year	176,977	–	176,977
Employee share option schemes			
– value of employee services	–	7,613	7,613
– transfer to retained earnings	5,233	(5,233)	–
2014 final dividends paid	(75,101)	–	(75,101)
Balance at 31 December 2015	770,584	11,502	782,086

40 EVENT AFTER THE REPORTING PERIOD

On 18 January 2017, the Group closed its business wear production line at the Hong Kong factory and the estimated restructuring costs are expected to be approximately HK$45 million, with a reduction in headcount of 182 employees.

41 DETAILS OF SUBSIDIARIES

As at 31 December 2016, 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	Interest held 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%

Company name	Date of incorporation	Place of incorporation/ operations	Principal activities	Particulars of issued share capital/paid-in capital	Interest held directly	Interest held indirectly
Cerruti Investment Pte. Ltd.	28 January 2011	Singapore	Trading of garments & 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%
Ferrinch (L) Limited	5 August 1996	Federal Territory of Labuan, Malaysia	Investment holding	USD3,001,500	–	100%
Gieves and Hawkes International (BVI) Limited	23 January 2001	British Virgin Islands	Investment holding & holding of trademarks & licensing	USD1	–	100%
Gieves Limited	6 October 1971	England and Wales	Wholesaling, retailing & tailoring businesses and e-Commerce operator	GBP10,100	–	100%
Gieves & Hawkes International Limited	15 March 1984	England and Wales	Trademark licensing	GBP250,000	–	100%
Gieves & Hawkes Limited	18 October 1979	England and Wales	Investment holding	GBP5,111,097	–	100%
Golden Palace Global Inc.	4 July 2000	British Virgin Islands	Investment holding	USD2	–	100%
Golden Palace Global (H.K.) Limited	30 July 2003	Hong Kong	Investment holding	HK$1,000,000	–	100%
永圖貿易(上海)有限公司 (Golden Palace Global Trading (Shanghai) Co., Ltd.) *(note)*	29 December 2000	PRC	Inactive	USD200,000	–	100%

Company name	Date of incorporation	Place of incorporation/ operations	Principal activities	Particulars of issued share capital/paid-in capital	Interest held directly	Interest held indirectly
LiFung Trinity Management (Singapore) Pte. Ltd.	21 March 2007	Singapore	Trading of garments, holding of trademarks & provision of business management & consultancy services	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%
逸倫貿易(上海)有限公司 (Million Venture Trading (Shanghai) Co., Ltd.) *(note)*	29 December 2000	PRC	Inactive	USD200,000	–	100%
Toga Investments France SARL	20 July 2006	France	Investment holding	EUR27,004,728	–	100%
Trinity Brands UK Limited	17 March 2016	England and Wales	Wholesaling, retailing & tailoring businesses and e-Commerce operator	GBP1,000,000	–	100%
Trinity China Distributions (B.V.I.) Limited	23 July 2003	British Virgin Islands	Investment holding	HK$5,001,000	–	100%
Trinity China Distributions (H.K.) Limited	28 July 2003	Hong Kong	Investment holding & trading of garments	HK$5,000,000	–	100%
利永(上海)時裝商貿有限公司 (Trinity China Distributions (Shanghai) Limited) *(note)*	27 October 2006	PRC	Inactive	RMB3,000,000	–	100%
利宜貿易(上海)有限公司 (Trinity China Distributions Trading (Shanghai) Limited) *(note)*	29 December 2000	PRC	Inactive	USD200,000	–	100%
利邦(上海)服裝貿易有限公司 (Trinity Distributions & Retails (Shanghai) Limited) *(note)*	27 October 2006	PRC	Trading of garments	RMB160,000,000	–	100%
Trinity Fashions Limited	21 December 2006	Hong Kong	Investment holding	HK$5,000,000	–	100%
Trinity Fashion Swiss SAGL	31 August 2015	Switzerland	Inactive	CHF250,000	–	100%
Trinity International Brands Limited	18 May 2006	Hong Kong	Investment holding & trading of garments	HK$5,000,000	–	100%

Company name	Date of incorporation	Place of incorporation/ operations	Principal activities	Particulars of issued share capital/paid-in capital	Interest held directly	Interest held indirectly
Trinity (Business Wear) Limited	2 February 1973	Hong Kong	Garment manufacturing	HK$3,900,000	–	100%
Trinity (Management Services) Limited	6 April 2006	Hong Kong	Provision of management services	HK$1	–	100%
Trinity Luxury Brands Holdings Limited	11 October 1999	British Virgin Islands	Investment holding	USD1	–	100%
Trinity Retail Limited	24 July 1979	Hong Kong	Trading of garments	HK$500,000	–	100%
Trinity Retail (H.K.) Limited	8 December 1978	Hong Kong	Trading of garments & licensing	HK$25,000,000	–	100%
Trubest Limited	25 June 1997	Hong Kong	Trading of garments	HK$200,000	–	100%

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

3. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

Condensed Consolidated Income Statement

		Unaudited	
		Six months ended 30 June	
		2017	2016
	Note	*HK$'000*	*HK$'000*
Revenue	*5(a)*	862,420	890,820
Cost of sales		(268,081)	(284,020)
Gross profit		594,339	606,800
Other income		7,447	5,658
Selling, marketing and distribution expenses		(547,045)	(522,248)
General and administrative expenses		(238,984)	(260,583)
Core operating profit/(loss)		(184,243)	(170,373)
Restructuring costs	*6*	(60,132)	(22,780)
Operating loss	*6*	(244,375)	(193,153)
Net finance costs		(13,266)	(7,753)
Share of loss of associates		–	(310)
Loss before income tax		(257,641)	(201,216)
Income tax	*7*	606	826
Loss for the period attributable to shareholders of the Company		(257,035)	(200,390)
Basic loss per share attributable to shareholders of the Company (expressed in HK cents per share)	*8(a)*	(14.7) cents	(11.5) cents
Diluted loss per share attributable to shareholders of the Company (expressed in HK cents per share)	*8(b)*	(14.7) cents	(11.5) cents

Condensed Consolidated Statement of Comprehensive Income

	Unaudited Six months ended 30 June 2017 HK$'000	2016 HK$'000
Loss for the period	(257,035)	(200,390)
Other comprehensive income/(expenses) for the period		
Item that will not be reclassified subsequently to profit or loss		
Remeasurements of post employment benefit obligations	–	230
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of subsidiaries and associates	37,798	(1,289)
Other comprehensive income/(expenses) for the period, net of tax	37,798	(1,059)
Total comprehensive expenses for the period	(219,237)	(201,449)
Total comprehensive expenses attributable to:		
– Shareholders of the Company	(219,237)	(201,449)

Condensed Consolidated Statement of Financial Position

	Note	Unaudited 30 June 2017 HK$'000	Audited 31 December 2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	128,689	150,394
Intangible assets	*10*	3,244,073	3,252,541
Loan receivables	*11*	159,111	142,225
Derivative financial instruments	*12*	6,061	6,022
Deposits, prepayments and other receivables		48,437	45,345
Deferred income tax assets		214,793	193,603
		3,801,164	3,790,130
Current assets			
Inventories		494,515	504,940
Trade receivables	*13*	67,369	80,663
Deposits, prepayments and other receivables		90,807	100,899
Derivative financial instruments	*12*	4,330	–
Amounts due from related parties	*20(b)*	6,055	3,379
Current income tax recoverables		2,211	2,201
Cash and cash equivalents (excluding bank overdrafts)		547,630	580,574
		1,212,917	1,272,656
Total assets		5,014,081	5,062,786
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	*14*	174,653	174,653
Share premium		2,376,850	2,376,850
Reserves		(69,043)	149,457
Total equity		2,482,460	2,700,960

	Note	Unaudited 30 June 2017 HK$'000	Audited 31 December 2016 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	*17*	446,376	565,579
Provision for long service payments		1,582	6,309
Retirement benefit obligations		23,305	24,183
Other payables and accruals		165,400	188,702
Contingent purchase consideration payable for acquisition	*16*	184,789	181,758
Deferred income tax liabilities		295,896	287,790
		1,117,348	1,254,321
Current liabilities			
Trade payables	*15*	95,023	62,518
Other payables and accruals		297,933	287,283
Derivative financial instruments	*12*	–	3,306
Amounts due to related parties	*20(b)*	10,370	7,962
Current income tax liabilities		18,581	7,763
Borrowings	*17*	992,366	738,673
		1,414,273	1,107,505
Total liabilities		2,531,621	2,361,826
Total equity and liabilities		5,014,081	5,062,786

Condensed Consolidated Statement of Changes in Equity

	Unaudited				
	Attributable to shareholders of the Company				
	Share capital	Share premium	Retained earnings	Other reserves	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2017	174,653	2,376,850	444,779	(295,322)	2,700,960
Comprehensive expense					
Loss for the period	–	–	(257,035)	–	(257,035)
Other comprehensive income					
Exchange differences on translation of subsidiaries	–	–	–	37,798	37,798
Other comprehensive income for the period, net of tax	–	–	–	37,798	37,798
Total comprehensive expenses	–	–	(257,035)	37,798	(219,237)
Transactions with owners					
Employee share option scheme					
– value of employee services	–	–	–	737	737
– transfer to retained earnings	–	–	2,677	(2,677)	–
Total transactions with owners	–	–	2,677	(1,940)	737
Balance at 30 June 2017	174,653	2,376,850	190,421	(259,464)	2,482,460

	Unaudited				
	Attributable to shareholders of the Company				
	Share capital	**Share premium**	**Retained earnings**	**Other reserves**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2016	174,653	2,376,850	887,043	(247,948)	3,190,598
Comprehensive expense					
Loss for the period	–	–	(200,390)	–	(200,390)
Other comprehensive expenses					
Remeasurements of post employment benefit obligations	–	–	230	–	230
Exchange differences on translation of subsidiaries and associates	–	–	–	(1,289)	(1,289)
Other comprehensive expenses for the period, net of tax	–	–	230	(1,289)	(1,059)
Total comprehensive expenses	–	–	(200,160)	(1,289)	(201,449)
Transactions with owners					
Employee share option scheme					
– value of employee services	–	–	–	1,143	1,143
– transfer to retained earnings	–	–	595	(595)	–
Total transactions with owners	–	–	595	548	1,143
Balance at 30 June 2016	174,653	2,376,850	687,478	(248,689)	2,990,292

Condensed Consolidated Cash Flow Statement

	Unaudited	
	Six months ended 30 June	
	2017	**2016**
	HK$'000	*HK$'000*
Cash flows from operating activities		
Cash used in operations	(120,797)	(131,482)
Interest paid on bank borrowings and overdrafts	(14,192)	(8,288)
Income tax (paid)/refund	(4,790)	1,017
Net cash used in operating activities	(139,779)	(138,753)
Cash flows from investing activities		
Purchase of property, plant and equipment	(19,478)	(28,201)
Payments for intangible assets	(559)	(1,956)
Increase in loan receivables	(10,441)	(21,827)
Proceeds from disposal of property, plant and equipment	245	53
Interest income received	1,101	712
Net cash used in investing activities	(29,132)	(51,219)
Cash flows from financing activities		
Proceeds from borrowings	350,000	590,000
Repayment of borrowings	(220,000)	(50,000)
Net cash generated from financing activities	130,000	540,000
Net (decrease)/increase in cash and cash equivalents	(38,911)	350,028
Cash and cash equivalents at beginning of the period	534,379	159,771
Effect on foreign exchange rates changes	5,354	3,471
Cash and cash equivalents at end of the period	500,822	513,270
Cash and cash equivalents comprises:		
Bank overdrafts	(46,808)	(53,953)
Cash and cash equivalents (excluding bank overdrafts)	547,630	567,223
Cash and cash equivalents	500,822	513,270

Notes to the Condensed Consolidated Financial Information

1 GENERAL INFORMATION

Trinity Limited (the "Company") is an investment holding company and was incorporated in Bermuda as an exempted company with limited liability under Companies Act 1981 of Bermuda. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Company and its subsidiaries (together the "Group") are principally engaged in the retailing and wholesale of premium menswear in the Chinese Mainland, Hong Kong, Macau, Taiwan (the "Greater China"), Singapore and Europe, as well as licensing its fully owned brands globally. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is at 30/F, OCTA Tower, 8 Lam Chak Street, Kowloon Bay, Kowloon, Hong Kong *(Note)*.

This unaudited condensed consolidated financial information is presented in thousand of units of Hong Kong dollars ("HK$" or "HKD"), unless otherwise stated.

This condensed consolidated financial information was approved for issue by the Board of Directors on 23 August 2017.

2 BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2016, which 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) and the disclosure requirements of the Hong Kong Companies Ordinance Cap 622.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

3 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The accounting policies applied and used in this condensed consolidated financial information are consistent with those used and described in the annual consolidated financial statements for the year ended 31 December 2016.

Taxes on loss in the interim periods are accrued using the tax rate that would be applicable to expected total annual losses.

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

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

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

The adoption of such amendments to existing standards does not have material impact on the condensed consolidated financial statements as at and for the six months ended 30 June 2017.

Note: Change of address to "8/F, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong" on 28 August 2017

(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:

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

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

Impact of standards issued but not yet applied by the Group

HKFRS 9 (2014), Financial Instruments

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

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

(i) Classification and measurement

Based on preliminary assessment, the Group expects that the adoption of HKFRS 9 will affect Group's classification and measurement of the financial assets, including the convertible promissory note and will have impact on the Group's net assets, loss for the period and loss per share and total comprehensive expense.

(ii) Impairment

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

(iii) Hedging

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

HKFRS 15, Revenue from Contracts with Customers

HKFRS 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. The Group is in the process of assessing the impacts of HKFRS 15 on the Group's consolidated financial statements.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The Group has decided not to early adopt HKFRS 15 in its 2017 consolidated financial statements.

HKFRS 16, Leases

HKFRS 16 will affect primarily the accounting for Group's operating leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised in the consolidated statement of financial position. The Group is in the process of assessing to what extent the operating lease commitments as disclosed in Note 19(a) will result in the recognition of an asset and a liability for future payments and how this will affect the Group's loss for the period and classification of cash flows.

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

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

4.1 Financial risk factors

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

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements except for foreign exchange risk, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

There have been no changes in the risk management department or in any risk management policies since the year end.

Market risk

Foreign exchange risk

The Group is exposed to foreign currency risk arising from various currencies, primarily with respect to Renminbi ("RMB"), Euro ("EUR"), Pound Sterling ("GBP"), Japanese Yen ("JPY") and Taiwan Dollars ("TWD"). Foreign exchange risk arises from future commercial transactions or recognised assets or liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations.

Management has adopted a policy to require Group companies to manage their foreign exchange risk against their functional currency. To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts.

As at 30 June 2017, the Group's outstanding forward contracts were analysed as below:

Outstanding forward contracts	30 June 2017	31 December 2016
Buying EUR		
– Notional principal amount (EUR)	14,811,877	6,440,000
– Fixed exchange rate	8.656	8.55
Buying GBP		
– Notional principal amount (GBP)	1,000,000	680,000
– Fixed exchange rate	10.105	9.508
Buying JPY		
– Notional principal amount (JPY)	150,000,000	126,300,000
– Fixed exchange rate	0.06925	0.0745

The Group's foreign exchange risk mainly comes from RMB denominated payables, bank balances and trade payables recorded in the books of the Group's entities in Hong Kong. At 30 June 2017, if HK dollar had weakened or strengthened by 5% against the RMB with all other variables held constant, loss for the period would have been HK$14,254,000 (For the six months ended 30 June 2016: HK$3,064,000) higher or lower, mainly as a result of foreign exchange losses or gains on translation of RMB denominated payables, bank balances and trade payables recorded in the books of the Group's entities in Hong Kong.

4.2 Fair value estimation

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

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

30 June 2017	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Derivative financial instrument – conversion right embedded in convertible promissory note *(Note 12)*	–	–	6,061	6,061
Derivative financial instruments – forward exchange contracts *(Note 12)*	–	4,330	–	4,330
Total assets	–	4,330	6,061	10,391
Liabilities				
Contingent purchase consideration payable for acquisition *(Note 16)*	–	–	184,789	184,789

31 December 2016	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Derivative financial instrument – conversion right embedded in convertible promissory note *(Note 12)*	–	–	6,022	6,022
Liabilities				
Derivative financial instruments – forward exchange contracts *(Note 12)*	–	3,306	–	3,306
Contingent purchase consideration payable for acquisition *(Note 16)*	–	–	181,758	181,758
Total liabilities	–	3,306	181,758	185,064

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

(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 is determined using binomial model based on the estimated performance of British Heritage Brands, Inc. ("BHB"). The valuation takes into account of the expected volatility of 35% (For the six months ended 30 June 2016: 30%) with reference to the historical returns of comparable listed companies. The fair value measurement is positively correlated to the expected volatility. The Group's loss attributable to shareholders of the Company would decrease/increase and the conversion right would increase/decrease by HK$1,226,000 (For the six months ended 30 June 2016: HK$1,322,000) and HK$1,183,000 (For the six months ended 30 June 2016: HK$1,248,000) respectively if the expected volatility is 3.0% higher/lower at the end of the reporting period.

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 condensed consolidated income statement. The determination of outstanding contingent purchase consideration payable involves significant judgement and estimation of the future performance of the acquired business. The Group's loss attributable to shareholders of the Company would increase/decrease and the contingent purchase consideration payable would increase/decrease by HK$21,133,000 (For the six months ended 30 June 2016: HK$25,724,000) and HK$19,207,000 (For the six months ended 30 June 2016: HK$23,311,000) respectively if future revenue growth is 1.0 percentage point higher/lower than the estimation made by management at the end of the reporting period.

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

	Conversion right embedded in convertible promissory note *(Note 12)* *HK$'000*	Contingent purchase consideration payable for acquisition *(Note 16)* *HK$'000*
Opening net book amount at 1 January 2017	6,022	(181,758)
Notional interest expenses on contingent purchase consideration payable for acquisition	–	(3,031)
Exchange differences	39	–
Closing net book amount at 30 June 2017	6,061	(184,789)
Total net gains/(losses) for the period included in profit or loss	39	(3,031)
Change in unrealised losses for the period included in profit or loss for liabilities held at the end of the reporting period, under "Net finance costs"	–	(3,031)

	Conversion right embedded in convertible promissory note *HK$'000*	Contingent purchase consideration payable for acquisition *HK$'000*
Opening net book amount at 1 January 2016	6,018	(175,892)
Notional interest expenses on contingent purchase consideration payable for acquisition	–	(2,933)
Exchange differences	6	–
Closing net book amount at 30 June 2016	6,024	(178,825)
Total net gains/(losses) for the period included in profit or loss	6	(2,933)
Change in unrealised losses for the period included in profit or loss for liabilities held at the end of the reporting period, under "Net finance costs"	–	(2,933)

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

For exchange gain on conversion right embedded in convertible promissory note HK$39,000 (For the six months ended 30 June 2016: HK$6,000) was included in "General and administrative expenses" in the interim condensed 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.

(c) ***Group's valuation processes***

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

The main Level 3 inputs used by the Group include:

- The discount rate for conversion right embedded in convertible promissory note and estimated future performance of the BHB business. The discount rate is referenced to weighted average cost of capital of comparable listed companies. The estimated future performance of BHB business was determined with reference to senior management's best estimate.

- The discount rate for contingent purchase consideration payable for acquisition and estimated post acquisition performance of the acquired business. The discount rate is estimated based on the expected cost of borrowings with similar maturity. The estimated post acquisition performance of the acquired business was determined with reference to senior management's best estimate.

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

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

5 SEGMENT INFORMATION

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

Management has determined the operating segments based on reports reviewed by the senior executive management of the Group that are used to make strategic decisions. Management considers the business from both geographic and business lines perspectives. Geographically, management considers the performance of the retail businesses in the Chinese Mainland, Hong Kong & Macau, Taiwan, Europe and others. Management also assesses the performance of the individual business line, namely retail, wholesale and licensing. Management assesses the performance of operating segments based on a measure of segmental earnings before net finance costs and income tax ("Segmental contributions") for the period. Inter-segment revenue are priced with reference to prices charged to external parties for similar orders. During the period, certain amendments and reclassifications (including allocation of certain expenses from individual segment to corporate management overheads) were made to the management reports presented to the senior executive management in order to better reflect the composition and performance of each segment. Prior period comparatives have been restated accordingly.

Segment asset consists only of inventories.

(a) Segment results

The segment results for the six months ended 30 June 2017 are as follows:

	Unaudited									
	Asia						Europe			
	HK & Macau		Chinese Mainland		Taiwan	Others				
	Retail	Wholesale	Retail	Wholesale	Retail	Retail	Retail	Wholesale	Licensing	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total segment revenue	245,436	66,572	367,380	66,494	60,280	3,402	60,425	21,551	53,675	945,215
Inter-segment revenue	–	(66,556)	–	–	–	–	–	(904)	(15,335)	(82,795)
Revenue from external customers	245,436	16	367,380	66,494	60,280	3,402	60,425	20,647	38,340	862,420
Gross profit	175,453	11	257,267	38,978	38,488	2,347	33,223	10,232	38,340	594,339
Segmental contributions	8,236	11	20,787	38,977	2,207	(5,479)	(5,053)	(10,035)	35,320	84,971
Segmental contributions includes:										
Depreciation	(8,512)	–	(18,789)	–	(2,024)	(618)	(5,780)	(305)	(3)	(36,031)
Segment asset as at 30 June 2017	150,376	–	218,542	–	57,139	6,138	62,320	–	–	494,515

The segment results for the six months ended 30 June 2016 are as follows:

	Unaudited									
	Asia						Europe			
	HK & Macau		Chinese Mainland		Taiwan	Others				
	Retail	Wholesale	Retail	Wholesale	Retail	Retail	Retail	Wholesale	Licensing	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total segment revenue	258,081	52,689	377,987	54,929	64,807	3,201	67,950	25,098	51,683	956,425
Inter-segment revenue	–	(50,695)	–	–	–	–	–	–	(14,910)	(65,605)
Revenue from external customers	258,081	1,994	377,987	54,929	64,807	3,201	67,950	25,098	36,773	890,820
Gross profit	186,298	685	271,444	19,598	42,225	2,342	39,153	8,282	36,773	606,800
Segmental contributions	19,542	685	15,291	19,511	7,509	(5,769)	(6,011)	(5,669)	32,846	77,935
Segmental contributions includes:										
Depreciation	(9,816)	–	(22,486)	(88)	(1,926)	(724)	(4,070)	(271)	(45)	(39,426)
Share of loss of associates	–	–	–	–	–	(310)	–	–	–	(310)
Segment asset as at 31 December 2016	144,902	–	252,012	–	53,315	6,213	48,498	–	–	504,940

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

	Unaudited Six months ended 30 June	
	2017	**2016**
	HK$'000	*HK$'000*
Segmental contributions for reportable segments	84,971	77,935
Add:		
Other income	7,447	5,658
Less:		
Net finance costs	(13,266)	(7,753)
Employee benefit expenses	(97,852)	(111,019)
Rental and other operating expenses	(16,534)	(19,145)
Depreciation and amortisation	(34,154)	(7,260)
Advertising and promotion expenses	(53,291)	(48,481)
Product design, supply chain and related management expenses	(30,460)	(32,497)
Restructuring costs	(60,132)	(22,780)
Other unallocated expenses	(44,370)	(35,874)
Total Group's loss before income tax	(257,641)	(201,216)

(c) Geographic information

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

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

	Unaudited Six months ended 30 June	
	2017	**2016**
	HK$'000	*HK$'000*
Hong Kong & Macau	245,452	258,195
Chinese Mainland	435,346	434,365
Taiwan	60,280	64,807
United Kingdom	63,137	65,385
Other countries	58,205	68,068
Total	862,420	890,820

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

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

	Unaudited 30 June 2017 *HK$'000*	**Audited 31 December 2016** *HK$'000*
Hong Kong & Macau	727,479	765,045
Chinese Mainland	792,685	799,897
Taiwan	81,595	81,924
United Kingdom	840,289	838,870
France	678,226	666,375
Singapore	300,925	296,169
Total	3,421,199	3,448,280

6 OPERATING LOSS

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

	Unaudited Six months ended 30 June	
	2017 *HK$'000*	**2016** *HK$'000*
Write off of inventories and (reversal of)/additional provision for impairment of inventories *(note (a))*	426	7,541
Depreciation of property, plant and equipment *(Note 10)*	41,772	45,511
Amortisation of intangible assets (excluding licences) *(Note 10)*	789	350
Loss on disposal of property, plant and equipment	6,767	5,445
Provision for impairment of trade receivables	5,369	837
Employee benefit expenses	306,797	321,822
Advertising and promotion expenses *(note (b))*	61,801	56,936
Royalty expenses		
– amortisation of licences *(Note 10 and Note 20(a))*	27,624	825
– contingent royalty expenses	1,870	2,042
Product design, supply chain and related management expenses	30,460	32,497
Restructuring costs *(note (c))*	60,132	22,780
Fair value (gains)/losses on forward foreign exchange contracts	(7,636)	702
Net foreign exchange losses/(gains)	13,929	(248)

Notes:

(a) The (reversal of)/additional provision for impairment of inventories arose due to an (increase)/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 of HK$7,151,000 (For the six months ended 30 June 2016: HK$6,881,000) and operating lease rental expenses of HK$1,359,000 (For the six months ended 30 June 2016: HK$1,574,000).

(c) Restructuring costs relating to closure of business wear production line (2016: casual wear production line) at the Hong Kong factory and the associated restructuring of sourcing functions included employee benefit expenses, operating lease and related cost, loss on disposal of property, plant and equipment, contract termination and other costs of HK$26,227,000 (For the six months ended 30 June 2016: HK$11,950,000), HK$6,675,000 (For the six months ended 30 June 2016: HK$6,602,000), HK$6,038,000 (For the six months ended 30 June 2016: HK$4,228,000) and HK$21,192,000 (For the six months ended 30 June 2016: nil).

7 INCOME TAX

Hong Kong profits tax has been provided for at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the six months ended 30 June 2017. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries or regions in which the Group operates.

	Unaudited Six months ended 30 June	
	2017	**2016**
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	1,352	906
– Overseas taxation	13,956	2,293
– Over provision in prior years	(289)	(2,570)
Deferred income tax	(15,625)	(1,455)
	(606)	(826)

8 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 period.

	Unaudited Six months ended 30 June	
	2017	**2016**
Weighted average number of ordinary shares in issue	1,746,529,000	1,746,529,000
Loss attributable to shareholders of the Company (HK$'000)	(257,035)	(200,390)
Basic loss per share (HK cents per share)	(14.7) cents	(11.5) cents

(b) Diluted

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

No adjustment had been made to the basic loss per share for the six months ended 30 June 2017 and 2016 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share.

9 DIVIDENDS

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30 June 2017 (2016: nil).

10 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment *HK$'000*	Intangible assets *HK$'000*
Opening net book amount at 1 January 2017	150,394	3,252,541
Exchange differences	4,580	19,386
Additions	22,499	559
Disposals	(7,012)	–
Depreciation and amortisation *(Note 6)*	(41,772)	(28,413)
Closing net book amount at 30 June 2017 (unaudited)	128,689	3,244,073
Opening net book amount at 1 January 2016	172,175	3,263,364
Exchange differences	(3,795)	7,085
Additions	29,361	20,941
Disposals	(5,496)	–
Depreciation and amortisation *(Note 6)*	(45,511)	(1,175)
Closing net book amount at 30 June 2016 (unaudited)	146,734	3,290,215

11 LOAN RECEIVABLES

	Unaudited 30 June 2017 *HK$'000*	Audited 31 December 2016 *HK$'000*
Non-current assets		
Loan receivables	159,111	142,225
Less: provision for impairment of loan receivables	–	–
Loan receivables – net	159,111	142,225

(a) On 21 March 2016, the Group entered into an amended and restated convertible promissory note purchase agreement and a new loan agreement with BHB. The convertible promissory note (denominated in US dollars) carries interest at 5% per annum maturing on 31 December 2027 with a principal amount of US$15.0 million. Under the amended and restated convertible promissory note purchase agreement, the Group could have an equity interest in BHB up to 75% after exercising the conversion right exercisable from 1 April 2018 to 31 March 2019 or upon the occurrence of certain events under the provisions of the restated convertible promissory note purchase agreement.

The Group has agreed to lend to BHB a new loan up to US$9.0 million from 21 March 2016 to 31 December 2018 according to the new loan agreement. The new loan (denominated in US dollars) carries interest at 5% per annum maturing on 31 December 2018. The Group has contributed US$6.1 million to BHB for the new loan as at 30 June 2017.

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

(b) The effective interest rate of the convertible promissory note at the end of the reporting period was 5.45% (31 December 2016: 5.45%).

(c) As at 30 June 2017 and 31 December 2016, the carrying amounts of the Group's loan receivables approximated their fair values.

12 DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited 30 June 2017 *HK$'000*	**Audited 31 December 2016** *HK$'000*
Non-current assets		
Conversion right embedded in convertible promissory note *(Note 4.2(b))*	6,061	6,022
Current assets		
Forward exchange contracts	4,330	–
Current liabilities		
Forward exchange contracts	–	3,306

The conversion right embedded in convertible promissory note referred to the Group's investment in an unlisted convertible promissory note issued by BHB mentioned in Note 11.

13 TRADE RECEIVABLES

Majority of the Group's revenue are retail sales, wholesale sales and licensing income. Retail sales are 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.

At 30 June 2017, the ageing analysis by invoice date of trade receivables of the Group is as follows:

	Unaudited 30 June 2017 *HK$'000*	**Audited 31 December 2016** *HK$'000*
1–30 days	31,879	38,431
31–60 days	4,951	22,589
61–90 days	11,301	5,512
Over 90 days	27,451	16,697
	75,582	83,229
Less: provision for impairment of trade receivables	(8,213)	(2,566)
	67,369	80,663

As at 30 June 2017, the fair values of the Group's trade receivables were approximately the same as their carrying amounts.

14 SHARE CAPITAL, SHARE PREMIUM AND SHARE OPTIONS

	Number of authorised shares of HK$0.10 each	Number of issued and fully paid shares of HK$0.10 each	Amount		
			Ordinary shares of HK$0.10 each	Share premium	Total
	(Thousands)	*(Thousands)*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2016, 31 December 2016 and 30 June 2017	4,000,000	1,746,529	174,653	2,376,850	2,551,503

Movements in the number of such share options granted and their related weighted average exercise prices during the period 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	(800,000)	1.02
At 30 June 2017	27,860,000	1.30

On 1 January 2017, 6,990,000 share options lapsed upon the expiry of the exercisable period ended 31 December 2016 and therefore the number of outstanding share options on 1 January 2017 was 13,980,000. During the six months ended 30 June 2017, the Company granted 14,680,000 share options, of which an aggregate of 4,000,000 share options were granted to two Executive Directors and one Non-Executive Director (2016: nil). At the end of the period, there were 27,860,000 (31 December 2016: 20,970,000) outstanding share options and out of which, 13,740,000 share options were exercisable (31 December 2016 13,980,000). Aggregating the said 6,990,000 lapsed share options and 800,000 share options forfeited during the period, the total number of lapsed/forfeited share options was 7,790,000 at 30 June 2017. The Company has no legal or constructive obligation to settle the share options in cash.

The outstanding share options as at 30 June 2017 were granted under the Share Option Scheme. Details of Share Option Scheme adopted by the Group are set out in the annual report for the year ended 31 December 2016.

The share options outstanding at 30 June 2017 had a weighted average remaining contractual life of 1.77 years (31 December 2016: 1.0 year).

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

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

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

15 TRADE PAYABLES

At 30 June 2017, the ageing analysis by invoice date of the Group's trade payables is as follows:

	Unaudited 30 June 2017 *HK$'000*	**Audited 31 December 2016** *HK$'000*
1–30 days	74,719	33,204
31–60 days	2,856	12,090
61–90 days	2,840	8,015
Over 90 days	14,608	9,209
	95,023	62,518

The credit period granted by creditors generally ranges from 30 days to 90 days. The carrying amounts of the Group's trade payables approximated their fair values.

16 CONTINGENT PURCHASE CONSIDERATION PAYABLE FOR ACQUISITION

	Unaudited 30 June 2017 *HK$'000*	**Audited 31 December 2016** *HK$'000*
Total contingent purchase consideration payable for acquisition *(note)*	184,789	181,758
Less: current portion of contingent purchase consideration payable for acquisition	–	–
Non-current portion of contingent purchase consideration payable for acquisition	184,789	181,758

Note:

Balance represents management's best estimation of the fair value of contingent purchase consideration payable for the acquisition as detailed in Note 4.2(b). Final amount of consideration settlement would be determined based on future performance of the acquired business.

17 BORROWINGS

	Unaudited 30 June 2017 *HK$'000*	Audited 31 December 2016 *HK$'000*
Non-current		
Bank borrowings	446,376	565,579
Current		
Bank overdrafts	46,808	46,195
Bank borrowings	945,558	692,478
	992,366	738,673
Total borrowings	1,438,742	1,304,252

Movements in bank borrowings are analysed as follows:

	HK$'000
Opening amount as at 1 January 2017	1,258,057
Proceeds from borrowings	353,021
Amortisation of front end fee	856
Repayments of borrowings	(220,000)
Closing amount as at 30 June 2017 (unaudited)	1,391,934
Opening amount as at 1 January 2016	650,820
Proceeds from borrowings	590,925
Repayments of borrowings	(50,000)
Closing amount as at 30 June 2016 (unaudited)	1,191,745

(a) The bank borrowings as at 30 June 2017 and 31 December 2016 are repayable as follows:

	Unaudited 30 June 2017	**Audited 31 December 2016**
	HK$'000	*HK$'000*
Within 1 year	945,558	692,478
Between 1 and 2 years	78,000	157,946
Between 2 and 5 years	368,376	407,633
	1,391,934	1,258,057

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

	Unaudited 30 June 2017	**Audited 31 December 2016**
	HK$'000	*HK$'000*
HKD	1,356,208	1,225,353
EUR	35,726	32,704
GBP	46,808	45,646
TWD	–	549
	1,438,742	1,304,252

(c) The carrying amounts of the Group's borrowings approximated their fair values.

(d) As at 30 June 2017, the Group had unutilised banking facilities amounted to HK$869 million (31 December 2016: HK$1,018 million).

(e) As at 30 June 2017, there were no material changes in the interest rate structure of the borrowings of the Group, nor the currency in which the cash and cash equivalents of the Group were held, as compared to that as at 31 December 2016.

18 CONTINGENT LIABILITIES

Save as disclosed elsewhere in this report, the Group had no significant contingent liabilities as at 30 June 2017.

19 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 23 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:

	Unaudited 30 June 2017 *HK$'000*	**Audited 31 December 2016** *HK$'000*
No later than 1 year	288,528	290,872
Later than 1 year but no later than 5 years	316,408	330,457
Later than 5 years	80,927	77,769
	685,863	699,098

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

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

	Unaudited 30 June 2017 *HK$'000*	**Audited 31 December 2016** *HK$'000*
No later than 1 year	2,748	2,576
Later than 1 year but no later than 5 years	725	1,932
	3,473	4,508

(c) Capital commitments

	Unaudited 30 June 2017 *HK$'000*	**Audited 31 December 2016** *HK$'000*
Contracted but not provided for:		
– Within 1 year	830	1,063

20 RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

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

Majority of the Group's related parties are companies associated with or controlled by Fung Holdings (1937) Limited, a substantial shareholder of the Company (collectively, the "Substantial Shareholder Group") as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). And three Non-executive Directors of the Company, namely, Dr Victor FUNG Kwok King, Ms Sabrina FUNG Wing Yee and Dr William FUNG Kwok Lun, had deemed interests therein.

Other than the related party transactions disclosed elsewhere, significant related party transactions of the Group during the period were as follows:

		Unaudited	
		Six months ended 30 June	
		2017	**2016**
	Note	*HK\$'000*	*HK\$'000*
(I) Transactions with the Substantial Shareholder Group			
Sub-contracting fee expense for production of product parts	*(i)*	–	9,475
Purchases of goods	*(v)*	607	2,892
Transactions relating to sourcing activities	*(ii)*	84,359	362
Cost reimbursements for sourcing related activities	*(v)*	6,591	10,226
Sales of garments and fashion accessories		65,332	51,576
Service fee expense for provision of corporate compliance services, legal services and other administrative expenses	*(v)*	2,744	2,945
Service charges for provision of logistics related services		4,985	5,189
Rentals for property leasing and/or licensing		5,265	3,467
Purchase of property, plant and equipment	*(iii)*	–	9,236
Royalty expenses – amortisation of licences *(Note 6)*	*(iv)*	27,624	825

		Unaudited	
		Six months ended 30 June	
		2017	**2016**
	Note	*HK\$'000*	*HK\$'000*
(II) Transactions with other related parties			
Consultancy and advisory service fee paid to directors of subsidiaries of the Company	*(v)*	494	557
Service fee for marketing services paid to an associate of a director of the Company	*(v)*	666	–
Reimbursement of marketing cost paid to an associate of a director of the Company	*(v)*	1,736	–

Notes:

(i) For the six months ended 30 June 2016, the Group had incurred expenses in respect of sub-contracting services for production of product parts by associated companies of the Substantial Shareholder Group.

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

	Unaudited Six months ended 30 June	
	2017	**2016**
	HK$'000	*HK$'000*
Sourcing service fee to related companies	7,920	362
FOB value of the underlying purchases	76,439	–
	84,359	362

(iii) According to the agreement entered into between the Group, Hardy Amies London Limited ("HALL") and No. 14 Savile Row Management Limited on 21 March 2016, the Group purchased property, plant and equipment of GBP830,000 (equivalent to HK$9,236,000) and obtained a definite life licence for the right to advertise, promote, design, manufacture, distribute menswear products under "HARDY AMIES" brand for the period from 1 April 2016 to 31 December 2021 with the minimum royalty of HK$20,941,000 (Note 10) recognised as intangible asset.

(iv) For the six months ended 30 June 2017, total royalty expense of HK$27,624,000 (For the six months ended 30 June 2016: HK$825,000) was relating to the licence rights of Kent & Curwen and Hardy Amies trademarks.

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

(b) Balances with related parties

	Unaudited 30 June 2017	**Audited 31 December 2016**
	HK$'000	*HK$'000*
Due from Substantial Shareholder Group	6,055	3,379
Due to Substantial Shareholder Group	10,370	7,962

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

(c) Key management compensation

Key management compensation amounted to HK$15,969,000 for the six months ended 30 June 2017 (2016: HK$19,966,000).

4. INDEBTEDNESS STATEMENT

Borrowings

As at the close of business on 30 September 2017, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had outstanding borrowings of approximately HK$1,513.8 million, which were secured by guarantees from the Company or a subsidiary of the Company.

	Balance as at 30 September 2017 *HK$'000*
Secured bank overdrafts *(Note a)*	55,492
Secured bank borrowings *(Note b)*	1,458,277
	1,513,769

Notes:

(a) The bank overdrafts were secured by guarantees from a subsidiary of the Company.

(b) The bank borrowings were secured by guarantees from the Company.

Save as disclosed as above and apart from intra-group liabilities and normal trade payables in normal course of business, as at the close of business on 30 September 2017, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, charges or debentures, mortgages, loans or other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits or any guarantees.

Contingent liabilities

As at the close of business on 30 September 2017, the Directors considered there were no material contingent liabilities for the Group and the Company.

Capital and other commitments

As at the close of business on 30 September 2017, being the latest practicable date for the purpose of preparing this indebtedness statement, the Group had operating lease commitments amounting to approximately HK$673.7 million and capital commitments of HK$5.2 million and other commitments of HK$2.0 million.

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

	As at 30 September 2017
	HK$'000
No later than 1 year	283,176
Later than 1 year but no later than 5 years	308,464
Later than 5 years	82,081
	673,721

(ii) Capital commitments

	As at 30 September 2017
	HK$'000
Contracted but not provided for:	
– Within 1 year	5,243

(iii) Other commitments

	As at 30 September 2017
	HK$'000
Contracted but not provided for:	
– Within 1 year	2,021

Disclaimers

The Directors have confirmed that there has been no other material changes in the indebtedness, commitments or contingent liabilities of the Group since 30 September 2017 and up to and including the Latest Practicable Date.

5. MATERIAL CHANGE

The Directors confirm that, save as (1) the Subscription; and (2) those disclosed in the interim report of the Group for the six months ended 30 June 2017, in particular, (a) the increase in loss attributable to the Shareholders primarily as a result of (i) the ongoing depressed state of the Hong Kong and Macau markets, which was partially offset by some improvement in consumer sentiment in the PRC; (ii) the revenue was adversely affected by the changes in exchange rates; (iii) the increase in restructuring costs; (b) the change from net current assets to net current liabilities; (c) the increase in gearing ratio, being net debt (calculated by interest bearing bank borrowings and bank overdrafts less cash and cash equivalents) divided by total capital (calculated by total equity plus net debt), due to the increase in borrowings and decrease in cash and cash equivalents; and (d) the increase in net cash used in operating activities, there has been no material change in the financial or trading position or prospect of the Group since 31 December 2016, the date to which the latest published audited financial statements of the Group were made up, and up to the Latest Practicable Date.

Set out below are the biographical and other details of the candidates nominated by the Subscriber for appointment as Directors.

Executive Directors

Ms QIU Chenran (邱晨冉), aged 36, daughter of Mr Qiu Yafu, is the vice chairman of the board and the executive president of the Subscriber, 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 as vice chairman of the board of the Subscriber in January 2017. Ms Qiu is also currently a director of each of Renown which is listed on the Tokyo Stock Exchange and Sandro, Maje, Claudie Pierlot which is listed on Euronext Paris.

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.

Mr HO Cheuk Yin Kelvin (何卓賢), aged 44, will serve 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 commencing December 2017. Mr Ho has over 13 years of experience in corporate finance and mergers and acquisitions. Mr Ho worked in the investment banking teams of BNP Paribas in Hong Kong and Paris between 2004 and 2007. From July 2007, he has worked in the investment banking team of J.P. Morgan Securities (Asia Pacific) Limited. Mr Ho will join the Ruyi Group in December 2017.

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

Mr QIU Yafu (邱亞夫), aged 59, father of Ms Qiu Chenran, is the chairman of the board of the Subscriber, and is 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. and has been the chairman of the board of the Subscriber since January 2017. Mr Qiu is currently a director of each of Renown which is listed on the Tokyo Stock Exchange and Sandro, Maje, Claudie Pierlot which is listed on Euronext Paris. He is also:

- a member of the 10th, 11th and 12th National People's Congress of the PRC;
- an accredited qualified expert receiving special allowance from the PRC State Council;
- 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 in 2005 and an MBA degree from Tsinghua University in 2005. Mr Qiu is a researcher of Engineering Technology Application and a senior engineer.

Ms SUN Weiying (孫衛嬰), aged 46, is the chief executive officer of the Subscriber, responsible for making decisions and advising on significant events and production strategy related issues of the Ruyi Group. Ms Sun has over 20 years of experience in the textile and apparel industry. Ms Sun joined the Ruyi Group in July 1993 as a technician of Shandong Ruyi Wool Spinning Clothing Group Co., Ltd., and was subsequently promoted internally to minister and factory director. Ms Sun then joined Shandong Ruyi Wool Spinning Group Co., Ltd. in March 2000 as supervisor and deputy general manager. Ms Sun has been working for Shandong Ruyi Technology Group Co., Ltd. since February 2003, successively holding various positions including general manager and vice president. Ms Sun was promoted to her present position in January 2017. Ms Sun is currently also a director of each of Renown which is listed on the Tokyo Stock Exchange and Sandro, Maje, Claudie Pierlot which is listed on Euronext Paris.

Ms Sun was awarded the title of Outstanding Textile Entrepreneur in the 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.

Mr Daniel LALONDE, aged 54, currently serves as the chief executive officer and a director of Sandro, Maje, Claudie Pierlot ("**SMCP**") which is listed on Euronext Paris. Mr Lalonde has 25 years of experience internationally in the retail 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, 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. His most recent post before joining the SMCP group was as president of Ralph Lauren International, based in New York, from 2012 to 2013. Mr Lalonde joined the SMCP group 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.

Mr Minoru KITABATAKE (北畑稔), aged 55, currently serves as the president, the executive officer and a director of Renown which is listed on the Tokyo Stock Exchange. Mr Kitabatake joined Renown in March 1985 and was promoted to his current position as president in May 2009, after serving as general manager of the Corporate Planning Department. Prior to that, he spent most of his career in Renown's global operations, as general manager of its Overseas Division in Tokyo, president of Renown America, Inc. in New York and a director of Renown I.F.G. Hong Kong Ltd. in Hong Kong. Mr Kitabatake also currently serves as the vice chairman of the Japan Apparel Fashion Industry Council.

Mr Kitabatake received his bachelor's degree in Business and Commerce from Meiji University in Tokyo, Japan in 1985.

Independent Non-Executive Director

Mr Paul David HAOUZI, aged 56, currently serves as president of Greater China of Bluebell Ltd. Mr Haouzi joined French conglomerate Pinault-Printemps-Redoute (now Kering) as executive vice president of 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. Prior to joining Bluebell Ltd. in January 2017 as president of Greater China, Mr Haouzi was the chief executive officer of Asia Pacific at Giorgio Armani from 2012 to 2016.

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.

As at the Latest Practicable Date, all of the aforementioned candidates for appointment as Directors have not entered into any service contract with the Company and they shall be subject to retirement by rotation and re-election in accordance with the Bye-Laws of the Company. Their director's fees as executive directors, non-executive directors and independent non-executive director are to be determined by the Shareholders and/or the Board in view of the accountability, responsibility, time and effort estimated to be spent by them in discharging their duties and the level of complexity of the work they will be involved in, as well as with reference to the prevailing market levels for director's fees for executive directors, non-executive directors and independent non-executive directors respectively. The current Director's fee and the additional remuneration to those Directors who serve on the Board committees were determined by the Company in its annual general meeting in 2014 and are subject to the Bye-laws of the Company. Save as disclosed in this circular for Mr Qiu Yafu, as at the Latest Practicable Date, all other candidates have no interest in the Shares within the meaning of the SFO. Save as disclosed above, all of the candidates have not held any other directorships in any public listed companies in the past three years, and are not connected with any Directors, senior management or substantial or controlling shareholders (as defined in the Listing Rules) of the Company. Each of the candidates confirmed that there is no other information to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules and there are no further matters that need to be brought to the attention of the Shareholders.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular (other than information relating to the Subscriber, the Subscriber Nominee and the proposed new Directors as nominated by the Subscriber) is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to the Subscriber, the Subscriber Nominee and the proposed new Directors as nominated by the Subscriber) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the directors of the Subscriber) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The directors of the Subscriber, namely, QIU Yafu (and also in his capacity as the direct majority shareholder of the Subscriber), QIU Dong, SUN Weiying, SUN Liming, WANG Yan, CUI Juyi and ZHOU Hungma, jointly and severally accept full responsibility for the accuracy of the information (other than that relating to the Group) contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Company) have been arrived at after due and careful consideration, and there are no other facts not contained in this circular the omission of which would make any statement in this circular misleading.

2. MARKET PRICES

The table below sets out the closing prices of the Shares on the Stock Exchange (i) on the last trading day of each of the calendar months during the Relevant Period; (ii) on 8 November 2017 (being the Last Trading Day); and (iii) on the Latest Practicable Date:

Date	**Closing price per Share** *(HK$)*
28 April 2017	0.560
31 May 2017	0.520
30 June 2017	0.485
31 July 2017	0.450
31 August 2017	0.400
29 September 2017	0.440
31 October 2017	0.650
8 November 2017 (being the Last Trading Day)	0.750
30 November 2017	0.660
20 December 2017 (being the Latest Practicable Date)	0.690

The highest and lowest closing market prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK$0.750 on 8 November 2017 and HK$0.400 on 31 August 2017, respectively.

3. SHARE CAPITAL AND SHARE OPTIONS

(a) Share capital

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately following the Completion are set out below:

(i) As at the Latest Practicable Date

Authorised:

4,000,000,000	Shares of HK$0.1 each	HK$400,000,000.00

Issued and fully paid or credited as fully paid:

1,746,528,883	Shares of HK$0.1 each	HK$174,652,888.30

(ii) Immediately following the Completion and Authorised Share Capital Increase

Authorised:

5,000,000,000	Shares of HK$0.1 each	HK$500,000,000.00

Issued and fully paid or credited as fully paid:

1,746,528,883	Shares of HK$0.1 each	HK$174,652,888.30
1,846,000,000	Subscription Shares to be allotted and issued under the Subscription Agreement	HK$184,600,000.00
3,592,528,883	Shares in issue upon Completion and assuming none of the outstanding Share Options have been exercised	HK$359,252,888.30
3,619,348,883	Shares in issue upon Completion and assuming all Share Options have been exercised	HK$361,934,883.30

All the existing Shares in issue are listed on the Stock Exchange and rank pari passu in all respects with each other including rights to dividends, voting and return of capital.

(b) Share options

As at the Latest Practicable Date, the Company had outstanding Share Options granted under the Share Option Scheme entitling the holders thereof to subscribe for an aggregate of 26,820,000 Shares, the details of which are set out below:

Category of Participants	Grant Date	Exercisable Period	Exercise Price	Number of outstanding share options as at Latest Practicable Date
			HK$	
Directors				
Jeremy Paul Egerton HOBBINS	24/03/2017	01/01/2018–31/12/2019	0.60	2,000,000
Srinivasan PARTHASARATHY	21/08/2014	01/01/2016–31/12/2017	2.01	750,000
	21/08/2014	01/01/2017–31/12/2018	2.01	750,000
	24/03/2017	01/01/2018–31/12/2019	0.60	1,000,000
Sabrina FUNG Wing Yee	24/03/2017	01/01/2018–31/12/2019	0.60	1,000,000
Other eligible participants	21/08/2014	01/01/2016–31/12/2017	2.01	5,660,000
	21/08/2014	01/01/2017–31/12/2018	2.01	5,660,000
	24/03/2017	01/01/2018–31/12/2019	0.60	10,000,000
Total				26,820,000

No Shares have been issued since 31 December 2016, being the date on which the latest audited financial statements of the Group were made up. Except for the Subscription Shares and save as disclosed above, as at the Latest Practicable Date, no Shares, options, warrants, conversion rights or any equity or debt securities of the Company was outstanding or was proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital.

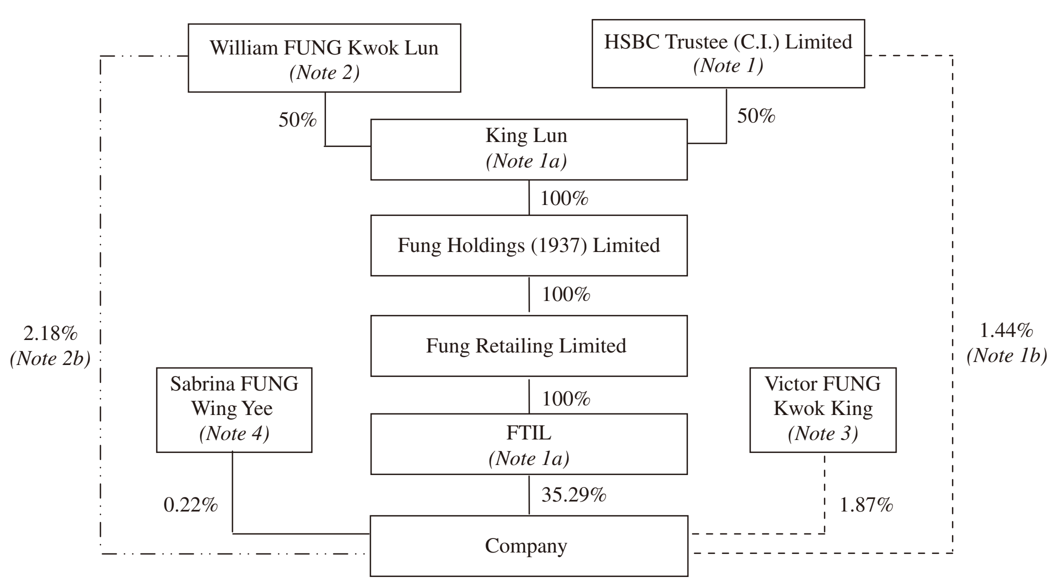
4. DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

Long Position in Shares and Underlying Shares of the Company

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

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



Notes:

1. Each of Dr Victor FUNG Kwok King and Ms Sabrina FUNG Wing Yee (daughter of Dr Victor FUNG Kwok King and as his family member) was deemed to have interests in 641,657,760 Shares, which were held in the following manner:

   a. 616,413,760 Shares were directly held by FTIL, an indirect wholly-owned subsidiary of King Lun Holdings Limited (“**King Lun**”). King Lun was owned as to 50% by HSBC Trustee (C.I.) Limited as trustee of a trust (“**Trustee**”) established for the benefit of the family members of Dr Victor FUNG Kwok King and as to 50% by Dr William FUNG Kwok Lun; and

   b. 25,244,000 Shares were directly held by First Island Developments Limited, a company wholly owned by the Trustee.

2. Among a total of 654,483,760 Shares interested by Dr William FUNG Kwok Lun:

   a. 616,413,760 Shares were under the same block of shares indirectly held by King Lun as mentioned in Note 1a above; and

   b. 14,500,000 Shares were directly held by Step Dragon Enterprise Limited, a company beneficially owned by Dr William FUNG Kwok Lun; and 23,570,000 Shares were personally held by him.

3. 32,613,795 Shares were directly held by a company owned by the spouse of Dr Victor FUNG Kwok King. Therefore, Dr Victor FUNG Kwok King was deemed to be interested in these Shares. By adding up the interests mentioned in Note 1 above, Dr Victor FUNG Kwok King was deemed to be interested in an aggregate of 674,271,555 Shares.

4. Ms Sabrina FUNG Wing Yee had personal interests of 2,800,000 Shares and 1,000,000 underlying Shares deriving from Share Options. By adding up the interests mentioned in Note 1 above, Ms Sabrina FUNG Wing Yee was deemed to be interested in an aggregate of 645,457,760 Shares.

5. Among the 5,934,500 Shares interested by Mr Jeremy Paul Egerton HOBBINS, 1,700,000 Shares were held by Private Investors Limited, a company ultimately owned by him and 4,234,500 Shares were held by a trust of which he is a beneficiary. He also had personal interests of 2,000,000 underlying Shares deriving from Share Options.

6. These interests represented the interests in underlying shares in respect of the Share Options granted by the Company to the Director as beneficial owner.

At the Latest Practicable Date, save as disclosed above, none of the Directors was a director or an employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

5. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or had any option in respect of such capital:

Shareholders	Capacity	Number of Shares	Approximate Percentage of Issued Share Capital (%)
FTIL [1]	Beneficial owner	616,413,760	35.29
Fung Retailing Limited [1]	Interest of controlled corporation	616,413,760	35.29
Fung Holdings (1937) Limited [1]	Interest of controlled corporation	616,413,760	35.29
King Lun [1]	Interest of controlled corporation	616,413,760	35.29
HSBC Trustee (C.I.) Limited [2]	Trustee	641,657,760	36.73
Schroders Plc [3]	Investment manager	122,267,491	7.00
The Subscriber	Beneficial owner	1,846,000,000	105.69
	Interest of controlled corporation [4]	21,415,633	1.23
QIU Yafu	Interest of controlled corporation [5]	1,867,415,633	106.92

Notes:

1. FTIL 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 FTIL. Refer to the chart in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures".

2. HSBC Trustee (C.I.) Limited, the Trustee, owned 50% of the issued share capital of King Lun and was therefore deemed to be interested in the 616,413,760 Shares indirectly held by King Lun. In addition, the Trustee had deemed interest of the 25,244,000 Shares directly held by its wholly-owned company, First Island Developments Limited. Refer to the chart in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures".

3. Schroders Plc was interested in these Shares through a chain of its controlled corporations.

4. Renown, a company in which the Subscriber directly and indirectly through a subsidiary held a 52.99% equity interest, was interested in 21,415,633 Shares. Renown has been interested in 21,415,633 Shares in the Company prior to the Subscription. Since the Subscriber directly and indirectly through a subsidiary held 52.99% in Renown, the shareholding interests held by Renown in the Company is shown as the interest held by the Subscriber as interest of controlled corporation.

5. Mr QIU Yafu directly held, and exercised and controlled, a 51% equity interest in the Subscriber.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into service contract with the Company, or any of its subsidiaries or associated companies which:

(i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the date of the Announcement;

(ii) was a continuous contract with a notice period of twelve months or more; or

(iii) was a fixed term contract with more than twelve months to run irrespective of the notice period.

7. MATERIAL CONTRACT

During the two years immediately preceding the date of the 9 October Announcement, the following contract, not being contract entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries, has been entered into by a member of the Group and which is or may be material:

(i) the Subscription Agreement, details of which are disclosed under the section headed "Subscription Agreement" in this circular.

8. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors, controlling Shareholder or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

9. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors is materially interested in any subsisting contract or arrangement, which was significant in relation to the business of the Group.

10. NO MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

11. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion or advice contained in this circular:

Name	Qualification
Oceanwide Capital Limited	a licensed corporation authorised to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, the above expert was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2016, being the date to which the latest published audited financial statements of the Group were made up.

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or references to its name in the form and context in which it respectively appears.

12. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES

As at the Latest Practicable Date:

(i) save for the Subscription and save that the shareholding interests set out in the section headed "Effect of the Subscription on the shareholding structure of the Company", the Subscriber and parties acting in concert with it did not hold, control or have direction over any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(ii) save for the Subscription and save that the shareholding interests set out in the section headed "Effect of the Subscription on the shareholding structure of the Company", the directors of the Subscriber or any parties acting in concert with it were not interested in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company and they had not dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;

(iii) save for the Subscription, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Subscriber or parties acting in concert with it;

(iv) save for (i) the appointment of persons to be nominated by the Subscriber as Directors representing a majority of the Board immediately following such appointment; and (ii) the Company procuring (a) FTIL and its affiliates to vote in favour of such appointment and (b) seven (7) existing Directors to resign as Directors with effect from Completion pursuant to the Subscription Agreement, no agreement, arrangement or understanding (including any compensation arrangement) existed between (A) the Subscriber or any parties acting in concert with it and (B) any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Subscription and/or the Whitewash Waiver;

(v) no person had irrevocably committed themselves to vote for or against the resolutions to be proposed at the SGM to approve the Subscription and/or the Whitewash Waiver;

(vi) no Shares acquired by the Subscriber or parties acting in concert with it pursuant to the Subscription will be transferred, charged or pledged to any other persons;

(vii) the Company did not have any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber (or the Subscriber Nominee), and it had not dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeover Code) of the Subscriber (or the Subscriber Nominee) during the Relevant Period;

(viii) none of the Directors had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber (or the Subscriber Nominee) nor had they dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber (or the Subscriber Nominee) during the Relevant Period;

(ix) none of the Directors had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;

(x) none of (i) the subsidiaries of the Company; (ii) the pension fund of the Company or its subsidiaries; nor (iii) any adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code (but excluding exempt principal traders), owned or controlled any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, had any of them dealt in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the period commencing from the date of the Announcement and up to the Latest Practicable Date;

(xi) save for the Subscription Agreement, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code;

(xii) no fund which was managed on a discretionary basis by any fund manager (other than exempt fund managers) connected with the Company had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;

(xiii) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company had been borrowed or lent by any of the Directors or by the Company, save for any borrowed shares which have been either on-lent or sold;

(xiv) save for the Subscription Agreement (as described under the section headed "Subscription Agreement" in the letter from the Board), there was no agreement or arrangement between any of the Directors and any other person which was conditional or dependent on the outcome of the Subscription and/or the Whitewash Waiver or otherwise connected with the Subscription and/or the Whitewash Waiver;

(xv) no benefit had been given or will be given to any Directors as compensation for loss of office or otherwise in connection with the Subscription and/or the Whitewash Waiver;

(xvi) there was no material contract entered into by the Subscriber in which any Director had a material personal interest; and

(xvii) as disclosed in the letter from the Board, Dr Victor FUNG Kwok King, Dr William FUNG Kwok Lun, Ms Sabrina FUNG Wing Yee, Mr WONG Yat Ming, Mr Jeremy Paul Egerton HOBBINS, Mr Srinivasan PARTHASARATHY and Mr Terence FUNG Yue Ming will abstain from voting on the relevant ordinary resolutions to be proposed at the SGM to approve the Subscription and the Whitewash Waiver. Save as disclosed in this sub-paragraph, none of the Directors were interested in any Shares, and no Director (other than those aforesaid Directors) would be entitled to vote for or against the relevant ordinary resolutions to be proposed at the SGM to approve the Subscription and the Whitewash Waiver.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at 8/F, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of SGM. Copy of the following documents will also be available for inspection on the website of the SFC at *www.sfc.hk* and the website of the Company at *www.trinitygroup.com* from the date of this circular up to and including the date of the SGM:

(i) the memorandum of association and bye-laws of the Company;

(ii) the articles of association of the Subscriber;

(iii) the articles of association of the Subscriber Nominee;

(iv) the published annual reports of the Company for each of the two financial years ended 31 December 2015 and 2016;

(v) the published interim report of the Company for the six months ended 30 June 2017;

(vi) the letter from the Board, the text of which is set out on pages 5 to 21 of this circular;

(vii) the letter from the Independent Board Committee, the text of which is set out on pages IBC-1 and IBC-2 of this circular;

(viii) the letter from the Independent Financial Adviser, the text of which is set out on pages IFA-1 to IFA-27 of this circular;

(ix) the material contract referred to in the paragraph headed "Material contract" in this appendix; and

(x) the letter of consent referred to in the paragraph headed "Qualifications and consent of expert" in this appendix.

14. GENERAL

(i) The registered office of the Subscriber is at Ruyi Industrial Park, Jining National Hi-Tech Industrial Development Zone, Jining, Shandong Province, the PRC.

(ii) The registered office of the Subscriber Nominee is at 23/F, The Centrium, 60 Wyndham Street, Central, Hong Kong.

(iii) The company secretary of the Company is Christiana YIU Yuen Wah, a fellow of both The Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

(iv) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(v) The head office and principal place of business of the Company in Hong Kong is situated at 8/F, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong.

(vi) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(vii) The directors of the Subscriber are QIU Yafu, QIU Dong, SUN Weiying, SUN Liming, WANG Yan, CUI Juyi and ZHOU Hungma.

(viii) The directors of the Subscriber Nominee are QIU Chenran and SUN Weiying.

(ix) The English text of this circular shall prevail over the corresponding Chinese translation.

TRINITY LIMITED
利邦控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 891)

NOTICE IS HEREBY GIVEN THAT a special general meeting (the "**SGM**") of Trinity Limited (the "**Company**") will be held at 11:30 a.m. on Wednesday, 17 January 2018 at Ground Floor, Hong Kong Spinners Industrial Building, Phases I & II, 800 Cheung Sha Wan Road, Kowloon, Hong Kong for the purposes of considering and, if thought fit, passing with or without amendment, the following resolutions of the Company as ordinary resolutions:

ORDINARY RESOLUTIONS

1. "**THAT**:

   (a) the entering into of the conditional subscription agreement (the "**Subscription Agreement**", a copy of which is tabled at the meeting and marked "A" and initialed by the chairman of the meeting for the purpose of identification) among Shandong Ruyi International Fashion Industry Investment Holding Company Limited (the "**Subscriber**"), the Company and Fung Trinity Investments Limited dated 8 November 2017 in relation to the subscription by the Subscriber (or the Subscriber Nominee) of an aggregate of 1,846,000,000 shares in the Company of HK$0.10 each (the "**Subscription Shares**") at the subscription price of HK$1.20 per Subscription Share to be issued by the Company and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified;

   (b) all the transactions contemplated under the Subscription Agreement including but not limited to specific mandate to allot and issue the Subscription Shares by the Company; and

   (c) the directors of the Company (the "**Directors**") (or a duly authorised committee thereof) be and are hereby authorised to do all such further acts and things and to sign and execute all such other or further documents and to take all such steps which, in the opinion of the Directors (or a duly authorised committee thereof), may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the transactions contemplated by, the Subscription Agreement and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of the Directors (or a duly authorised committee thereof), in the interests of the Company."

* *For identification purposes only*

2. "**THAT**, subject to the passing of ordinary resolution numbered 1 and the Executive Director (or any delegate of the Executive Director) of the Corporate Finance Division of the Securities and Futures Commission granting to the Subscriber Nominee the waiver (the "**Whitewash Waiver**") pursuant to Note 1 to the Notes on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers from any obligation on the part of the Subscriber Nominee to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it which would otherwise arise as a result of the Subscriber Nominee subscribing for the Subscription Shares, the Whitewash Waiver be and is hereby approved, and that any one or more of the Directors be and is hereby authorised to do all such acts and things and execute all such documents as he/she considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to any of the matters relating to, or incidental to, the Whitewash Waiver."

3. "**THAT**, subject to the passing of ordinary resolutions numbered 1 and 2 above, the authorised share capital of the Company be increased 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 (the "**Authorised Share Capital Increase**") and any one or more of the Directors be and is hereby authorised for and on behalf of the Company to execute all such documents and to do all such acts and things as he/she considers desirable, necessary or expedient in connection with and to give effect to the Authorised Share Capital Increase."

By Order of the Board
Christiana Y W YIU
Company Secretary

Hong Kong, 22 December 2017

Notes:

In order to determine the right to attend the SGM, the register of members of the Company will be closed from Monday, 15 January 2018 to Wednesday, 17 January 2018 (both days inclusive), during which no transfer of Shares can be registered. Members who are entitled to attend and vote at the SGM are those whose names appear on the Register of Members of the Company on Monday, 15 January 2018. In order to be eligible to attend the SGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 pm on Friday, 12 January 2018.

A member entitled to attend and vote at the above meeting may appoint one or, if he/she holds two or more shares, more than one proxy to attend and vote instead of him/her. A proxy need not be a member of the Company.

In order to be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority shall be deposited with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at the above address not less than 48 hours before the time appointed for the meeting or any adjourned meeting. The proxy form is published on the websites of Hong Kong Exchanges and Clearing Limited at *www.hkexnews.hk* and the Company at *www.trinitygroup.com*.