# TRINITY LIMITED

## 利邦控股有限公司*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 891)**

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

**Highlights**

| | 2013 | 2012 (Restated) [8] | % change |
|---|---|---|---|
| Revenue *(HK$ million)* | **2,696** | 2,801 | -3.7% |
| Gross profit *(HK$ million)* | **2,036** | 2,186 | -6.9% |
| Gross margin (%) | **75.5%** | 78.1% | |
| Operating profit *(HK$ million)* | **363** | 583 | -37.8% |
| Operating margin (%) | **13.5%** | 20.8% | |
| Profit attributable to shareholders *(HK$ million)* | **308** | 540 | -42.9% |
| Profit attributable to shareholders (%) | **11.4%** | 19.3% | |
| Current ratio [1] | **1.2** | 1.3 | |
| Trade payable turnover days [2] | **47** | 61 | |
| Trade receivable turnover days [3] | **25** | 28 | |
| Inventory turnover days [4] | **373** | 378 | |
| Return on equity (%) [5] | **8.9%** | 16.1% | |
| Net debt to equity ratio (%) [6] | **2.6%** | N/A | |
| Basic earnings per share *(HK cents)* [7] | **17.8** | 31.5 | |
| Dividend per share *(HK cents)* | | | |
| - Final | | | |
| - Basic | **8.5** | 14.0 | |
| - Special | **-** | 2.0 | |
| - Full Year | | | |
| - Basic | **13.0** | 22.0 | |
| - Special | **-** | 2.0 | |

***Key ratios*:**

1. *Current ratio = Current assets / current liabilities*
2. *Trade payable turnover days = Average of opening and closing balances on trade payables / cost of sales for the year x number of days for the year*
3. *Trade receivable turnover days = Average of opening and closing balances on trade receivables / revenue for the year x number of days for the year*
4. *Inventory turnover days = Average of opening and closing balances on inventory / cost of sales for the year x number of days for the year*
5. *Return on equity = Profit attributable to shareholders / average shareholders' equity x 100%*
6. *Net debt to equity ratio = Net debt / total equity x 100% whereas net debt = interest bearing bank borrowings and bank overdrafts less cash and cash equivalents; N/A means the Group was at net cash position in 2012*
7. *Basic earnings per share = Profit attributable to shareholders / weighted average number of ordinary shares in issue*
8. *The comparatives have been restated to reflect the effect of adoption of revised accounting policy in 2013. See Note 1(a) to this consolidated financial statements.*

The board of directors (the "Board") of Trinity Limited (the "Company") is pleased to announce the audited consolidated income statement and consolidated statement of comprehensive income of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2013 and the audited consolidated balance sheet of the Group as at 31 December 2013 together with the comparative figures in 2012. The annual results have been reviewed by the Company's audit committee and the Company's external auditor.

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

| | Note | **2013 HK$'000** | 2012 HK$'000 (Restated) |
|---|---|---|---|
| Revenue | 2(a) | **2,695,935** | 2,800,671 |
| Cost of sales | | **(659,795)** | (614,543) |
| **Gross profit** | | **2,036,140** | 2,186,128 |
| Other income | 4 | **70,391** | 71,556 |
| Selling and marketing expenses | | **(1,285,970)** | (1,260,314) |
| Administrative expenses | | **(509,153)** | (464,570) |
| Other gains – net | 5 | **47,592** | 15,543 |
| Gain on disposal of investments in joint ventures | 2(b) | **3,984** | 34,766 |
| **Operating profit** | 3 | **362,984** | 583,109 |
| Finance income | | **20,102** | 5,457 |
| Finance costs | | | |
| Notional interest expenses on contingent purchase consideration payable for acquisition | | **(13,185)** | (7,019) |
| Interest expenses on bank borrowings and overdrafts | | **(16,608)** | (9,777) |
| Finance costs – net | 6 | **(9,691)** | (11,339) |
| Share of profit of | | | |
| Associates | 2(a) | **16,156** | - |
| Joint ventures | 2(a) | **-** | 65,346 |
| **Profit before income tax** | | **369,449** | 637,116 |
| Income tax expense | 7 | **(61,241)** | (96,997) |
| **Profit for the year attributable to shareholders of the Company** | | **308,208** | 540,119 |
| **Basic earnings per share attributable to shareholders of the Company during the year** | 8(a) | | |
| (expressed in HK cents per share) | | **17.8 cents** | 31.5 cents |
| **Diluted earnings per share attributable to shareholders of the Company during the year** | 8(b) | | |
| (expressed in HK cents per share) | | **17.7 cents** | 30.9 cents |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| | | (Restated) |
| **Profit for the year** | **308,208** | 540,119 |
| **Other comprehensive income** | | |
| *Item that will not be reclassified subsequently to profit or loss* | | |
| Remeasurements of post employment benefit obligations | **665** | (1,360) |
| *Items that may be reclassified subsequently to profit or loss* | | |
| Exchange differences on translation of subsidiaries, joint ventures and associates | **3,160** | 30,740 |
| Exchange differences realised upon disposal of a subsidiary | **(263)** | - |
| Exchange differences realised upon disposal of investments in joint ventures | **-** | (6,841) |
| Other comprehensive income for the year, net of tax | **3,562** | 22,539 |
| **Total comprehensive income for the year** | **311,770** | 562,658 |
| **Total comprehensive income attributable to:** | | |
| - Shareholders of the Company | **311,770** | 562,658 |

## CONSOLIDATED BALANCE SHEET

As at 31 December 2013

| | Note | 31 December 2013 HK$'000 | 31 December 2012 HK$'000 (Restated) | 1 January 2012 HK$'000 (Restated) |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | | **278,572** | 328,810 | 311,806 |
| Intangible assets | | **3,080,812** | 3,077,327 | 2,312,248 |
| Investments in associates | | **135,167** | 128,278 | - |
| Investments in joint ventures | | **-** | - | 229,045 |
| Loan receivable | 10 | **71,647** | - | - |
| Derivative financial instrument | 11 | **6,024** | - | - |
| Deposit and prepayments | | **55,436** | 45,983 | 45,695 |
| Deferred income tax assets | | **150,670** | 154,151 | 94,009 |
| | | **3,778,328** | 3,734,549 | 2,992,803 |
| **Current assets** | | | | |
| Inventories | | **684,710** | 663,626 | 605,036 |
| Trade receivables | 12 | **174,084** | 188,130 | 233,326 |
| Deposit and prepayments | | **120,793** | 101,551 | 63,554 |
| Amounts due from related parties | | **652** | 4,614 | 1,153 |
| Current income tax recoverables | | **20,124** | 9,504 | 3,735 |
| Cash and cash equivalents (excluding bank overdrafts) | | **1,337,451** | 999,097 | 790,370 |
| | | **2,337,814** | 1,966,522 | 1,697,174 |
| **Total assets** | | **6,116,142** | 5,701,071 | 4,689,977 |
| **EQUITY** | | | | |
| **Capital and reserves attributable to the Company's shareholders** | | | | |
| Share capital | | **173,264** | 172,372 | 170,839 |
| Share premium | | **2,355,300** | 2,335,098 | 2,302,656 |
| Reserves | | **911,071** | 953,772 | 779,091 |
| **Total equity** | | **3,439,635** | 3,461,242 | 3,252,586 |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Provision for long service payments | | **8,722** | 9,719 | 9,378 |
| Retirement benefit obligations | | **22,035** | 22,687 | 16,324 |
| Contingent purchase consideration payable for acquisition | | **319,301** | 311,352 | - |
| Other payables and accruals | | **-** | - | 31,648 |
| Deferred income tax liabilities | | **345,159** | 360,726 | 230,693 |
| | | **695,217** | 704,484 | 288,043 |
| **Current liabilities** | | | | |
| Trade payables | 13 | **89,932** | 81,467 | 123,759 |
| Contingent purchase consideration payable for acquisition | | **-** | 8,277 | - |
| Other payables and accruals | | **401,793** | 517,763 | 529,615 |
| Amounts due to related parties | | **20,024** | 13,098 | 13,674 |
| Current income tax liabilities | | **41,432** | 44,740 | 102,300 |
| Borrowings | | **1,428,109** | 870,000 | 380,000 |
| | | **1,981,290** | 1,535,345 | 1,149,348 |
| **Total liabilities** | | **2,676,507** | 2,239,829 | 1,437,391 |
| **Total equity and liabilities** | | **6,116,142** | 5,701,071 | 4,689,977 |
| **Net current assets** | | **356,524** | 431,177 | 547,826 |
| **Total assets less current liabilities** | | **4,134,852** | 4,165,726 | 3,540,629 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

| | Note | Attributable to shareholders of the Company | | | | |
|---|---|---|---|---|---|---|
| | | Share capital HK$'000 | Share premium HK$'000 | Retained earnings HK$'000 | Other reserves HK$'000 | Total HK$'000 |
| **Balance at 1 January 2012** | | 170,839 | 2,302,656 | 950,439 | (168,439) | 3,255,495 |
| **Impact of change in accounting policy** | 1(a) | - | - | (3,000) | 91 | (2,909) |
| **Balance at 1 January 2012 (restated)** | | 170,839 | 2,302,656 | 947,439 | (168,348) | 3,252,586 |
| **Comprehensive income** | | | | | | |
| Profit for the year (restated) | | - | - | 540,119 | - | 540,119 |
| **Other comprehensive income** | | | | | | |
| Remeasurements of post employment benefit obligations (restated) | 1(a) | - | - | (1,360) | - | (1,360) |
| Exchange differences on translation of subsidiaries, joint ventures and associates (restated) | | - | - | - | 30,740 | 30,740 |
| Exchange differences realised upon disposal of investments in joint ventures | | - | - | - | (6,841) | (6,841) |
| Other comprehensive income/(expenses) for the year, net of tax (restated) | | - | - | (1,360) | 23,899 | 22,539 |
| Total comprehensive income (restated) | | - | - | 538,759 | 23,899 | 562,658 |
| **Transactions with owners** | | | | | | |
| Employee share option schemes | | | | | | |
| - value of employee services | | - | - | - | 6,500 | 6,500 |
| - exercise of share options | | 1,533 | 32,442 | - | - | 33,975 |
| - transfer to retained earnings | | - | - | 10,804 | (10,804) | - |
| Transfer of reserve upon disposal of investments in joint ventures | | - | - | 3,817 | (3,817) | - |
| 2011 final dividends paid | 9(b) | - | - | (257,110) | - | (257,110) |
| 2012 interim dividends paid | 9(a) | - | - | (137,367) | - | (137,367) |
| Total transactions with owners | | 1,533 | 32,442 | (379,856) | (8,121) | (354,002) |
| **Balance at 31 December 2012 (restated)** | | 172,372 | 2,335,098 | 1,106,342 | (152,570) | 3,461,242 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2013

| | | Attributable to shareholders of the Company | | | | |
|---|---|---|---|---|---|---|
| | Note | Share capital HK$'000 | Share premium HK$'000 | Retained earnings HK$'000 | Other reserves HK$'000 | Total HK$'000 |
| **Balance at 1 January 2013** | | **172,372** | **2,335,098** | **1,110,592** | **(152,508)** | **3,465,554** |
| **Impact of change in accounting policy** | 1(a) | **-** | **-** | **(4,250)** | **(62)** | **(4,312)** |
| **Balance at 1 January 2013 (restated)** | | **172,372** | **2,335,098** | **1,106,342** | **(152,570)** | **3,461,242** |
| **Comprehensive income** | | | | | | |
| Profit for the year | | **-** | **-** | **308,208** | **-** | **308,208** |
| **Other comprehensive income** | | | | | | |
| Remeasurements of post employment benefit obligations | 1(a) | **-** | **-** | **665** | **-** | **665** |
| Exchange differences on translation of subsidiaries and associates | | **-** | **-** | **-** | **3,160** | **3,160** |
| Exchange differences realised upon disposal of a subsidiary | | **-** | **-** | **-** | **(263)** | **(263)** |
| Other comprehensive income for the year, net of tax | | **-** | **-** | **665** | **2,897** | **3,562** |
| Total comprehensive income | | **-** | **-** | **308,873** | **2,897** | **311,770** |
| **Transactions with owners** | | | | | | |
| Employee share option schemes | | | | | | |
| - exercise of share options | | **892** | **20,202** | **-** | **-** | **21,094** |
| - transfer to retained earnings | | **-** | **-** | **7,515** | **(7,515)** | **-** |
| 2012 final dividends paid | 9(b) | **-** | **-** | **(242,071)** | **-** | **(242,071)** |
| 2012 special final dividends paid | 9(b) | **-** | **-** | **(34,581)** | **-** | **(34,581)** |
| 2013 interim dividends paid | 9(a) | **-** | **-** | **(77,819)** | **-** | **(77,819)** |
| Total transactions with owners | | **892** | **20,202** | **(346,956)** | **(7,515)** | **(333,377)** |
| **Balance at 31 December 2013** | | **173,264** | **2,355,300** | **1,068,259** | **(157,188)** | **3,439,635** |

Notes:

## 1. Basis of preparation and accounting policies

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

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.

### (a) Adoption of new/revised standards and amendments to existing standards effective in 2013

The Group has adopted the following new/revised standards and amendments to existing standards which are mandatory for accounting periods beginning on or after 1 January 2013 and relevant to the Group:

| | |
|---|---|
| HKAS 1 (Amendment) | Presentation of Financial Statements |
| HKAS 19 (2011) | Employee Benefits |
| HKAS 27 (2011) | Separate Financial Statements |
| HKAS 28 (2011) | Investments in Associates and Joint Ventures |
| HKFRS 7 (Amendment) | Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities |
| HKFRS 10 | Consolidated Financial Statements |
| HKFRS 12 | Disclosure of Interests in Other Entities |
| HKFRS 13 | Fair Value Measurement |
| Annual Improvements Project | Annual Improvements 2009-2011 Reporting Cycle |

The adoption of such new/revised standards and amendments to existing standards does not have material impact on this consolidated financial statements as at and for the year ended 31 December 2013 except as described below:

**HKAS 1 (Amendment), Presentation of Financial Statements**

The amendments to HKAS 1 require entities to classify items presented in other comprehensive income on the basis of whether they are potentially reclassificable to profit or loss subsequently. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

1. **Basis of preparation and accounting policies (Continued)**

**(a) Adoption of new/revised standards and amendments to existing standards effective in 2013 (Continued)**

**HKAS 19 (2011), Employee Benefits**

HKAS 19 (2011) includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised immediately in other comprehensive income and permanently excluded from profit or loss; expected returns on plan assets are no longer recognised in profit or loss and instead, interest on the net defined benefit liability (asset) in profit or loss is calculated using the discount rate used to measure the defined benefit obligation and; unvested past service costs are now recognised in profit or loss in the year and not amortised over the vesting period. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. HKAS 19 (2011) requires retrospective application. The adoption of HKAS 19 (2011) had an impact on the retirement benefit obligations primarily due to the immediate recognition of actuarial gains and losses in other comprehensive income which were deferred using corridor approach in previous years.

The tables below show the effect on the Group's consolidated balance sheet, consolidated income statement and consolidated statement of comprehensive income.

**Impact on consolidated balance sheet**

| Increase/(decrease) | **31 December 2013 HK\$'000** | 31 December 2012 HK\$'000 | 1 January 2012 HK\$'000 |
|---|---|---|---|
| Liabilities | | | |
| - Retirement benefit obligations | **3,446** | 4,312 | 2,909 |
| Equity | | | |
| - Retained earnings | **(3,500)** | (4,250) | (3,000) |
| - Translation reserve | **54** | (62) | 91 |

**Impact on consolidated income statement**

| Increase/(decrease) | **Year ended 31 December 2013 HK\$'000** | Year ended 31 December 2012 HK\$'000 |
|---|---|---|
| Administrative expenses | **(85)** | (110) |
| Profit for the year | **85** | 110 |

**Impact on consolidated statement of comprehensive income**

| Increase/(decrease) | **Year ended 31 December 2013 HK\$'000** | Year ended 31 December 2012 HK\$'000 |
|---|---|---|
| Profit for the year | **85** | 110 |
| Remeasurements of post employment benefit obligations | **665** | (1,360) |
| Exchange differences on translation of subsidiaries, joint ventures and associates | **116** | (153) |
| Total comprehensive income attributable to shareholders of the Company | **866** | (1,403) |

This change in accounting policy does not have any material impact on current or deferred taxation, statements of cash flows and earnings per share.

## 1. Basis of preparation and accounting policies (Continued)

### (a) Adoption of new/revised standards and amendments to existing standards effective in 2013 (Continued)

**HKFRS 12, Disclosure of Interests in Other Entities**

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosure requirements in HKFRS 12 are generally more extensive than those previously required by the respective standards. The application of this standard had no impact on the Group financial position of the consolidated financial statements.

**HKFRS 13, Fair Value Measurement**

HKFRS 13 establishes a single source of guidance under HKFRS for all fair value measurements. HKFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under HKFRS when fair value is required or permitted.

HKFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including HKFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required in annual financial statements for financial instruments; accordingly, the Group provides these disclosures in the Group's accounts.

### (b) New standard, amendment and interpretation to existing standards effective in 2013 but not relevant to the Group

The following new standard, new interpretation and amendment to existing standards are mandatory for accounting periods beginning on or after 1 January 2013 but currently not relevant to the Group:

| | |
|---|---|
| HKFRS 1 (Amendment) | First-time adoption of Hong Kong Financial Reporting Standards - Government Loans |
| HKFRS 11 | Joint Arrangements |
| HK(IFRIC) – Int 20 | Stripping Costs in the Production Phase of a Surface Mine |

1. **Basis of preparation and accounting policies (Continued)**

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

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

| | |
|---|---|
| HKAS 19 (2011) (Amendment) | Employee Benefits: Defined Benefit Plans - Employee Contribution (effective for annual periods beginning on or after 1 July 2014) |
| HKAS 32 (Amendment) | Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014) |
| HKAS 36 (Amendment) | Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014) |
| HKAS 39 (Amendment) | Financial Instruments: Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014) |
| HKFRS 9 | Financial Instruments (effective for annual periods beginning on or after 1 January 2015) |
| HKFRS 7 and HKFRS 9 (Amendments) | Mandatory Effective Date and Transition Disclosures (effective for annual periods beginning on or after 1 January 2015) |
| HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments) | Investment Entities (effective for annual periods beginning on or after 1 January 2014) |
| HK(IFRIC) – Int 21 | Levies (effective for annual periods beginning on or after 1 January 2014) |

All these amendments are effective in the financial year of 2014 or years after 2014 and these amendments are not expected to have a significant impact on the results and financial position of the Group.

2. **Segment information**

The Group is principally engaged in the retailing and wholesale of high-end to luxury menswear in Greater China and Europe, as well as licensing its fully owned brands globally. The associates/joint ventures 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 finance costs - net and income tax expense ("Segmental contribution") for the year. Corporate employee benefit expenses and overhead, finance income/(costs), other income, gain on disposal of investments in joint ventures and other gains - net are not allocated to segments. 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 corporate management overheads to individual segment) were made to the management reports

## 2. Segment information (Continued)

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 2013 are as follows:

| | HK & Macau Retail HK$'000 | HK & Macau Wholesale HK$'000 | Chinese Mainland Retail HK$'000 | Taiwan Retail HK$'000 | Europe Retail HK$'000 | Europe Licensing HK$'000 | Others Retail HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| Total segment revenue | 864,479 | 855,621 | 1,345,452 | 191,133 | 210,531 | 155,580 | - | 3,622,796 |
| Inter-segment revenue | - | (849,406) | - | - | (29,453) | (48,002) | - | (926,861) |
| Segment revenue and revenue from external customers | 864,479 | 6,215 | 1,345,452 | 191,133 | 181,078 | 107,578 | - | 2,695,935 |
| Gross profit | 678,134 | 1,469 | 1,016,317 | 133,683 | 98,959 | 107,578 | - | 2,036,140 |
| **Segmental contribution** | 193,926 | 1,469 | 283,814 | 41,483 | (98,159) | 21,974 | 16,156 | 460,663 |
| Segmental contribution includes: | | | | | | | | |
| Depreciation | (16,195) | - | (132,572) | (2,546) | (11,023) | (2,215) | - | (164,551) |
| Additional provision for impairment of property, plant and equipment | (1,356) | - | (2,982) | - | - | - | - | (4,338) |
| Share of profit of associates (note (i)) | - | - | - | - | - | - | 16,156 | 16,156 |
| **Segment asset** | 241,061 | - | 338,771 | 57,543 | 47,335 | - | - | 684,710 |

The segment results for the year ended 31 December 2012 were as follows:

| | HK & Macau Retail HK$'000 | HK & Macau Wholesale HK$'000 | Chinese Mainland Retail HK$'000 | Taiwan Retail HK$'000 | Europe Retail HK$'000 | Europe Licensing HK$'000 | Others Retail HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| Total segment revenue | 847,540 | 989,865 | 1,492,785 | 195,937 | 157,367 | 160,564 | - | 3,844,058 |
| Inter-segment revenue | - | (980,634) | - | - | (9,020) | (53,733) | - | (1,043,387) |
| Segment revenue and revenue from external customers | 847,540 | 9,231 | 1,492,785 | 195,937 | 148,347 | 106,831 | - | 2,800,671 |
| Gross profit | 672,139 | 2,132 | 1,173,045 | 142,035 | 89,946 | 106,831 | - | 2,186,128 |
| **Segmental contribution** | 212,424 | 2,132 | 414,627 | 40,055 | (43,747) | 41,163 | 65,346 | 732,000 |
| Segmental contribution includes: | | | | | | | | |
| Depreciation | (15,641) | - | (134,496) | (4,058) | (12,018) | (2,075) | - | (168,288) |
| Reversal of/ (additional provision for) impairment of property, plant and equipment | (61) | - | (4,757) | 46 | 776 | - | - | (3,996) |
| Share of profit of joint ventures (note (i)) | - | - | - | - | - | - | 65,346 | 65,346 |
| **Segment asset** | 213,853 | - | 332,660 | 69,638 | 47,475 | - | - | 663,626 |

## 2. Segment information (Continued)

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

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| | | (Restated) |
| Segmental contribution for reportable segments | **460,663** | 732,000 |
| Add: | | |
| Other income (Note 4) | **70,391** | 71,556 |
| Other gains – net (Note 5) | **47,592** | 15,543 |
| Gain on disposal of investments in joint ventures (note (ii)) | **3,984** | 34,766 |
| Less: | | |
| Finance costs – net (Note 6) | **(9,691)** | (11,339) |
| Employee benefit expenses | **(139,170)** | (147,433) |
| Rental expenses | **(20,141)** | (17,546) |
| Depreciation and amortisation | **(11,300)** | (11,937) |
| Other unallocated expenses | **(32,879)** | (28,494) |
| Total Group's profit before income tax | **369,449** | 637,116 |

Notes:

(i) Share of profit of associates/joint ventures represents share of profit of Ferragamo Korea Limited, Ferragamo (Malaysia) Sdn Bhd, Ferragamo (Singapore) Pte Ltd and Ferragamo (Thailand) Limited (collectively "Ferragamo entities"), then joint ventures of the Group, which were 50% equity accounted for by the Group up to 20 December 2012 when the Group disposed of its 30% equity interest for a total cash consideration of US$26,056,000 (approximately HK$201,969,000). Since then, Ferragamo entities have been 20% equity accounted by the Group as associates.

(ii) During the year ended 31 December 2012, gain on disposal of investments in joint ventures was as follows:

| | HK$'000 |
|---|---|
| Total cash consideration received | 201,969 |
| Net assets disposed of: | |
| 30% share of net assets of interest in joint ventures disposed | (168,559) |
| Translation reserve | 6,841 |
| Related transaction costs incurred | (5,485) |
| Gain on disposal of investments in joint ventures | 34,766 |

During the year ended 31 December 2013, a further gain on disposal of investments in joint ventures of HK$3,984,000 has been recognised in the consolidated income statement. It represents the gain arising from the final adjustment to the value of the 30% equity interest in the Ferragamo entities disposed in December 2012.

## 3. Operating profit

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

| | **2013** **HK$'000** | 2012 HK$'000 (Restated) |
|---|---|---|
| Cost of inventories recognised as expenses included in cost of sales | **635,077** | 623,760 |
| Additional/(reversal of) provision for impairment of inventories | **24,718** | (9,217) |
| Depreciation of property, plant and equipment | **175,851** | 178,466 |
| Additional provision for impairment of property, plant and equipment | **4,338** | 3,996 |
| Amortisation of intangible assets | **-** | 1,759 |
| Loss on disposal of property, plant and equipment | **5,199** | 6,821 |
| Operating lease rental expense – minimum lease payment | **323,112** | 273,052 |
| Operating lease rental expense – contingent rents | **290,720** | 319,854 |
| (Reversal of)/additional provision for impairment of trade receivables – net | **(3,034)** | 200 |
| Employee benefit expenses | **685,470** | 659,777 |
| Advertising and promotion expenses (Note) | **157,797** | 161,233 |
| Royalty expenses | **7,838** | 13,933 |

Note: Advertising and promotion expenses included employee benefit expenses and operating lease rental expenses of HK$18,892,000 (2012: HK$20,716,000) and HK$2,533,000 (2012: HK$3,665,000) respectively.

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

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| Audit services | **5,398** | 4,810 |
| Non-audit services | | |
| - due diligence review | **-** | 2,053 |
| - taxation services | **628** | 904 |
| - other services | **357** | 223 |
| | **6,383** | 7,990 |

Note: HK$5,206,000 (2012: HK$4,702,000) of the audit services fees and HK$985,000 (2012: HK$3,156,000) of non-audit services fees are payable to the Company's auditor.

## 4. Other income

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| Subsidy income | **12,974** | 24,066 |
| Rental and licence fee income | **2,776** | 2,214 |
| Consultancy services fee income from third parties | **17,094** | - |
| Consultancy services fee income from a related party | **2,800** | - |
| Management fee income from related parties | **2,285** | 25,584 |
| Claims received | **2,413** | 2,194 |
| Sales commission | **1,486** | 1,552 |
| Gains on remeasurement of contingent purchase consideration payable for acquisition | **13,513** | 4,990 |
| Gain on disposal of a subsidiary | **479** | - |
| Others | **14,571** | 10,956 |
| | **70,391** | 71,556 |

## 5. Other gains – net

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Fair value (losses)/gains on forward foreign exchange contracts | **(209)** | 395 |
| Net foreign exchange gains | **47,801** | 15,148 |
| Other gains – net | **47,592** | 15,543 |

## 6. Finance costs – net

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Finance costs | | |
| - Interest expenses on bank borrowings and overdrafts wholly repayable within five years | **(16,608)** | (9,777) |
| - Notional interest expenses on contingent purchase consideration payable for acquisition | **(13,185)** | (7,019) |
| Finance costs | **(29,793)** | (16,796) |
| Finance income | | |
| - Interest income on bank deposits | **18,606** | 5,457 |
| - Interest income on loan receivable | **1,496** | - |
| Finance income | **20,102** | 5,457 |
| Finance costs – net | **(9,691)** | (11,339) |

## 7. Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2012: 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. Overseas capital gain tax has also been provided for in respect of the disposal of investments in joint ventures for the year ended 31 December 2012.

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Current income tax | | |
| - Hong Kong profits tax | **45,768** | 38,967 |
| - Overseas taxation | **31,853** | 81,864 |
| Deferred income tax | **(3,268)** | (9,647) |
| Over provision in prior years | **(13,112)** | (14,187) |
| | **61,241** | 96,997 |

## 8. Earnings per share

(a) Basic

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

| | **2013** | 2012 (Restated) |
|---|---|---|
| Weighted average number of ordinary shares in issue | **1,728,854,000** | 1,715,719,000 |
| Profit attributable to shareholders of the Company (HK$'000) | **308,208** | 540,119 |
| Basic earnings per share (HK cents per share) | **17.8 cents** | 31.5 cents |

(b) Diluted

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

| | **2013** | 2012 (Restated) |
|---|---|---|
| Weighted average number of ordinary shares in issue | **1,728,854,000** | 1,715,719,000 |
| Adjustment for share options | **10,769,000** | 31,126,000 |
| Weighted average number of ordinary shares for diluted earnings per share | **1,739,623,000** | 1,746,845,000 |
| Profit attributable to shareholders of the Company (HK$'000) | **308,208** | 540,119 |
| Diluted earnings per share (HK cents per share) | **17.7 cents** | 30.9 cents |

## 9. Dividends

(a) Dividends attributable to the year are as follows:

| | **2013 HK$'000** | 2012 HK$'000 |
|---|---|---|
| Interim dividend declared and paid of 4.5 HK cents (2012: 8.0 HK cents) per ordinary share | **77,819** | 137,367 |
| Final dividend proposed after the balance sheet date of 8.5 HK cents (2012: 14.0 HK cents) per ordinary share | **147,274** | 242,071 |
| No special final dividend proposed after the balance sheet date (2012: 2.0 HK cents) per ordinary share | **-** | 34,581 |
| | **225,093** | 414,019 |

The final dividend (2012: final dividend and special final dividend) proposed after the balance sheet date have not been recognised as liabilities at the balance sheet date.

## 9. Dividends (Continued)

(b) Dividends attributable to the previous year, approved and paid during the year are as follows:

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Final dividend approved and paid of 14.0 HK cents (2012: 15.0 HK cents) per ordinary share | **242,071** | 257,110 |
| Special final dividend approved and paid of 2.0 HK cents (2012: nil) per ordinary share | **34,581** | - |
| | **276,652** | 257,110 |

## 10. Loan receivable

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| **Non-current assets** | | |
| Loan receivable | **71,647** | - |
| Less: provision for impairment of loan receivable | - | - |
| Loan receivable – net | **71,647** | - |

(a) On 21 August 2013, the Group entered into a convertible promissory note transaction with British Heritage Brands, Inc. ("BHB"), a licensee of Kent & Curwen in Europe, North America, Central America, South America, Russia and the Middle East. Under the terms of the agreement, the Group would contribute a maximum aggregate amount of USD15.0 million in four tranches over two years with the first and second tranches of USD6.75 million and USD3.25 million already paid as at 31 December 2013. For the remaining USD5.0 million (approximately HK$38.8 million), the Group is required to pay to BHB by 31 August 2014, subject to the satisfaction of the relevant benchmarks as prescribed under the agreement. The convertible promissory note carries interest at 5% per annum maturing on 31 December 2027 with a right of conversion up to 23.94% equity interest of BHB during the period commencing on the earlier of either (i) the date on which sum of all payments made by the Group equals the maximum aggregate amount of the convertible promissory note; or (ii) 1 January 2016, and ending on the day occurring 90 days following the date of delivery to the Group of the annual audited financial statements of BHB for the fiscal year 2018.

(b) The convertible promissory note is denominated in US dollars.

(c) The effective interest rate of the convertible promissory note at the balance sheet date was 5.38%.

(d) As at 31 December 2013, the carrying amount of the Group's loan receivable approximated its fair value.

## 11. Derivative financial instrument

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| **Non-current assets** | | |
| Conversion right embedded in convertible promissory note | **6,024** | - |

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 10.

## 12. Trade receivables

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Trade receivables | **175,991** | 198,279 |
| Less: provision for impairment of trade receivables | **(1,907)** | (10,149) |
| Trade receivables – net | **174,084** | 188,130 |

Majority of the Group's revenue are retail 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. Licensing income is generally collectible within 90 days from the invoice date. The ageing analysis by invoice date of trade receivables of the Group is as follows:

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| 1 - 30 days | **119,988** | 132,841 |
| 31 - 60 days | **42,910** | 44,472 |
| 61 - 90 days | **7,190** | 7,920 |
| Over 90 days | **5,903** | 13,046 |
| | **175,991** | 198,279 |

## 13. Trade payables

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Trade payables | **89,932** | 81,467 |

As at 31 December 2012 and 2013, the carrying amounts of the Group's trade payables approximated their fair values.

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

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| 1 - 30 days | **49,720** | 32,414 |
| 31 - 60 days | **16,630** | 18,801 |
| 61 - 90 days | **11,226** | 9,944 |
| Over 90 days | **12,356** | 20,308 |
| | **89,932** | 81,467 |

# MANAGEMENT DISCUSSION & ANALYSIS

## Financial Review

The year 2013 marked a sea change for companies operating in the Chinese Mainland's luxury goods market. Austerity measures imposed by the Chinese Government have greatly reduced demand for gift giving – until now a substantial revenue generator for the industry.

These reforms, together with the domestic market in its recovery stage, have had inevitable but expected impacts on Trinity's financial performance for the year under review. Revenue decreased by 3.7% for the year, while profit attributable to shareholders decreased by 42.9%. Nevertheless, the Group feels confident about how its business is positioned to leverage the future developments taking place in the high-end to luxury menswear sector and the strategic direction in establishing strong business fundamentals over the medium-term.

## Revenue

Group revenue was HK$2,695.9 million for full year 2013, representing a decrease of 3.7% compared with HK$2,800.7 million that was recorded in 2012. Revenue from the Chinese Mainland dropped by 9.9% which was due to lower domestic demand as a result of both a slower pace of economic growth and the continued implementation of stringent austerity measures.

## Gross Profit

Gross profit margin in 2013 was 75.5% down from 78.1% in 2012. The drop was caused by higher promotional discount driven by weakened demand and additional provision on inventory made during the year. Coupled with decline in revenue, gross profit decreased by 6.9% to HK$2,036.1 million.

## Selling and Marketing Expenses

Selling and marketing expenses amounted to HK$1,286.0 million in 2013, representing a HK$25.7 million or 2.0% increase over 2012 which was largely from Gieves & Hawkes, a business acquired in May 2012 as well as general cost increase in Greater China. In terms of percentage of revenue, it increased from 45.0% to 47.7%. The increase was due to a drop in cost efficiency as a result of weakening sales.

## Administrative Expenses

Administrative expenses increased by HK$44.6 million or 9.6% in 2013 and in terms of percentage of revenue it increased from 16.6% to 18.9%. The increases were primarily due to the addition of senior positions in Europe for Cerruti and Gieves & Hawkes as well as the consolidation of the full year of administrative expenses in Gieves & Hawkes business in the United Kingdom ("UK") which was acquired in May 2012.

## Other Gains - net

Other gains - net increased by HK$32.0 million to HK$47.6 million in 2013. The appreciation of Renminbi during the year accounted for a significant part of the gain.

## Gain on Disposal of Investments in Joint Ventures

The gain of HK$4.0 million in 2013 represented the final adjustment of the consideration arising from the disposal of the 30% shareholding in the Ferragamo joint venture companies in December 2012.

## Operating Profit

Full year operating margin declined from 20.8% to 13.5%. The decline in gross profit margin and the increase in selling and marketing expenses and administrative expenses as a percentage of revenue accounted for 7.5 percentage points ("ppt") of the drop.

## Finance Costs - net

Net finance costs decreased by HK$1.6 million to HK$9.7 million. The improvement was attributed to our accumulation of Renminbi, arbitraging the interest rate differential between Hong Kong Dollar and Renminbi as part of our treasury management process.

## Share of Profit of Associates/Joint Ventures

Share of profit of associates/joint ventures declined by HK$49.2 million to HK$16.2 million as a result of the disposal of 30% of the Group's shareholding in the Ferragamo joint venture companies in December 2012 and decline in net profit of these companies in year 2013.

## Effective Tax Rate

The effective tax rate increased from 15.2% in 2012 to 16.6% in 2013. The exceptionally low tax rate in 2012 was achieved by the recognition of share option costs as tax deductible expenses in Hong Kong and the release of previously provided withholding tax provision on retained profits of a Ferragamo joint venture company. The increase in unrecognised tax losses and the absence of the reversal of withholding tax provision largely explained the slight increase of tax rate to 16.6% in 2013.

## Profit Attributable to Shareholders

Profit attributable to shareholders decreased by 42.9% to HK$308.2 million and as a percentage of revenue declined to 11.4% from 19.3%. As a result, basic earnings per share of the Group dropped to 17.8 HK cents from 31.5 HK cents.

## Working Capital Management

The Group was able to maintain inventory turnover days of 373 days and trade receivable turnover days of 25 days in 2013. They were largely in line with the 378 days and 28 days for inventory and trade receivable achieved in 2012. The Group's trade payable turnover days, however, decreased from 61 days in 2012 to 47 days in 2013. The decrease was mainly attributable to the decrease in average trade payables balance of year on year as a result of revenue decline and the consolidation of the full year cost of goods sold in Gieves & Hawkes business.

## Financial Position and Liquidity

The Group generated net cash from operating activities of HK$227.9 million, lower than the HK$328.9 million achieved in 2012. The decrease was mainly due to a drop in operating profit which was partly offset by a decrease in tax payment during the year 2013.

During the year, the major investing activity of the Group was the purchase of convertible promissory note amounted to HK$77.6 million (of which HK$71.6 million is shown as loan receivable and HK$6.0 million as derivative financial instrument) issued by British Heritage Brands, Inc. ("BHB"), a licensee of Kent & Curwen in Europe, North America, Central America, South America, Russia and the Middle East ("defined licensed territories"). The proceeds are for the development of licensee business in the defined licensed territories.

The net debt position of the Group was HK$90.7 million and the net debt to equity ratio, was 2.6% as at 31 December 2013.

## Credit Risk Management

Trade receivables from department stores and receivables from licensees are the major credit risk of the business. The Group has established procedures to evaluate and monitor the credit risk of department stores and licensees in order to control its exposure in this area. The Group's trade receivable turnover days of 25 days achieved in 2013 was in line with the 28 days in 2012. At the end of December 2013, the Group's debtors ageing analysis showed the percentage of debtors over three months old was 3.4% of total trade receivables.

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

## Foreign Exchange Management

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

## Interest Rate Management

The Group evaluates interest-rate risks periodically to determine the need to hedge against adverse interest-rate movements. Since the volatility of interest-rate movements was expected to be mild during the year, no interest-rate hedge was taken in 2013.

## Banking Facilities

The Group has secured adequate bank lines of approximately HK$1,955.1 million for operational contingencies. A total of HK$1,410.0 million revolving loans, repayable within one year, were utilised, and HK$55.9 million was utilised for trade financing and bank overdrafts at year end. The undrawn facilities at year end amounted to HK$489.2 million.

## Purchase of Convertible Promissory Note

Our continued commitment and collaboration with BHB to expand Kent & Curwen into the defined licensed territories require the purchase of convertible promissory note issued by BHB, of which HK$77.6 million was taken up during 2013 and approximately HK$38.8 million will be paid by 31 August 2014. Under this arrangement the Group could own 23.94% of BHB after exercising the conversion option. It provides the Group with a profit sharing upside in a market with enormous potential and with a partner who has extensive market expertise in developing high-end to luxury menswear brands. The Group signed a licensing arrangement with BHB in 2012 to sell and distribute Kent & Curwen merchandise in the defined licensed territories.

## Geographical Analysis for Retail and Licensing Businesses

***Revenue***

Retail revenue in Greater China recorded a drop of 5.3% with Hong Kong & Macau achieved a 2.0% growth but the Chinese Mainland and Taiwan suffered a decline of 9.9% and 2.5% respectively. The same-store sales growth rates reflected a similar trend of which Hong Kong & Macau grew 6.0% while the Chinese Mainland and Taiwan contracted by 11.1% and 2.8% respectively. Meanwhile, retail revenue in Europe increased by 22.1% as a result of the acquisition of Gieves & Hawkes business in the UK in May 2012. The contribution of revenue from Europe to the Group increased to 10.7% from 9.1%.

***Gross Margin***

The Group recorded a decline in its retail gross margin of 2.3 ppt in Greater China to 76.1% caused by adverse market conditions and out of which an increase in stock provision accounted for 1.0 ppt of the total gross margin decline. The retail gross margins of Hong Kong & Macau, the Chinese Mainland, Taiwan and Europe were 78.4%, 75.5%, 69.9% and 54.6% respectively which declined by 0.9 ppt, 3.1 ppt, 2.6 ppt and 6.0 ppt compared with 2012.

***Segmental earnings before net finance costs and income tax expense ("Segmental contribution")***
Segmental contribution decreased by HK$271.3 million. Chinese Mainland and Europe showed the highest decline due to adverse market conditions and the Group's infrastructure investment in Europe respectively.

## Operations Review

The austerity measures that were imposed as part of the ongoing reforms on the Chinese Mainland have had an inevitable effect on companies operating in the luxury sector, which will likely carry well into the future. This impacts Trinity because gift purchasing, one of the main activities targeted with these measures, has traditionally been a significant revenue-generator for companies in high-end to luxury menswear.

However, while the new restrictions on gifts have resulted in some initial growing pains, they have also redefined and clarified business strategies in the industry. Companies must now build real demand from customers who make purchases for self-use if they are to succeed in the long-term. The Group's 'Global Brands, Global Networks' strategy is designed to build a loyal international following for each of its fully-owned brands – Kent & Curwen, Gieves & Hawkes and Cerruti – and, in turn, boost cachet and sales on the Chinese Mainland, the most high-potential luxury goods consumer market in the world.

Our progress in this regard has been excellent. Each member of Trinity's portfolio enjoyed considerable upticks in its visibility and profile in 2013. Higher exposure has come as the result of significant investments in upgrading the collections and in marketing, advertising, celebrity endorsements, media relations and high-profile events.

In the immediate term, the Group is doing everything it should to maximise productivity and profitability. Store network review and rationalisation is ongoing.

Trinity's partnership for Kent & Curwen with its licensee, BHB, continues to make encouraging inroads in the United States ("US") market, with an introduction of new collection and stores. Gieves & Hawkes now has among its collections, one collection which is a 100% made in the UK, and with the upgrading of its flagship at No. 1 Savile Row the brand is generating significant media hype among the international fashion press. Cerruti with its well acclaimed fashion shows in Paris is also generating excellent reviews and interests from international press and retailers.

As always, employee welfare, community relations and sustainability played large roles in how the Group conducted its business during the year under review. The Group is exceptionally proud of the volunteering track record of our employees and their dedication to the communities where we operate.

## Store Network Development

Now is not the ideal time for store network expansion in the Chinese Mainland and we have been regularly reviewing our retail network and rationalising where necessary. In the Chinese Mainland the Group opened 48 new stores and closed 74 stores.

In Europe the Group now operates 10 stores. This includes Gieves & Hawkes' famed No. 1 Savile Row in London and Cerruti's flagship at No. 3 Place de la Madeleine in Paris. BHB also operates Kent & Curwen store at No. 2 Savile Row in London and distributes through a network of stores in the US.

In total, Trinity opened 56 new stores and closed 91 stores in 2013, representing a net decrease of 7.2%. As at 31 December 2013, the Group operated a total of 451 stores, of which 360 were located in the Chinese Mainland, 40 in Hong Kong & Macau, 41 in Taiwan, 9 in the UK and 1 in France.

## Marketing & Promotion

Trinity's marketing and promotional activities centre primarily on three fully-owned brands: Kent & Curwen, Gieves & Hawkes and Cerruti. These three global brands represent over 90% of the Group's revenue.

Trinity has reviewed the brand DNA to strategically accentuate its brands and their attributes. Tactics have included fashion shows and seasonal collections presentations, advertising, publicity and promotions, store launch events, press events for seasonal collections, and interviews with brand representatives such as their global brand heads and creative directors.

*Kent & Curwen*

In 2013, we continued to make excellent progress marketing the brand in the US and Europe and building affinity for its unique style and heritage through the partnership with BHB.

Kent & Curwen's first collection by BHB, Fall/Winter 2013, was sold in approximately 40 doors across North America and Europe. The strategy is to have the US and UK markets lead the way to build an international image while the brand gradually moves toward having a substantial international store network. To support this collection, an advertising campaign was launched featuring Mr Alastair Cook and Mr Nick Compton, both star cricket players for the English national team.

The Group announced exciting news in November 2013 when it signed global football superstar and former England striker Mr Michael Owen as Kent & Curwen's official brand ambassador. The appointment is intended to reinforce Kent & Curwen as a purveyor of high-end sportswear and to enhance its brand awareness in Greater China. Together with Mr Aaron Kwok, they were the key celebrities at the fifth Kent & Curwen Centenary Sprint Cup at the Shatin Hong Kong Jockey Club in January 2014.

*Gieves & Hawkes*

In 2014, Gieves & Hawkes celebrates 205 years of unbroken service to the British Monarchy. The only brand to have continually served the Monarch since our first Royal Warrant of Appointment was granted by King George III in 1809. In honour of the brand's Royal patronage, a luxury capsule collection of ready-to-wear suits, jackets, shirts, ties, coats and shoes all handmade in the UK which carries the in-house name 'The Royal Collection' was unveiled at No. 1 Savile Row and soon to be rolled out to our top 20 stores globally. This new collection and our historic archive of men's clothing spanning over 200 years were displayed in the gardens of Buckingham Palace during July 2013 and was attended by various members of the British Royal Family, celebrities and VIP customers.

In China, Gieves & Hawkes launched a new campaign to bring the brand's new collection to the domestic market. The campaign was spearheaded by the London management, demonstrating how the 'Global Brands, Global Networks' strategy is having a real impact on the Group's business in the Chinese Mainland.

*Cerruti*

Cerruti is designed and marketed under two lines: Cerruti 1881 and the more exclusive and acclaimed Cerruti 1881 Paris.

The latest Cerruti 1881 Paris collections were shown at Paris Men's Fashion Week in January and June 2013, contributing to an auspicious first half of the year for the Group's 'Global Brands, Global Networks' strategy. The brand's Fall/Winter 2013 collection was launched in Paris, and selected stores were hand-picked in Greater China to carry this ultra-exclusive, high-quality line, which represents one of Cerruti's finest ever.

In October 2013, Trinity held a media preview in Shanghai to promote the collection, with the goal of conveying Cerruti's heritage, design and quality to customers in the domestic market. The Group understands that diffusing Cerruti's attributes in the Chinese Mainland will be a gradual process, but it does so with the confidence that, as the brand continues to grab the attention of the fashion world at events such as Paris Fashion Week, more and more Chinese luxury shoppers will become advocates.

## Sourcing

An important initiative in 2013 was to continue strengthening Trinity's supply chain management infrastructure. Key to this is protecting the integrity of the product and ensuring that third-party factories meet our high standards in regard to quality assurance, workplace ethics and sustainability.

## Human Resources

An increasingly global business requires finding talented people and grooming them into leaders who can work across markets and cultures. Regardless of the business circumstances, Trinity will always invest in its human resources, training and employee retention to maintain an industry-leading staff force who can help the Group meet its goals.

In the first half of the year, the Group held the Trinity Elite Lessons in Leadership ("TELL") Programme, a continuous learning programme for managers that also facilitates cross-department communications and learning. October 2013 marked a follow-up Leadership Through Influencing Core Values programme, where more than 40 TELL graduates came together in Hong Kong to extend their studies in the Group's core values of respect and team spirit. During the year the Group also conducted service, supervisory, management, leadership and product training for its frontline staff. These classes were held across Greater China and covered all brands, ensuring that customer-facing employees know the key attributes of service, management as well as new collections under the Trinity brand portfolio.

Given the more difficult operating conditions, the Group implemented a headcount freeze in 2013 to control overhead costs. As at 31 December 2013, the Group had a total workforce of 3,699 employees (representing a decrease of 4.9% as compared with that as at 31 December 2012, arising mainly from a slight decrease in the number of stores of the Group), comprising 967 employees in Hong Kong & Macau, 2,373 employees in the Chinese Mainland, 178 employees in Taiwan and 181 employees in other countries.

The Group's total staffing costs for the year ended 31 December 2013 amounted to HK$685.5 million, representing an increase of 3.9% as compared with that for the same period in 2012, mainly attributable to Europe. The Group offers competitive remuneration packages and development opportunities to its employees, and the general increase in salary also contributed to the increase in total staffing costs as mentioned above.

## Information Technology

As part of its omni-channel marketing strategy, the Group is aggressively building its online presence to make it easier for customers to engage with its brands. Content includes online brand catalogues, promotional news, loyalty programme information, shipment tracking, and a function that enables customers to book tailoring appointments.

In 2013, the IT team successfully deployed an auto-replenishment module for core items. This process considers factors including weekly store sales, store and warehouse minimum stock levels, and delivery lead times. The system then prompts the issue of transfer orders for stock replenishment to stores or factory production orders.

To keep stores up to date with product information and brand-related news, the Group is testing tablets with mobile applications, or apps, in over 30 stores in Hong Kong, Macau and Taiwan. By using the apps, stores can obtain updated information on the latest product catalogues, marketing events, videos and news. Registration apps have also been built into the tablets to capture information and grow VIP customer databases. More tablets will be installed at stores across all the Group's brands and markets in 2014.

Additional customer-centric mobile applications will be designed and developed in 2014 to enhance customer relationship management and in-store customer experience, which will build customer awareness of the Group's brands and products.

## Corporate Social Responsibility & Sustainability Initiatives

In September 2009, the Group launched its formal corporate social responsibility programme, which covers three primary themes: employees, the environment and the community. During the year under review, over 3,300 Trinity staff participated in 44 activities spread across these themes, and dedicated more than 800 hours of their own time volunteering for charitable initiatives.

Trinity believes that people who buy high-end to luxury branded products expect products of the highest quality and hence Trinity strives to make and sell products according to the highest principles of social responsibility and sustainability. The Group conducts compliance testing or verification procedures with suppliers in Hong Kong, ensuring that they comply with international standards of human rights, labour laws and environmental conservation. It also dedicates time and resources to educating its employees about health and safety, ethical business and environmental practices, and ways to combat corruption.

This year the Group continued with its sustainability journey with relevant education programmes covering health, safety, environmental conservation, human rights and anti-corruption measures in both Hong Kong and the Chinese Mainland. These programmes have inspired our colleagues to initiate environmental conservation activities as well as services for the community.

Other employee caring and engagement initiatives included seminars on health and fitness, specifically on the subjects of monitoring for and treating breast cancer, managing blood pressure, and reducing risk of diabetes and hepatitis B. The Group strove to encourage a more fun, relaxing work environment in 2013 by hosting a number of activities, including Mother's Day cake-making, Dragon Boat Festival rice dumpling-making, tai-chi classes, wine tasting sessions and a Christmas cake class.

In the area of environmental conservation, Trinity started using biodegradable plastics for its inner packaging and is insisting that suppliers use them too. The Group believes the higher costs associated with using environmentally friendly resources where feasible will help reduce its environmental footprint. We are also sourcing natural fibres such as bamboo for certain clothing items. For example, over 50% of Cerruti's Spring/Summer 2013 collection used natural fibres as well as 50% recyclable materials in its fabric labels, and a small portion of the Gieves & Hawkes' Spring/Summer 2013 collection was made from bamboo. The Group also effectively minimised its paper consumption this year.

In the community, Trinity staff continued to participate in World Vision's 'Skip a Meal' programme for hunger awareness and WWF's Earth Hour for environmental conservation. Employees also volunteered their valuable personal time to various community improvement campaigns such as tree-planting and recycling campaigns, school engagement and job shadowing activities, Philippines typhoon relief, Sichuan earthquake relief, Jakarta flood relief and many more.

On an important note, Trinity requests that its suppliers refrain from using Uzbekistani cotton due to government-sanctioned violations of forced labour and child labour laws. This condition has been in place since 2011.

## Looking Ahead

The Group's near-term outlook for the Chinese Mainland is cautious. The country's economic slowdown appears to have bottomed, but there is no catalyst yet for a rebound. In the medium- to long-term, however, we believe – as do many analysts, economists and industry colleagues – that the country will fulfil its promise as the biggest luxury market in the world. Luxury consumers in the

Chinese Mainland remain the most sought-after in the world, and they are the Group's primary focus both at home and abroad.

Trinity is intently focused on building global brands with enhanced international appeal – ones that will open business opportunities in new markets and attract even more affinity among consumers in the Chinese Mainland. With full ownership of Kent & Curwen, Gieves & Hawkes and Cerruti, Trinity controls about 90% of its revenue stream and one of the most impressive brand portfolios of its kind.

While Trinity's financial accomplishments were expectedly modest during the year, the Group achieved many of the objectives it set out at the beginning of 2013 – namely, to further strengthen its 'Global Brands, Global Networks' strategic platform and optimise its store network, staffing and other overhead costs in an effort to control expenses and deliver shareholder value.

It is also instructive to consider Trinity's development over the four-year period since the Company's listing in 2009. In that timeframe, the Group has expanded while securing control of an enviable collection of high-end to luxury menswear brands. Senior management is as confident as ever that Trinity will grow and succeed over the medium- and long-terms.

## CORPORATE GOVERNANCE

The Board and management are committed to principles of good corporate governance consistent with prudent enhancement and management of shareholder value. These principles emphasise transparency, accountability and independence.

In order to reinforce independence, accountability and responsibility, the role of the Chairman is separate from that of the Group Managing Director. Their respective responsibilities are clearly established and defined by the Board in writing.

The Board has established the Audit Committee, Nomination Committee and Remuneration Committee (all chaired by Independent Non-executive Director) with defined terms of reference, which are of no less exacting than those set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). All these committees comprise a majority of Independent Non-executive Directors.

Full details on the Company's corporate governance practices are set out in the Company's 2013 Annual Report.

## AUDIT COMMITTEE

The Audit Committee was established on 1 January 2009 to review the Group's financial reporting, internal controls and corporate governance issues, to consider issues relating to the external auditor, and to provide advice and make relevant recommendations to the Board.

The Audit Committee met four times in 2013 (with a 100% attendance rate) to review with senior management, the Company's Corporate Governance Division ("CGD") and external auditor, the Group's significant internal controls, risk management, and financial matters as set out in the Audit Committee's written terms of reference and make relevant recommendations to the Board. The CGD, under the supervision of the Group Chief Compliance Officer, is responsible for performing the internal audits of the Group. In 2013, the Committee's review covered the audit plans and findings of the CGD and external auditor, external auditor's independence, the Group's accounting principles and practices, goodwill impairment assessment, listing rules and statutory compliance, connected transactions, internal controls, risk management, financial reporting matters (including the annual and interim financial statements before recommending them to the Board for approval) and the adequacy of resources, qualification and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

The Audit Committee has reviewed the annual results for the year ended 31 December 2013.

## INTERNAL CONTROL AND RISK MANAGEMENT

The Board recognises the importance of internal controls to safeguard shareholders' interests and investments and the Group's assets, as well as to manage business risks. The Board is responsible for ensuring that the Group maintains a sound and effective system of internal controls, and for reviewing the adequacy and effectiveness of such system through the Audit Committee.

Based on the assessments made by the management, CGD and also taking into the account the results of the work conducted by the external auditor for the purpose of their audit for 2013, the Audit Committee is satisfied that:

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

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

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

## COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Group has adopted stringent procedures governing Directors' securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules. Relevant employees who are likely to possess inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code. Specific confirmation has been obtained from each Director and relevant employee on compliance with the Model Code for 2013. No incident of non-compliance by Directors and relevant employees was noted by the Company in 2013.

## COMPLIANCE WITH THE CG CODE OF THE LISTING RULES

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in compliance with the code provisions set out in the CG Code contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2013.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

## FINAL DIVIDEND

The Board recommended to pay to the shareholders of the Company a final dividend of 8.5 HK cents (2012: 14.0 HK cents plus a special final dividend of 2.0 HK cents) per share for the year ended 31 December 2013. Together with the interim dividend of 4.5 HK cents (2012: 8.0 HK cents) per share, the total dividends for the year ended 31 December 2013 amount to 13.0 HK cents (2012: 24.0 HK cents) per share.

## ANNUAL GENERAL MEETING

The Annual General Meeting of the Company ("AGM") will be held on 21 May 2014. Notice of the AGM will be sent to the shareholders of the Company in due course.

## RECORD DATES AND BOOK CLOSURE

– *For determining members' right to attend and vote at AGM:*

| | |
|---|---|
| Latest time to lodge transfer documents with Share Registrar *(Note 1)* | 4:30 pm, 20 May 2014 |
| Record Date | 20 May 2014 |

– *For determining members' entitlement to the proposed final dividend:*

| | |
|---|---|
| Latest time to lodge transfer documents with Share Registrar *(Note 1)* | 4:30 pm, 27 May 2014 |
| Book Closure *(Note 2)* and Record Date | 28 May 2014 |
| Expected despatch date of dividend warrants | 9 June 2014 |

*Notes:* 1. *The Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, is currently situated at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014.*

2. *No transfer of shares will be registered on the book closure date.*

## PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the Company at *www.trinitygroup.com* and Hong Kong Exchanges and Clearing Limited at *www.hkexnews.hk*. The 2013 Annual Report and the Notice of AGM will be despatched to the shareholders of the Company and available on the same websites on or about 15 April 2014.

## CHANGE OF ADDRESS OF BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

With effect from 31 March 2014, the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, will change its address from 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

By Order of the Board
**Victor FUNG Kwok King**
*Chairman*

Hong Kong, 14 March 2014

*As at the date of this announcement, the Board comprises three executive directors, namely, Mr WONG Yat Ming, Mr Bruno LI Kwok Ho and Mr Danny LAU Sai Wing; five non-executive directors, namely, Dr Victor FUNG Kwok King, GBM, GBS, CBE, Dr William FUNG Kwok Lun, SBS, OBE, JP, Mr Jose Hosea CHENG Hor Yin, Mr Jean-Marc LOUBIER and Ms Sabrina FUNG Wing Yee; and four independent non-executive directors, namely, Mr Cassian CHEUNG Ka Sing, Mr Michael LEE Tze Hau, Mrs Eva CHENG LI Kam Fun (also known as Ms Eva LI Kam Fun) and Mr Patrick SUN.*

** For identification purposes only*