TRINITY LIMITED

利邦控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 891)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

Highlights

	2014	2013	% change
Revenue *(HK$ million)*	**1,260**	1,338	-5.9%
Gross profit *(HK$ million)*	**998**	1,009	-1.0%
Gross margin (%)	**79.3%**	75.4%	
Operating profit *(HK$ million)*	**94**	175	-46.7%
Operating margin (%)	**7.4%**	13.1%	
Profit attributable to shareholders *(HK$ million)*	**79**	150	-47.3%
Profit attributable to shareholders (%)	**6.3%**	11.2%	
Basic earnings per share *(HK cents)*	**4.6**	8.7	
Interim dividend per share *(HK cents)*	**2.4**	4.5	

The board of directors (the “Board”) of Trinity Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2014.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	**Unaudited Six months ended 30 June 2014 HK$’000**	2013 HK$’000
Revenue	2(a)	**1,259,562**	1,338,184
Cost of sales		**(261,067)**	(329,221)
Gross profit		**998,495**	1,008,963
Other income		**29,746**	20,558
Selling and marketing expenses		**(656,136)**	(627,515)
Administrative expenses		**(240,503)**	(251,041)
Other (losses)/gains - net	4	**(38,083)**	20,525
Gain on disposal of investments in joint ventures	2(b)	**-**	3,984
Operating profit	3	**93,519**	175,474
Finance income		**15,658**	7,024
Finance costs			
Notional interest expenses on contingent purchase consideration payable for acquisition		**(6,587)**	(5,990)
Interest expenses on bank borrowings and overdrafts		**(10,019)**	(7,108)
Finance costs – net		**(948)**	(6,074)
Share of profit of associates	2(a)	**4,558**	11,922
Profit before income tax		**97,129**	181,322
Income tax expense	5	**(18,116)**	(31,332)
Profit for the period attributable to shareholders of the Company		**79,013**	149,990
Basic earnings per share attributable to shareholders of the Company (expressed in HK cents per share)	6(a)	**4.6 cents**	8.7 cents
Diluted earnings per share attributable to shareholders of the Company (expressed in HK cents per share)	6(b)	**4.6 cents**	8.6 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June **2014** **HK$'000**	2013 HK$'000
Profit for the period	**79,013**	149,990
Other comprehensive income/(expenses) for the period		
Item that will not be reclassified subsequently to profit or loss		
Remeasurements of post employment benefit obligations	-	268
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of subsidiaries and associates	**4,742**	(14,350)
Other comprehensive income/(expenses) for the period, net of tax	**4,742**	(14,082)
Total comprehensive income for the period	**83,755**	135,908
Total comprehensive income attributable to:		
- Shareholders of the Company	**83,755**	135,908

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2014 HK$'000	Audited 31 December 2013 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**247,244**	278,572
Intangible assets		**3,080,327**	3,080,812
Investments in associates		**144,250**	135,167
Loan receivable	8	**71,722**	71,647
Derivative financial instrument	9	**6,018**	6,024
Deposit and prepayments		**69,846**	55,436
Deferred income tax assets		**146,831**	150,670
		3,766,238	3,778,328
Current assets			
Inventories		**742,919**	684,710
Trade receivables	10	**127,910**	174,084
Deposit and prepayments		**108,662**	120,793
Amounts due from related parties		**160**	652
Current income tax recoverables		**21,056**	20,124
Cash and cash equivalents (excluding bank overdrafts)		**1,407,224**	1,337,451
		2,407,931	2,337,814
Total assets		**6,174,169**	6,116,142
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**173,280**	173,264
Share premium		**2,355,575**	2,355,300
Reserves		**847,538**	911,071
Total equity		**3,376,393**	3,439,635
LIABILITIES			
Non-current liabilities			
Provision for long service payments		**8,523**	8,722
Retirement benefit obligations		**22,117**	22,035
Contingent purchase consideration payable for acquisition		**307,885**	319,301
Deferred income tax liabilities		**343,283**	345,159
		681,808	695,217
Current liabilities			
Trade payables	11	**81,740**	89,932
Other payables and accruals		**274,754**	401,793
Amounts due to related parties		**18,455**	20,024
Current income tax liabilities		**43,643**	41,432
Borrowings		**1,697,376**	1,428,109
		2,115,968	1,981,290
Total liabilities		**2,797,776**	2,676,507
Total equity and liabilities		**6,174,169**	6,116,142
Net current assets		**291,963**	356,524
Total assets less current liabilities		**4,058,201**	4,134,852

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Unaudited 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 2013		172,372	2,335,098	1,106,342	(152,570)	3,461,242
Comprehensive income						
Profit for the period		-	-	149,990	-	149,990
Other comprehensive income/(expenses)						
Remeasurements of post employment benefit obligations		-	-	268	-	268
Exchange differences on translation of subsidiaries and associates		-	-	-	(14,350)	(14,350)
Other comprehensive income/(expenses) for the period, net of tax		-	-	268	(14,350)	(14,082)
Total comprehensive income/(expenses)		-	-	150,258	(14,350)	135,908
Transactions with owners						
Employee share option schemes						
- exercise of share options		549	12,167	-	-	12,716
- transfer to retained earnings		-	-	4,254	(4,254)	-
2012 final dividends paid	7(b)	-	-	(242,071)	-	(242,071)
2012 special final dividends paid	7(b)	-	-	(34,581)	-	(34,581)
Total transactions with owners		549	12,167	(272,398)	(4,254)	(263,936)
Balance at 30 June 2013		172,921	2,347,265	984,202	(171,174)	3,333,214
Balance at 1 January 2014		**173,264**	**2,355,300**	**1,068,259**	**(157,188)**	**3,439,635**
Comprehensive income						
Profit for the period		**-**	**-**	**79,013**	**-**	**79,013**
Other comprehensive income						
Exchange differences on translation of subsidiaries and associates		**-**	**-**	**-**	**4,742**	**4,742**
Other comprehensive income for the period, net of tax		**-**	**-**	**-**	**4,742**	**4,742**
Total comprehensive income		**-**	**-**	**79,013**	**4,742**	**83,755**
Transactions with owners						
Employee share option schemes						
- exercise of share options		**16**	**275**	**-**	**-**	**291**
- transfer to retained earnings		**-**	**-**	**3,741**	**(3,741)**	**-**
2013 final dividends paid	7(b)	**-**	**-**	**(147,288)**	**-**	**(147,288)**
Total transactions with owners		**16**	**275**	**(143,547)**	**(3,741)**	**(146,997)**
Balance at 30 June 2014		**173,280**	**2,355,575**	**1,003,725**	**(156,187)**	**3,376,393**

Notes:

1. Basis of preparation and accounting policies

This unaudited condensed consolidated financial information for the six months ended 30 June 2014 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 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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 2013 with the exception of the change in accounting estimation in respect of the determination of the net realisable value of inventories as described below.

During the six months ended 30 June 2014, management has reviewed the basis on which the net realisable value of inventories is determined after reassessment of the utilisation of the available distribution channels and their expected sales pattern. This change in the estimated net realisable value of inventories has resulted in a decrease in provision for impairment of inventories amounted to HK$52.8 million for the period. Annual impairment provision for obsolete inventories will depend on the actual inventories level and selling experience, and consequently it is not possible to reliably estimate the effect of this change in accounting estimates in the future periods.

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

(a) Adoption of new standards, amendments and interpretation to existing standards effective in 2014

The Group has adopted the following new standards, amendments and interpretation to existing standards which are mandatory for accounting periods beginning on or after 1 January 2014:

HKAS 32 (Amendment)	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Investment Entities
HK(IFRIC) – Int 21	Levies

The adoption of such new standards, amendments and interpretation to existing standards does not have material impact on the condensed consolidated financial statements as at and for the six months ended 30 June 2014.

1. Basis of preparation and accounting policies (Continued)

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

The following new standards and amendments to existing 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 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016)
HKFRS 9	Financial Instruments (effective date not yet determined)
HKFRS 11 (Amendment)	Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016)
HKFRS 14	Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016)
HKFRS 15	Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2017)
Annual Improvements Project	Annual Improvements 2010-2012 Reporting Cycle (effective for annual periods beginning on or after 1 July 2014)
Annual Improvements Project	Annual Improvements 2011-2013 Reporting Cycle (effective for annual periods beginning on or after 1 July 2014)

All these new standards and amendments to existing standards are effective in the financial year of 2015 or years after 2015 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 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 period. Corporate employee benefit expenses and overhead, finance income/(costs), other income, gain on disposal of investments in joint ventures and other (losses)/gains - net are not allocated to segments. Inter-segment revenue are priced with reference to prices charged to external parties for similar orders.

Segment asset consists only of inventories.

(a) Segment results

The segment results for the six months ended 30 June 2014 are as follows:

	Unaudited							
	HK & Macau		Chinese Mainland	Taiwan	Europe		Others	
	Retail	Wholesale	Retail	Retail	Retail	Licensing	Retail	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total segment revenue	385,913	408,860	633,720	94,861	125,741	78,518	-	1,727,613
Inter-segment revenue	-	(405,639)	-	-	(41,468)	(20,944)	-	(468,051)
Segment revenue and revenue from external customers	385,913	3,221	633,720	94,861	84,273	57,574	-	1,259,562
Gross profit	314,269	1,426	508,302	72,800	44,124	57,574	-	998,495
Segmental contribution	77,408	1,426	132,109	28,211	(57,285)	12,592	4,558	199,019
Segmental contribution includes:								
Depreciation	(10,395)	-	(59,212)	(1,701)	(6,761)	(1,370)	-	(79,439)
Reversal of impairment of property, plant and equipment	-	-	-	-	339	-	-	339
Share of profit of associates	-	-	-	-	-	-	4,558	4,558
Segment asset as at 30 June 2014	279,365	-	355,259	59,935	48,360	-	-	742,919

2. Segment information (Continued)

(a) Segment results (Continued)

The segment results for the six months ended 30 June 2013 are as follows:

	Unaudited							
	HK & Macau		Chinese Mainland	Taiwan	Europe		Others	
	Retail	Wholesale	Retail	Retail	Retail	Licensing	Retail	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total segment revenue	417,329	321,179	676,239	88,899	102,785	66,002	-	1,672,433
Inter-segment revenue	-	(318,496)	-	-	(4,967)	(10,786)	-	(334,249)
Segment revenue and revenue from external customers	417,329	2,683	676,239	88,899	97,818	55,216	-	1,338,184
Gross profit	327,814	568	509,212	62,076	54,077	55,216	-	1,008,963
Segmental contribution	92,044	568	152,245	19,052	(47,755)	13,398	11,922	241,474
Segmental contribution includes:								
Depreciation	(8,282)	-	(68,159)	(1,207)	(5,240)	(1,059)	-	(83,947)
Reversal of impairment of property, plant and equipment	-	-	-	-	17	-	-	17
Share of profit of associates	-	-	-	-	-	-	11,922	11,922
Segment asset as at 31 December 2013	241,061	-	338,771	57,543	47,335	-	-	684,710

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

	Unaudited Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
Segmental contribution for reportable segments	**199,019**	241,474
Add:		
Other income	**29,746**	20,558
Other (losses)/gains – net	**(38,083)**	20,525
Gain on disposal of investments in joint ventures (note)	**-**	3,984
Less:		
Finance costs – net	**(948)**	(6,074)
Employee benefit expenses	**(62,338)**	(66,205)
Rental expenses	**(11,096)**	(10,187)
Depreciation	**(5,229)**	(5,996)
Other unallocated expenses	**(13,942)**	(16,757)
Total Group's profit before income tax	**97,129**	181,322

Note: Gain on disposal of investments in joint ventures represents the gain arising from the final adjustment of 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:

	Unaudited Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000 (Restated)
(Reversal of)/additional provision for impairment of inventories	**(40,355)**	12,767
Depreciation of property, plant and equipment	**84,668**	89,943
Reversal of provision for impairment of property, plant and equipment	**(339)**	(17)
Loss on disposal of property, plant and equipment	**2,442**	2,950
Additional/(reversal of) provision for impairment of trade receivables	**171**	(859)
Employee benefit expenses	**337,243**	336,275
Advertising and promotion expenses (note)	**76,815**	74,792
Royalty expenses	**3,447**	3,797

Note: Advertising and promotion expenses included employee benefit expenses of HK$5,250,000 (For the six months ended 30 June 2013: HK$7,176,000).

4. Other (losses)/gains – net

	Unaudited Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
Fair value losses on forward foreign exchange contracts	**(709)**	(450)
Net foreign exchange (losses)/gains	**(37,374)**	20,975
Other (losses)/gains – net	**(38,083)**	20,525

5. Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the six months ended 30 June 2014. 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	
	2014	2013
	HK$'000	HK$'000
Current income tax		
- Hong Kong profits tax	**10,039**	17,435
- Overseas taxation	**8,768**	22,777
Deferred income tax	**4,319**	(1,423)
Over provision in prior years	**(5,010)**	(7,457)
	18,116	31,332

6. 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 period.

	Unaudited Six months ended 30 June 2014	2013
Weighted average number of ordinary shares in issue	**1,732,747,000**	1,727,232,000
Profit attributable to shareholders of the Company (HK$'000)	**79,013**	149,990
Basic earnings per share (HK cents per share)	**4.6 cents**	8.7 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.

	Unaudited Six months ended 30 June 2014	2013
Weighted average number of ordinary shares for diluted earnings per share	**1,735,741,000**	1,741,144,000
Profit attributable to shareholders of the Company (HK$'000)	**79,013**	149,990
Diluted earnings per share (HK cents per share)	**4.6 cents**	8.6 cents

7. Dividends

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

	Unaudited Six months ended 30 June 2014 HK$'000	2013 HK$'000
Interim dividend declared after the balance sheet date of 2.4 HK cents (2013: 4.5 HK cents) per ordinary share	**41,587**	77,815

The above interim dividend declared after the balance sheet date has not been recognised as a liability at the balance sheet date.

7. Dividends (Continued)

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

	Unaudited Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
Final dividend approved and paid (2014: 8.5 HK cents per ordinary share; 2013: 14.0 HK cents per ordinary share)	**147,288**	242,071
Special final dividend approved and paid (2014: nil; 2013: 2.0 HK cents per ordinary share)	-	34,581
	147,288	276,652

8. Loan receivable

	Unaudited	Audited
	30 June	31 December
	2014	2013
	HK$'000	HK$'000
Non-current assets		
Loan receivable	**71,722**	71,647
Less: provision for impairment of loan receivable	-	-
Loan receivable – net	**71,722**	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 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% (31 December 2013: 5.38%).

(d) As at 31 December 2013 and 30 June 2014, the carrying amount of the Group's loan receivable approximated its fair value.

9. Derivative financial instrument

	Unaudited 30 June 2014 HK$'000	Audited 31 December 2013 HK$'000
Non-current assets		
Conversion right embedded in convertible promissory note	**6,018**	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 8.

10. Trade receivables

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.

At 30 June 2014, the ageing analysis by invoice date of trade receivables of the Group is as follows:

	Unaudited 30 June 2014 HK$'000	Audited 31 December 2013 HK$'000
1 - 30 days	**79,166**	119,988
31 - 60 days	**37,066**	42,910
61 - 90 days	**6,085**	7,190
Over 90 days	**7,647**	5,903
	129,964	175,991
Less: Provision for impairment of trade receivables	**(2,054)**	(1,907)
	127,910	174,084

As at 30 June 2014, the fair values of the Group's trade receivables are approximately the same as their carrying amounts.

11. Trade payables

At 30 June 2014, the ageing analysis by invoice date of the Group's trade payables is as follows:

	Unaudited 30 June 2014 HK$'000	Audited 31 December 2013 HK$'000
1 - 30 days	**60,827**	49,720
31 - 60 days	**5,615**	16,630
61 - 90 days	**11,224**	11,226
Over 90 days	**4,074**	12,356
	81,740	89,932

The credit period granted by creditors generally ranges from 30 to 90 days. The carrying amounts of the Group's trade payables approximated their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

Structural changes in the economy of the Chinese Mainland, coupled with slower growth because of reduced momentum on consumption and investment, continued to hamper Trinity's ability to achieve more satisfying bottom-line results during the six months under review. In recent times the Group – like all involved in Greater China's premium fashion sector – has faced rising pressures on cost, downward pressure on consumer spending, plus the negative impact on sales of the Mainland government's enforcement of frugality.

While this combination of factors is impacting profits in the short and medium term, Trinity continues to retain and enhance our significant long-term competitive advantage. Our wholly-owned brands – Cerruti, Kent & Curwen, and Gieves & Hawkes – have an authentic heritage, loyal customers and a lengthy track record as standard bearers of style in international menswear.

Largely because of the cachet of Trinity's brands in the world's fashion capitals, they are also popular among style-conscious consumers in the Group's core market, the Chinese Mainland. Increasingly, affluent Chinese consumers are travelling internationally and buying high-end branded goods at source, taking advantage of better deals wherever lower taxes and duties apply. In addition to raising Trinity's profile overseas to reach this expanding segment of Chinese travellers, the Group is cultivating fresher, rejuvenated relationships with our traditional customer bases overseas.

To underpin this effort, Management is focusing more on international retail practices that will help Trinity become nimbler, more efficient throughout the value chain and better positioned to capitalise on opportunities as incomes rise on the Chinese Mainland and the global economic environment improves. These measures include enhancing the Group's capabilities in product development and merchandising. Trinity's leadership team is working closely with business units and employees to integrate best practices into all aspects of our operations. For example, a key priority in recent months has been to reduce inventory days by holding sales that make room for new collections.

Summary of Financial Results

Total revenue decreased by 5.9% in the first half of 2014. Revenue from the Greater China market, which contributed 88.7% of the Group's total revenue over the first six months of the year, decreased by 5.7%. This was largely because of the ongoing slowdown of the Chinese Mainland economy, which resulted in softer consumer demand, as well as the government measures that have impacted gift purchases across the premium and luxury sector. We reduced the total number of stores in Greater China by 18 during the first half of 2014. Same-store sales on the Chinese Mainland decreased by 6.0%, were flat in Hong Kong and Macau (-0.3%) and increased by 2.9% in Taiwan.

Gross margin during the first half of the year was 79.3%, up from 75.4% in the first six months of 2013. The increase in the percentage was mainly attributable to changes in accounting estimates on the net realisable value of inventories. The revised estimate was based on the fact that past-season inventories could be sold at a value above the original cost, with the exception of a portion of inventories which are two years or older. The stock provision required was the estimated amount of inventories with a net realisable value below cost. To compare like with like, the gross margin percentage for last year would be 78.0% if current principle was applied against 79.3% for the current year.

Selling and marketing expenses were HK$656.1 million, representing a 4.6% increase year-on-year, of which higher depreciation on store renovations, product development costs in Europe and store staff wages on the Chinese Mainland explained more than 80% of the increase. Selling and marketing expenses as a percentage of revenue increased from 46.9% to 52.1%.

Administrative expenses decreased by 4.2% year-on-year, primarily due to a reduction in the provision for performance-based rewards to staff.

Income from interest increased by HK$8.6 million because of our large holdings of Renminbi ("RMB"). However, the depreciation of the RMB since March 2014 has had an adverse impact on the valuation of the Group's RMB net assets, mainly in short-term deposits and receivables. As a result, an unrealised foreign exchange loss of HK$41.3 million was recognised. In the same period last year, an unrealised foreign exchange gain of HK$24.5 million was booked, resulting in a swing of HK$65.8 million. The share of profit of associates decreased by 61.8%, to HK$4.6 million.

Profit attributable to shareholders was HK$79.0 million, representing a drop of HK$71.0 million or 47.3% over the corresponding period in 2013. The decline in revenue and the swing in unrealised foreign exchange gains/losses accounted for more than 90% of the reduction.

Inventory Management

Inventory days were 495, or 143 days higher than for the same period in 2013. Of this increase, 120 days were attributable to a strategic receipt acceleration of merchandise for the Fall/Winter 2014 season, and to a release of stock provision due to a change in accounting estimates.

Financial Position and Liquidity

In the first half of 2014 the Group generated HK$13.9 million net cash from operating activities, down 84.5% year-on-year from HK$89.6 million. The decrease was primarily due to a reduction in actual profit and an increase in working capital which was largely attributed to an increase in inventory and a reduction in store renovation subsidy and payables. Lower tax payments on reduced profits mitigated part of the drop in cash generated from operating activities.

The net debt position of the Group was HK$290.2 million and the net debt to equity ratio, equal to net debt divided by total equity, was 8.6% as at 30 June 2014.

The Group has secured banking facilities of HK$2,003.3 million. As at 30 June 2014, HK$283.2 million of the available banking facilities was unutilised.

Treasury Management

The Group purchases a substantial part of production materials in foreign currencies. We have a hedging policy to minimise foreign exchange risks.

Following the Group's past treasury management practice of arbitraging the interest rate differential between RMB short-term deposits and HK dollar short-term loans, the RMB short-term deposits remained un-hedged. However, the Group has taken measures to limit any further accumulation of RMB deposits and will review its currency position at the end of the year.

Interest rate risks are evaluated on a regular basis to determine the need to hedge against adverse movements. As interest rate volatility was expected to be limited, no hedging activities were taken during the reporting period.

Credit Risk Management

While trade receivables from department stores continue to pose a credit risk, the Group is also exposed to risks arising from receivables owed by licensees from our European licensing business. The Group has established procedures to evaluate and monitor credit risk in order to minimise exposure.

Trade receivable turnover days improved from 25 days for the year ended 31 December 2013, to 22 days for the period ended 30 June 2014. This reflected improvements in collecting receivables from recent sales.

All cash and cash equivalents were deposited with major international banks.

Purchase of Convertible Promissory Note

Our continued commitment to and collaboration with New York City-based British Heritage Brands, Inc. ("BHB") to expand Kent & Curwen into defined licensed territories requires the purchase of convertible promissory notes issued by BHB, of which HK$77.6 million was taken up during 2013. The timetable of the purchase of the outstanding amount of convertible promissory note has been deferred and will be determined at a later stage.

Geographical Analysis for the Retail and Licensing Businesses

Revenue
Hong Kong and Macau experienced a 7.5% decrease in retail revenue, and the Chinese Mainland saw a decline of 6.3% and Taiwan increased by 6.7%. Retail revenue in Europe declined 13.8%.

Gross Margin
In Greater China, the Group recorded a growth of 4.3 percentage points in retail gross margin, mainly as a result of a stock provision reversal of HK$40.2 million. Retail gross margins for Hong Kong and Macau, the Chinese Mainland and Taiwan were 81.4%, 80.2% and 76.7%, respectively. The retail gross margin for Europe was 52.4%.

Segmental earnings before net finance costs and income tax expense ("Segmental Contribution")
A decrease in sales resulted in a reduction of Segmental Contribution by HK$42.5 million, representing a drop of 17.6% year-on-year. On the Chinese Mainland and in Europe, Segmental Contribution decreased by HK$20.1 million and HK$10.3 million, respectively. The share of profit of associates decreased to HK$4.6 million.

Building Brand Equity

Marketing and brand promotion are critical for the Group. The Cerruti, Kent & Curwen, Gieves & Hawkes and D'URBAN brands are already well established on the Chinese Mainland, but to maintain a leading position among Chinese consumers – our core customers – Trinity will direct more resources to developing impactful advertising, promotional and public relations campaigns. These are as important in overseas markets as on the Chinese Mainland, because so many high net-worth Chinese consumers are travelling. It is our intention to increase brand awareness among our Chinese customers wherever they shop internationally.

Trinity is also careful to project the right image for the brands in our unique portfolio. Cerruti, Kent & Curwen, Gieves & Hawkes, and D'URBAN all occupy a space in the premium segment of the men's fashion business. This means that, while sufficiently high end to attract top-tier consumers they are nonetheless priced to be also within reach of the fast-growing upper-middle-class tier of Chinese consumers. This gives Trinity a solid business positioning now and for the future.

Trinity's two biggest brands by sales remain Cerruti and Kent & Curwen. However, Gieves & Hawkes – which has a smaller retail footprint – enjoys an enviable reputation in influential fashion media and among key opinion leaders, and the Group is committed to raising the brand's profile. We have moved the brand's headquarters to London, both to establish it in one of the world's fashion capitals and to associate it more strongly with its storied bespoke roots at No.1 Savile Row. Our appointment last year of Mr Jason Basmajian as Creative Director is also realising significant traction.

During the period under review, the Group launched advertising campaigns for Gieves and Hawkes in London as well as across key markets in Asia. Often, we secure prominent individuals to wear Gieves & Hawkes clothing at promotional events, enhancing the brand's image among the fashionable as well as within the financial community.

Also in New York, Kent & Curwen continues to build equity through BHB. The new Creative Director, Mr Simon Spurr, is developing fresh and contemporary collections that signal a subtle shift to a younger, trendier target segment. We are committed to executing this process gradually to ensure that we can transition our existing customer base to the newer, wider audience over time. New global collections will increasingly be made available and promoted in Asia.

Advertising campaigns for Kent & Curwen continue to be developed and implemented out of the UK. Brand Ambassador Mr Michael Owen, former England star footballer for globally popular club Liverpool, and a horse enthusiast, has appeared for the brand in light-box and advertising campaigns and also represents it at The Kent & Curwen Centenary Sprint Cup racing event in Hong Kong. Also endorsing Kent & Curwen is Hong Kong-born Chinese superstar artist and actor Mr Aaron Kwok, who represents the brand at the local level and in the world of entertainment.

Another important event is the Kent & Curwen Royal Polo Cup in the UK, where the Group is now in the final year of a three-year sponsorship contract. This event has gained substantial traction among target audiences, drawing attention with attendance by members of the Royal Family, including Their Royal Highnesses Prince William and Prince Harry, and generating wide coverage in UK press and international media.

Cerruti enjoys a strong following among its clientele in Greater China. The brand's roots, which stretch from Italy to France, connect Trinity to the most successful creative cultures in the history of world fashion. As one of the highest-selling brands in the Group's portfolio, Cerruti will continue to be a Group priority for development, both in terms of profile and collections.

For D'URBAN, the only part of Trinity's core portfolio not wholly owned by the Group, we are working closely with the owner to streamline the business, place additional emphasis on effective purchasing and to close stores that have underperformed. The brand has a dedicated following, especially among those who appreciate minimalist Japanese design.

Sustainability and Corporate Social Responsibility

Trinity upholds the United Nations Global Compact's 10 universal principles on labour, environment, human rights and anti-corruption and, correspondingly, expects compliance from our suppliers. The Group recently introduced an update of our "Code of Conduct and Supplier Compliance Manual", which it enforces via a specially-appointed team that works with suppliers to help improve environmental and social compliance at their factories. The Group also issued an update of our "Anti-Bribery Policy and Guidelines of Gifts, Entertainments and Hospitality" in the first half of 2014.

Trinity strives to adhere to globally-accepted and practiced principles of sustainability in every aspect of our operations. One of the Group's initiatives in the first half of 2014 was the April launch of a new management system for environmental data, "CRedit360", a platform shared with Li & Fung Limited, another Fung Group company. This electronic platform enables more effective management of environmental data, which is now used for recording impact. It measures carbon emissions and keeps track of the Group's consumption of resources such as water and electricity in Hong Kong. In the future, CRedit360 data management will also be expanded to other regions in Greater China. In addition, the Group has employed a specialist with a strong technical background in sustainability to further support our sustainability commitments.

The Group participated in numerous community-focused activities with our employees during the period under review. These are often held in support of not-for-profit organisations, local community institutions and environmental groups. Trinity also encourages our employees to participate in sustainability events and community programmes. For example, this year marks the sixth consecutive year the Group has participated in tree-planting activities, which are popular among employees and which also help to improve and beautify the communities where the Group operates.

From January through June 2014, 751 employees in Hong Kong contributed a total of 1,478 hours to these activities. More than 570 employees from the Chinese Mainland, Taiwan and Macau also joined in sustainability activities. Trinity intends to continue involving the company and our employees in a wide range of activities that place social responsibility at the heart of our operations.

Human Resources

Trinity's Human Resources ("HR") department supports the Group's evolution by identifying and investing in talented, motivated individuals. One of the most important HR initiatives is the Trinity Elite Lessons in Leadership programme, held between Hong Kong and Shanghai, where potential future leaders within the Group undergo six months of intensive training in management skills.

Trinity has generally maintained a stable headcount. As at 30 June 2014, the Group had a total workforce of 3,558 employees representing a decrease of 5.6% compared to a year previously, mainly because of a decrease in the number of stores. Our workforce is comprised of 949 employees in Hong Kong and Macau, 2,254 employees on the Chinese Mainland, 176 employees in Taiwan and 179 in other markets.

The Group offers competitive remuneration packages and development opportunities to its employees. The Group's total staffing costs for the six months ended 30 June 2014 amounted to HK$337.2 million, representing an increase of 0.3% compared the same period in 2013, mainly attributable to salary increases on the Chinese Mainland, the rise was partially offset by a reduction in the provision for performance-based rewards.

Overall, the Group continued to cultivate workplace satisfaction and good employee relations through staff events, health talks, community engagement and related activities.

Prospects

We anticipate that difficulties on the Chinese Mainland market will continue. However, Trinity is favourably positioned for when more positive consumer sentiment eventually returns to that market, as premium brands such as Cerruti, Kent & Curwen, Gieves & Hawkes and D'URBAN remain attractive to the expanding Chinese upper middle-class.

Elsewhere in Greater China, we are confident that improvements in same-store sales will be sustained. Our confidence is reinforced by figures recorded in the month of July 2014 and since. We are also cautiously optimistic about Trinity's prospects in the US and Europe, and plan in the medium term to launch operations in Singapore.

The Group's focus for the rest of 2014 will be on inventory management, for which we have actionable plans to improve our cash-flow position, and actionable events to drive same-store sales. In addition, we will further evaluate gross margin expansion opportunities. We shall also make the initial investment in omni-channel, which allows customers to switch seamlessly between online and offline channels, as we believe this is a great stepping stone to the future.

Overall, the Group's brands remain profitable and retain significant equity on the Chinese Mainland. Trinity will continue our transformation from a major player in Greater China, into a global menswear group whose heritage brands have a commanding presence in the premium-to-luxury space around the world and whose retail operations are world-class wherever we do business.

CORPORATE GOVERNANCE

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

In order to reinforce independence, accountability and responsibility, the role of the Chairman is separate from that of the Chief Executive Officer. 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 terms 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 the committees comprise a majority of Independent Non-executive Directors.

Corporate governance practices adopted by the Company during the six months ended 30 June 2014 are in line with those practices set out in the Company's 2013 Annual Report and the CG Code.

AUDIT COMMITTEE

The Audit Committee met three times to date in 2014 (with a 100% attendance rate) to review with senior management, the Company's Corporate Governance Division ("CGD"), and external auditors, the internal audit plan, 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. The Committee's review covers the audit plans and findings of the CGD and external auditors, the external auditor's independence, the Group's accounting principles and practices, goodwill assessment, listing rules and statutory compliance, connected transactions, internal controls, risk management, financial reporting matters (including the interim financial information for the six months ended 30 June 2014 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 interim results for the six months ended 30 June 2014.

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 its adequacy and effectiveness through the Audit Committee.

Based on the assessments made by the management and the CGD for the six months ended 30 June 2014, 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 interim financial information is reliable for publication; and

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

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 the six months ended 30 June 2014. No incident of non-compliance by Directors and relevant employees was noted by the Company during the six months ended 30 June 2014.

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 six months ended 30 June 2014.

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 six months ended 30 June 2014.

INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim dividend of 2.4 HK cents (2013: 4.5 HK cents) per share for the six months ended 30 June 2014.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed on 22 September 2014 and no transfer of shares will be registered on that day. In order to qualify for the interim dividend, 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 19 September 2014. Dividend warrants are expected to be despatched to the shareholders of the Company on 30 September 2014.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND INTERIM 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 2014 Interim Report will be despatched to the shareholders of the Company and available on the same websites on or about 4 September 2014.

By Order of the Board
Victor FUNG Kwok King
Chairman

Hong Kong, 20 August 2014

As at the date of this announcement, the Board comprises two executive directors, namely, Mr Bruno LI Kwok Ho and Mr Danny LAU Sai Wing; six 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, Ms Sabrina FUNG Wing Yee and Mr WONG Yat Ming; and four 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.

** For identification purposes only*