interim report 2010

TRINITY LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 891

contents

GLOBAL OFFICES

United Kingdom London

Hong Kong, SAR

Chinese Mainland
Shanghai | Beijing | Guangzhou | Chengdu

Singapore

South Korea Seoul

Taiwan Taipei

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Member of the Li & Fung Group

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heritage. luxury. excellence.
These values are the core of the Trinity Group, a leading high-end to luxury menswear retailer serving the Greater China market.

With the positive results achieved in the first half of 2010, we intend to take full advantage of the recovery experienced so far to increase shareholder value.

Victor FUNG Kwok King
Chairman

Today, the Trinity Group stewards six international luxury menswear brands: Kent & Curwen, Cerruti 1881, Gieves & Hawkes, D'URBAN, Intermezzo and Altea. Each brand offers unique and complete product ranges consisting of formal and casual wear with attention to local tastes and fit.

Corporate Information

Executive Directors

WONG Yat Ming
(Group Managing Director)

Bruno LI Kwok Ho
(Chief Financial Officer)

Sabrina FUNG Wing Yee

Non-executive Directors

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

Dr William FUNG Kwok Lun *SBS, OBE, JP*
(Deputy Chairman)

Jeremy Paul Egerton HOBBINS
(Deputy Chairman)

Jose Hosea CHENG Hor Yin

Independent Non-executive Directors

Patrick SUN

Cassian CHEUNG Ka Sing

Michael LEE Tze Hau

Jean-Marc LOUBIER

Group Chief Compliance Officer

James SIU Kai Lau

Company Secretary

Christiana YIU Yuen Wah

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

11/F, 10 Shing Yip Street
Kwun Tong
Kowloon
Hong Kong

Website

www.trinity-limited.com

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

The Bank of Tokyo-Mitsubishi UFJ, Limited

Standard Chartered Bank (Hong Kong) Limited

Bank of China (Hong Kong) Limited

Citibank, N.A.

Legal Adviser

Mayer Brown JSM

Auditor

PricewaterhouseCoopers
Certified Public Accountants

Compliance Adviser

Somerley Limited

Highlights

Highlights of Results for the six months ended 30 June 2010

	2010	2009	% change
Continuing Operations:			
Revenue *(HK$ million)*	**925**	768	**20.3%**
Gross profit *(HK$ million)*	**701**	558	**25.6%**
Gross margin (%)	**75.8%**	72.6%	
Operating profit *(HK$ million)*	**180**	100	**79.9%**
Operating margin (%)	**19.5%**	13.0%	
Profit attributable to shareholders from Continuing Operations *(HK$ million)*	**147**	68	**116.7%**
Profit attributable to shareholders from Continuing Operations (%)	**15.9%**	8.8%	
Discontinued Operations:			
Loss attributable to shareholders from Discontinued Operations *(HK$ million)*	**–**	(12)	
Profit attributable to shareholders *(HK$ million)*	**147**	56	**160.8%**
Basic earnings per share *(HK cents)*	**9.3**	4.6	
Interim dividend per share *(HK cents)*	**5.0**	–	

Store numbers as at 30 June 2010

	Chinese Mainland	HK & Macau	Taiwan	UK	South Korea & SE Asia	Total
Kent & Curwen	81	13	10	1	N/A	105
Cerruti 1881	72	9	11	N/A	N/A	92
Gieves & Hawkes	67	7	9	N/A	N/A	83
D'URBAN	49	7	10	N/A	N/A	66
Intermezzo	12	2	N/A	N/A	N/A	14
Altea	1	1	N/A	N/A	N/A	2
Total for the Group	**282**	**39**	**40**	**1**	**0**	**362**
Salvatore Ferragamo joint ventures	N/A	N/A	N/A	N/A	40	40
Total – the Group and joint ventures	**282**	**39**	**40**	**1**	**40**	**402**

Revenue

Revenue increased by 20.3% as retail markets continued to strengthen.

Gross Profit

Gross profit increased by 25.6% and gross margin improved from 72.6% to 75.8% mainly due to the normalisation of discount policies.

Profit attributable to shareholders

Profit attributable to shareholders increased by 160.8%, driven by the increase in revenue and gross margin in addition to well controlled expenses.

Dividend

Declared interim dividend of 5.0 HK cents per share.

Chairman's Statement

I am pleased to report that in the first half of 2010, Trinity Limited and its subsidiaries (the "Group") recorded solid revenue growth and increased profitability as the Asian retail market continued to strengthen. In the first six months of the year, the Group's revenue increased by 20.3% to HK$924.7 million. Profit attributable to shareholders was HK$146.9 million, an increase of 160.8% compared to the HK$56.3 million recorded during the same period of last year.

The Board of Directors has declared an interim dividend of 5.0 Hong Kong cents per share.

Business Overview

These satisfactory results were driven by the significant rebound in the retail market in the Greater China region. In the first six months of 2010, revenue from the Chinese Mainland rose 16.2% to make a contribution of 57.4% to the Group's total revenue which increased 20.3% over the first half of 2009.

Escalating demand on the Chinese Mainland also fuelled growth in Hong Kong and Macau, as Mainland visitors helped to drive sales in the two regions. This positive outcome resulted in an increase in Hong Kong & Macau revenue of 29.6% in comparison to the first half of 2009 while revenue from Taiwan rose 15.7% during this period. As markets in South Korea and South East Asia stabilised, the profit share from the Group's joint ventures in these regions also increased 61.4% to $20.9 million. Whilst the Group has done a highly commendable job in driving revenue during the first half of 2010, these growth figures should be considered against the low revenue base experienced in the first half of 2009.

During the six-month reporting period, gross margins throughout the Group's operations recorded satisfactory improvement due to the normalisation of discounting policies. Profit attributable to shareholders thus increased 160.8% to HK$146.9 million.

Review of the Retail Market in Greater China

The buoyant market conditions experienced in the Greater China region over the past six months underscore forecasts that are positive both for the Chinese economy and its retail markets. However a number of indicators appear to reflect a possible slowdown in this economic growth – not only have stock and property markets registered a slowdown in recent months, a number of investment banks have also made downward adjustments to the year's GDP growth forecasts for the Chinese Mainland. As such, it is possible that retail revenue growth may well be weaker in the second half of 2010.

In the long term, the market for luxury items appears to be positive – leading research reports predict that the number of wealthy households in the Chinese Mainland will rank fourth in the world after the United States, Japan and Germany, by 2015. A further report states that luxury sales on the Chinese Mainland overtook Japan in 2009, ranking it second in the purchase of luxury goods after the United States. This report further estimates that luxury sales in the Chinese Mainland will take the world's top spot in 2015.

Sustainability

As a responsible corporate citizen, the Group recognises the importance of sustainability as a key business principle, and seeks to embody this commitment in our relations with our employees, the community and the environment. We also recognise the risks posed by climate change and therefore continually work to upgrade the environmental sustainability of our operations.

In our offices, facilities and stores, we are working to increase our energy and carbon efficiency, reduce our consumption of natural resources, and increase recycling. We are a participant in certain government and industry programmes focused on waste and energy efficiency, and track our progress regularly.

We have also launched employee awareness and education programmes to enable our staff to learn about and practise sustainability in the office as well as at home. Lastly, we are also working with our business partners and suppliers with an aim to upgrade the sustainability of our entire supply chain, from product design and material selection to distribution and display in the stores. In short, our investment in sustainability goes hand in hand with responsible operations and our role as a member of society.

Future Outlook

We continue to focus on our strategy to build a portfolio of high-end to luxury menswear brands in the Greater China region. Strengthening our market penetration, we are increasing the number of stores in our network with the majority of these stores in the Chinese Mainland.

With the positive results achieved in the first half of 2010, coupled against the backdrop of a possible economic slowdown, we are looking ahead with cautious optimism. We intend to take full advantage of the recovery experienced so far to increase shareholder value – maximising growth, increasing same-store sales and optimising margin opportunities.

In conclusion, on behalf of the Board, I would like to take this opportunity to express our sincere appreciation to the management and staff for their leadership and dedication to excellence.

Victor FUNG Kwok King
Chairman

Hong Kong, 25 August 2010

Management Discussion and Analysis

The strengthening of the management team together with the solid foundations established in the aftermath of the financial crisis in late 2008 and early 2009, hand-in-hand with the expansion of the Group's store network into the second tier cities and beyond on the Chinese Mainland, have enabled the Group to enjoy both financial and operational gains in the first six months of 2010, as the economy and retail markets improved in the Greater China region.

As a result, growth in retail same-store sales rose 21.0% in the first half of 2010. Meeting Group targets, all operating markets also enjoyed double-digit same-store sales growth. Revenue from the Chinese Mainland increased 16.2% over the first half of 2009 to make a contribution of 57.4% to the Group's total revenue, while revenue from Hong Kong & Macau as well as Taiwan rose 29.6% and 15.7% respectively in comparison to the first half of 2009.

The increase in gross profit throughout the Group's markets in the Greater China region lifted the overall gross margin from 72.6% in 2009 to 75.8% in 2010. This was primarily due to the sustained recovery in the economy, which restored market order and curtailed the widespread sales promotions driven by the aggressive discounting practices brought about by the competition during the difficult economic environment of late 2008 and early 2009.

In addition to the improved gross profit, the Group was able to enjoy positive leveraging of higher revenue on operating costs. As a result, operating profit in the six months to June 2010 also increased 79.9% to HK$179.9 million with the operating margin improved to 19.5% over the corresponding period in 2009. At the same time, finance costs dropped to HK$3.3 million during the reporting period due to a substantial reduction in bank borrowings and decreases in the interest rate.

The Group also benefitted from a reduction in its effective tax rate from 27.4% to 25.8% due to a favourable change in the profit mix from a higher tax rate country to lower tax rate territories.

The improving market conditions coupled with ongoing efforts to enhance inventory management resulted in a further improvement in the Group's inventory turnover days to 306 days. Trade receivable and payable turnover days were maintained at 29 days and 42 days respectively.

Overall markets in South Korea and South East Asia remained stable. During this period, the increase in share of profit of jointly controlled entities was mainly attributable to revenue growth in South Korea and the appreciation of the Korean Won against the Hong Kong Dollar.

For the six months ended 30 June 2010, profit attributable to shareholders increased 160.8% to HK$146.9 million, increasing from 7.3% to 15.9% as a percentage of revenue. The Group's basic earnings per share thus rose from 4.6 HK cents for the period ended 30 June 2009 to 9.3 HK cents in the comparable period in 2010.

Financial Position and Liquidity

The Group generated a cash inflow from operating activities of HK$260.4 million. Higher revenues coupled with enhancements in the gross margin, together with further improvements in inventory management contributed to this inflow. The Group's net debt as at 30 June 2010 therefore fell to HK$113.2 million, as part of the cash generated from operating activities was utilised to pay off bank borrowings. With net debt calculated as interest bearing borrowings less cash and cash equivalents, the Group's net debt to equity ratio experienced a reduction to 5.5% as at 30 June 2010 from 9.7% as at 31 December 2009.

Credit Risk Management

Credit risks mainly involve trade receivables from department stores. The Group has therefore established procedures to evaluate and monitor the credit risk of department stores to control its exposure. Average settlement terms in respect of receivables from department stores are about 33 days.

As at 30 June 2010, the Group's debtors ageing analysis showed that the percentage of debtors owing payments over three months old consisted of 4.5% of its total trade debtors. All cash and cash equivalents are deposited in major international banks.

Financial and Banking Management

Most of the Group's cash balances, borrowings, revenues and payments were denominated in HK Dollars and Renminbi, except for certain purchases. A substantial part of its production materials and finished goods are purchased in foreign currencies. Minimising the exchange risks in relation to these purchases, the Group has a hedging policy in place.

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

The Group has secured adequate banking facilities to cover operational contingencies. A total of HK$1,348.6 million in term and revolving loans with variable interest rates and other facilities have been obtained, of which HK$360.0 million are in long term loans. As at 30 June 2010, undrawn facilities amounted to HK$850.0 million.

Use of Proceeds from Initial Public Offering

Of the HK$510.6 million raised from the initial public offering ("IPO") in November 2009, the Group has so far utilised HK$153.2 million of these proceeds to repay bank borrowings, HK$30.0 million on the opening of new stores and HK$51.1 million on the financing of working capital. As at 30 June 2010, unutilised IPO funds of HK$276.3 million were deposited with international banks for future use.

Geographical Analysis for the Retail Business

Revenue

Revenue growth for Hong Kong & Macau, Chinese Mainland and Taiwan was 30.9%, 16.2% and 15.7% respectively. The growth in Hong Kong & Macau was primarily driven by increased sales to tourists from Chinese Mainland. At the same time, improving market sentiment in the Chinese Mainland and in Taiwan has significantly bolstered consumer spending on discretionary items.

Gross Margins

The Group recorded an improvement in its gross margin to 76.3%. The gross margin for Hong Kong & Macau, Chinese Mainland and Taiwan was 77.4%, 77.0% and 68.0% respectively. These figures all show a satisfactory increase over those achieved in the comparable period in 2009.

Building Brand Equity

Building on the strong loyalty that the Group's menswear brands – Kent & Curwen, Cerruti 1881, Gieves & Hawkes, D'URBAN, Intermezzo and Altea – currently command, Trinity develops strategic programmes and events to reinforce brand positioning, improve awareness and enhance sales.

Since beginning of the year, the Group has accelerated its brand building activities by focusing on promoting four brands – Kent & Curwen, Cerruti 1881, Gieves & Hawkes and D'URBAN, with press events providing a key vehicle to the recognition of these labels, both among the media and final consumers. Additional joint promotions and programmes with both the Beijing and Hong Kong Jockey Clubs also help to highlight brand cultures and high-end lifestyles, whilst creating a valuable bridge to the social elite in these cities.

Kent & Curwen marked a major milestone in July when it signed an agreement with the Asian celebrity, Aaron Kwok, to become its brand ambassador. Referred to as one of the "Four Heavenly Kings" with a very high recognition factor in Greater China, Aaron Kwok will generate ongoing noise and awareness for the brand. The announcement was celebrated at the British Consulate in Hong Kong, where the Hon Andrew Seaton, the Consul-General, presented Aaron Kwok with the key to Kent & Curwen's new London Boutique.

At the retail level, in-store campaigns such as Kent & Curwen's Father's Day "Like Father, Like Son" point-of-sale promotion, helped to generate traffic, repeat sales and gifting opportunities. These marketing and communication activities increase awareness, enhance loyalty and build sales.

Corporate Social Responsibility

The Group takes a responsible stance with regard to the environment, making every effort to operate in an environmentally friendly manner. The Group has set benchmarks and evaluated its carbon footprint, while also conducting education campaigns and outreach activities. The Group has analysed energy efficiencies and taken measures, ranging from the more effective use of lighting and the conservation of water, to the recycling and reuse of paper and other relevant materials. Furthermore, the Group is exploring the use of LED lighting in its stores, where the ambiance will not be compromised, and also continues to work with its business partners and suppliers to reduce energy consumption and upgrade the sustainability of its entire supply chain.

Efforts include introducing sustainability goals, saving energy, conserving resources and reducing waste as an integral part of its corporate and management culture. Taking a further step forward to turn this commitment into reality, the Group is now measuring and managing its carbon emissions to reduce its carbon footprint.

Human Resources

As at 30 June 2010, the Group had a total workforce of 2,849 staff, 816 of whom were based in Hong Kong and Macau, 2,019 in Chinese Mainland and Taiwan, and 14 in other countries. Staff costs for the first half of 2010 totalled HK$217.3 million, against the figure of HK$176.7 million recorded for the comparable period in 2009.

Fully aware of the value of an enthusiastic, talented and committed workforce, the Group offers competitive remuneration schemes, a safe and comfortable workplace as well as comprehensive staff training and development opportunities. Performance related bonuses and share options also help to motivate and retain this high-calibre team.

Maximising staff potential, the Group is committed to the provision of management development as well as personal growth training. In the first half of 2010, Trinity launched two staff development programmes fostering ongoing personal, leadership and management development. A number of senior executives are also participating in the Li & Fung Leadership Programme which was launched earlier this year. Jointly organised by the Massachusetts Institute of Technology, The University of Hong Kong and the Li & Fung Group, this tailor-made programme focuses on creating a more unified, customer centric culture across the Group, a deeper understanding of customers and their evolving needs, a commitment to achieve synergies across the businesses and a clear view of personal objectives and development priorities.

Prospects

Looking forward, the Group is aiming to increase market penetration with an increase in its retail network on the Chinese Mainland. At the same time, Hong Kong and Macau continue to benefit from their growing integration with the Chinese Mainland while trends in Taiwan indicate improvements with the economic turnaround experienced in the latter half of 2009. The Group is thus on track to achieving its aim to grow same-store sales throughout its operations in 2010 in the double digits.

The Group is facing the second half of 2010 with cautious optimism, as despite the recent recovery, both stock and property markets in Chinese Mainland have experienced a slowdown. Seeking to achieve its goal to build steady and consistent growth into the future, the Group is interested in acquiring brands, as suitable opportunities arise. This approach will maximise synergies and the ulitisation of the Group's existing systems and infrastructure. Further initiatives such as the streamlining of its supply chain and the development of its people, together with its role as the premier menswear retailer in the region, will enable Trinity to look forward with optimism.

Corporate Governance Report

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. Corporate governance practices adopted by the Company during the six months ended 30 June 2010 are in line with those practices set out in the Company's 2009 Annual Report which are also consistent with the principles set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The Board

The Board is composed of the Non-executive Chairman, three Executive Directors, three Non-executive Directors and four Independent Non-executive Directors. In order to reinforce their respective independence, accountability and responsibility, the role of the Chairman held by Dr Victor FUNG Kwok King, is separate from that of the Group Managing Director held by Mr WONG Yat Ming. The Board held three meetings to date in 2010 (with an average attendance rate of approximately 97%) to discuss the overall strategy as well as the operation and financial performance of the Group. The Group Chief Compliance Officer, as appointed by the Board, attended all Board and Board Committee meetings to date in 2010 to advise on corporate governance matters covering risk management, internal controls and relevant compliance issues relating to mergers and acquisitions, accounting and financial reporting.

The Board has established the following committees (all chaired by Independent Non-executive Director or Non-executive Director) with defined terms of reference (available to shareholders upon request) which are of no less exacting terms than those set out in the Code on Corporate Governance Practices of the Listing Rules: the Audit Committee, the Nomination Committee and the Compensation Committee.

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 auditors and to provide advice and make relevant recommendations to the Board. All Committee members: Mr Jean-Marc LOUBIER, Mr Michael LEE Tze Hau and Mr Cassian CHEUNG Ka Sing, including the Audit Committee Chairman, Mr Patrick SUN, are Independent Non-executive Directors. All Committee members possess appropriate professional qualifications, accounting or related financial management expertise as required under the Listing Rules, or industry expertise to advise on all the above matters.

The Audit Committee met three times to date in 2010 (with a 100% attendance rate) to review with senior management, the Company's Corporate Governance Division ("CGD") and external auditors, the Group's significant internal controls, risk management and financial matters as set out in the Audit Committee's written terms of reference. 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, 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 2010 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.

Nomination Committee

The Nomination Committee was established on 1 January 2009 and all the Committee members: Mr Patrick SUN and Mr Cassian CHEUNG Ka Sing, including the Nomination Committee Chairman, Mr Michael LEE Tze Hau, are Independent Non-executive Directors. Its written terms of reference cover recommendations to the Board on the appointment of Directors, evaluation of board composition and the management of board succession with reference to certain guidelines as endorsed by the Committee. These guidelines include appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills, and time commitments of members. The Nomination Committee selects and recommends candidates for directorship including the consideration of referrals and engagement of external recruitment professionals when necessary.

The Committee met once to date in 2010 (with a 100% attendance rate) to review and recommend the re-appointments of the retiring Directors: Dr Victor FUNG Kwok King, Mr WONG Yat Ming, Mr Jose Hosea CHENG Hor Yin, Mr Bruno LI Kwok Ho and Mr Jean-Marc LOUBIER at the Company's Annual General Meeting held in 2010.

Compensation Committee

The Compensation Committee was established on 1 January 2009 and is chaired by the Group Non-executive Chairman, Dr Victor FUNG Kwok King. The Committee members comprise of two Independent Non-executive Directors: Mr Jean-Marc LOUBIER and Mr Michael LEE Tze Hau. The Committee's responsibilities as set out in its written terms of reference include reviewing the Group's remuneration policy and approving the remuneration policy for all Directors and senior management, and the granting and allocation of share options under the Company's share option schemes.

The Committee met once to date in 2010 (with a 100% attendance rate) to review and approve the remuneration packages of all Executive Directors (including the Group Managing Director).

Code of Conduct and Business Ethics

The Group places great emphasis on staff's ethical standards and integrity in all aspects of its operations. Guidelines of the Group's code of conduct, business ethics and Whistle Blowing Policy are posted on the Company's intranet for ease of reference and as a constant reminder to all staff members. All Directors and staff members are expected to share the same responsibilities and to comply with the code, ethical standards and policy at all times.

Directors' Responsibility for Financial Statements

The Directors' responsibility for preparing the financial statements is set out on page 56 of the Company's 2009 Annual Report.

Internal Control and Risk Management

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. Such system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and that it aims to provide reasonable but not absolute assurance against material misstatement, loss or fraud. Qualified personnel throughout the Group maintain and monitor this system of controls on an ongoing basis. The Board and management fully appreciate their respective roles and are supportive of the development of a sound and effective control environment.

The Group operates within an established control environment, which is consistent with the principles outlined in "Internal Control and Risk Management – A Basic Framework" issued by the Hong Kong Institute of Certified Public Accountants. The scope of internal controls of the Group relates to three major areas: effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations. Details of the Group's internal control and risk management processes are set out in the Corporate Governance Report on pages 33 to 35 of the Company's 2009 Annual Report.

Based on the assessments made by the senior management and CGD for the six months ended 30 June 2010, the Audit Committee considered 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 are identified and monitored, material transactions are executed in accordance with management's authorisation and the interim financial information is 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 be in possession of unpublished price-sensitive 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 to confirm compliance with the Model Code for the six months ended 30 June 2010. No incident of non-compliance by Directors and relevant employees was noted by the Company for the six months ended 30 June 2010.

Compliance with the Code on Corporate Governance Practices

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 Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2010.

Investor Relations and Communication

The Company has a proactive policy of promoting investor relations and communication by maintaining and holding regular dialogues and meetings with institutional shareholders, fund managers and analysts. Management also participated in investor conferences and arranged analysts' briefing after results announcements. The Company is followed by a number of analysts and many of them publish reports on the Company regularly. Announcements (including webcast of results presentation given to analysts) and other relevant financial and non-financial information are made available in our corporate website (*www.trinity-limited.com*).

Safeguarding the Interests of Independent Shareholders

As disclosed in the Company's prospectus dated 21 October 2009, the Company has adopted additional corporate governance measures to further strengthen the protection of independent shareholders' interests from any potential competition from the fashion retail business of the brands owned by the then controlling shareholder of the Company. Details of these measures are set out in the Corporate Governance Report on pages 37 and 38 of the Company's 2009 Annual Report. The Board has reviewed the Company's compliance with these additional corporate governance measures and confirmed that there was no non-compliance during the six months ended 30 June 2010.

Corporate Social Responsibility and Sustainability

Being a socially responsible corporation, the Group is progressively integrating corporate social responsibility and sustainability practices throughout our business while incorporating broader social and environmental matters into our day-to-day decision making. Details of our corporate social responsibility and sustainability are set out in the Management Discussion and Analysis section on pages 8 and 9.

Other Information

Directors' Interests and Short Positions in Securities

As at 30 June 2010, the Directors and chief executives of the Company and their associates had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code:

Long Position in Shares and Underlying Shares of the Company

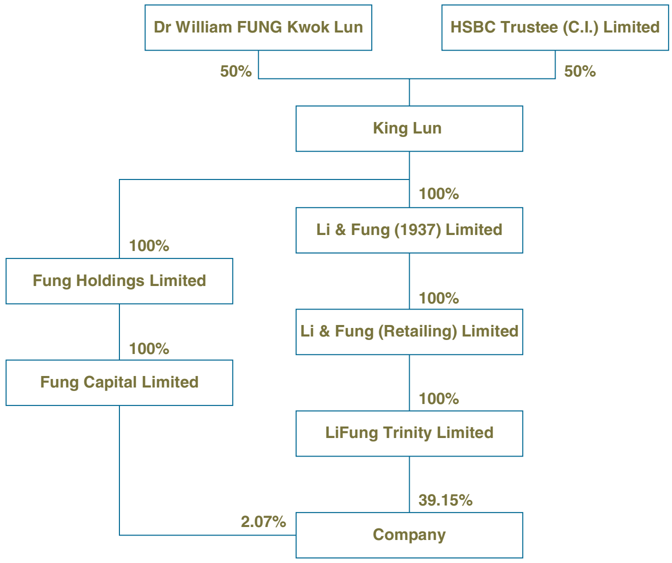
	Number of Shares					
Name of Directors	Personal Interest	Family Interest	Corporate/ Trust Interest	Equity Derivatives (share options)	Total	Approximate Percentage of Issued Share Capital (%)
Victor FUNG Kwok King	–	–	649,027,555 [1]	–	649,027,555	41.22
William FUNG Kwok Lun	–	–	649,027,555 [1]	–	649,027,555	41.22
Sabrina FUNG Wing Yee	–	–	649,027,555 [1]	3,500,000	652,527,555	41.44
Jose Hosea CHENG Hor Yin	–	–	65,227,590 [2]	–	65,227,590	4.14
WONG Yat Ming	47,776,563	–	–	12,300,000	60,076,563	3.81
Jeremy Paul Egerton HOBBINS	–	–	4,234,500 [3]	2,000,000	6,234,500	0.39
Bruno LI Kwok Ho	–	–	–	5,400,000	5,400,000	0.34

Notes:

1. *The 649,027,555 shares of the Company ("Shares") comprised 616,413,760 Shares held by LiFung Trinity Limited and 32,613,795 Shares held by Fung Capital Limited. King Lun Holdings Limited ("King Lun") through its indirect wholly owned subsidiaries, LiFung Trinity Limited and Fung Capital Limited, was interested in the 649,027,555 Shares.*

   King Lun was owned as to 50% by HSBC Trustee (C.I.) Limited, the trustee of a trust established for the benefit of the family members of Dr Victor FUNG Kwok King and as to 50% by Dr William FUNG Kwok Lun. Therefore, each of Dr Victor FUNG Kwok King, Ms Sabrina FUNG Wing Yee (daughter of Dr Victor FUNG Kwok King and as his family member) and Dr William FUNG Kwok Lun was deemed to be interested in the said 649,027,555 Shares.

   The interests of Dr Victor FUNG Kwok King, Dr William FUNG Kwok Lun and Ms Sabrina FUNG Wing Yee in the 649,027,555 Shares are summarised in the following chart:



2. *The 65,227,590 Shares were held by SperoTrinity Limited, a company wholly owned by Mr Jose Hosea CHENG Hor Yin. Therefore, Mr Jose Hosea CHENG Hor Yin was deemed to be interested in these Shares.*

3. *The 4,234,500 Shares were held by Martinville Holdings Limited, a company wholly owned by Mr Jeremy Paul Egerton HOBBINS. Therefore, Mr Jeremy Paul Egerton HOBBINS was deemed to be interested in these Shares.*

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

Save as disclosed above, as at 30 June 2010, none of the Directors and chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the period, the Directors and chief executives (including their spouse and children under the age of 18) had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company or its associated corporations required to be disclosed pursuant to the SFO.

Substantial Shareholders' Interests and Short Positions in Securities

As at 30 June 2010, other than the Directors and chief executives of the Company, the following persons had interests or short positions in the Shares as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholders	Capacity	Number of Shares	Approximate Percentage of Issued Share Capital (%)
LiFung Trinity Limited	Beneficial owner [1]	616,413,760	39.15
Li & Fung (Retailing) Limited	Interest of controlled corporation [1]	616,413,760	39.15
Li & Fung (1937) Limited	Interest of controlled corporation [1]	616,413,760	39.15
King Lun	Interest of controlled corporation [1]	649,027,555	41.22
HSBC Trustee (C.I.) Limited	Trustee [2]	649,027,555	41.22
Alkeon Capital Management LLC	Investment Manager [3]	82,000,000	5.20
Mr Panayotis SPARAGGIS	Interest of controlled corporation [3]	82,000,000	5.20

Notes:

1. *LiFung Trinity Limited was an indirect wholly owned subsidiary of King Lun, with Li & Fung (Retailing) Limited and Li & Fung (1937) Limited as the intermediate holding companies along the chain of ownership. Therefore, Li & Fung (Retailing) Limited, Li & Fung (1937) Limited and King Lun were all deemed to be interested in the 616,413,760 Shares held by LiFung Trinity Limited. King Lun was also deemed to be interested in 32,613,795 Shares held by its indirect wholly owned subsidiary, Fung Capital Limited. Therefore, King Lun was deemed to be interested in 649,027,555 Shares in aggregate.*

2. *HSBC Trustee (C.I.) Limited, the trustee of a trust established for the benefit of the family members of Dr Victor FUNG Kwok King, owned 50% of the issued share capital of King Lun.*

3. *Alkeon Capital Management LLC was owned as to 51.5% by Mr Panayotis SPARAGGIS. Therefore, Mr Panayotis SPARAGGIS was deemed to be interested in the 82,000,000 Shares interested by Alkeon Capital Management LLC.*

Save as disclosed above, as at 30 June 2010, the Company had not been notified by any person, other than the Directors or chief executives of the Company, who had interests or short positions in the Shares or underlying shares of the Company which were recorded or required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

Share Options

On 16 October 2009, the Company adopted a pre-IPO share option scheme ("Pre-IPO Share Option Scheme") and a share option scheme ("Post-IPO Share Option Scheme") (collectively "Share Option Schemes") to subscribe for the Shares of the Company. As at 30 June 2010, there are outstanding options relating to 45,068,000 Shares and 38,520,000 Shares granted by the Company pursuant to the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme respectively.

Movements of the share options under the Share Option Schemes during the period are as follows:

	Scheme Type	Number of Share Options					Exercise Price HK$	Grant Date	Exercisable Period
		As at 01/01/2010	Granted	Exercised	Cancelled/ Lapsed	As at 30/06/2010			
WONG Yat Ming	Pre-IPO	3,750,000	–	–	–	3,750,000	1.65	16/10/2009	03/11/2010 – 02/11/2014
Director	Pre-IPO	3,750,000	–	–	–	3,750,000	1.65	16/10/2009	03/11/2011 – 02/11/2014
	Post-IPO	1,600,000	–	–	–	1,600,000	2.45	26/11/2009	26/11/2010 – 25/11/2012
	Post-IPO	1,600,000	–	–	–	1,600,000	2.45	26/11/2009	26/11/2011 – 25/11/2013
	Post-IPO	1,600,000	–	–	–	1,600,000	2.45	26/11/2009	26/11/2012 – 25/11/2014
Bruno LI Kwok Ho	Pre-IPO	1,500,000	–	–	–	1,500,000	1.65	16/10/2009	03/11/2010 – 02/11/2014
Director	Pre-IPO	1,500,000	–	–	–	1,500,000	1.65	16/10/2009	03/11/2011 – 02/11/2014
	Post-IPO	800,000	–	–	–	800,000	2.45	26/11/2009	26/11/2010 – 25/11/2012
	Post-IPO	800,000	–	–	–	800,000	2.45	26/11/2009	26/11/2011 – 25/11/2013
	Post-IPO	800,000	–	–	–	800,000	2.45	26/11/2009	26/11/2012 – 25/11/2014
Sabrina FUNG Wing Yee	Pre-IPO	700,000	–	–	–	700,000	1.65	16/10/2009	03/11/2010 – 02/11/2014
	Pre-IPO	700,000	–	–	–	700,000	1.65	16/10/2009	03/11/2011 – 02/11/2014
Director	Post-IPO	700,000	–	–	–	700,000	2.45	26/11/2009	26/11/2010 – 25/11/2012
	Post-IPO	700,000	–	–	–	700,000	2.45	26/11/2009	26/11/2011 – 25/11/2013
	Post-IPO	700,000	–	–	–	700,000	2.45	26/11/2009	26/11/2012 – 25/11/2014
Jeremy Paul Egerton HOBBINS	Pre-IPO	1,000,000	–	–	–	1,000,000	1.65	16/10/2009	03/11/2010 – 02/11/2014
	Pre-IPO	1,000,000	–	–	–	1,000,000	1.65	16/10/2009	03/11/2011 – 02/11/2014
Director									
Continuous Contract Employees	Pre-IPO	12,372,000	–	–	63,000	12,309,000	1.65	16/10/2009	03/11/2010 – 02/11/2014
	Pre-IPO	12,372,000	–	–	63,000	12,309,000	1.65	16/10/2009	03/11/2011 – 02/11/2014
	Post-IPO	8,040,000	–	–	–	8,040,000	2.45	26/11/2009	26/11/2010 – 25/11/2012
	Post-IPO	8,040,000	–	–	–	8,040,000	2.45	26/11/2009	26/11/2011 – 25/11/2013
	Post-IPO	8,040,000	–	–	–	8,040,000	2.45	26/11/2009	26/11/2012 – 25/11/2014
Other Participants	Pre-IPO	3,275,000	–	–	–	3,275,000	1.65	16/10/2009	03/11/2010 – 02/11/2014
	Pre-IPO	3,275,000	–	–	–	3,275,000	1.65	16/10/2009	03/11/2011 – 02/11/2014
	Post-IPO	1,700,000	–	–	–	1,700,000	2.45	26/11/2009	26/11/2010 – 25/11/2012
	Post-IPO	1,700,000	–	–	–	1,700,000	2.45	26/11/2009	26/11/2011 – 25/11/2013
	Post-IPO	1,700,000	–	–	–	1,700,000	2.45	26/11/2009	26/11/2012 – 25/11/2014

Note:
The above options granted are recognised as expenses in the financial statements in accordance with the Company's accounting policy as set out in the annual audited financial statements for the year ended 31 December 2009. Other details of share options granted by the Company are set out in note 11 to the condensed consolidated financial information.

Changes in Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors since the Company's 2009 Annual Report are set out below:

Name of Director	Changes
Dr Victor FUNG Kwok King	Retired as independent non-executive director of CapitaLand Limited of Singapore in April 2010
	Became Honorary Chairman of the International Chamber of Commerce in July 2010 following two years as its Chairman
	Awarded Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in 2010
Dr William FUNG Kwok Lun	Retired as non-executive director of HSBC Holdings plc of United Kingdom in May 2010
Mr Michael LEE Tze Hau	Retired as independent non-executive director of Tai Ping Carpets International Limited (a company listed in Hong Kong) in June 2010
Mr Cassian CHEUNG Ka Sing	Ceased to act as the President of the Hong Kong Kellogg Alumni Club in July 2010 while remaining as a member of the Kellogg Alumni Council of Asia
Ms Sabrina FUNG Wing Yee	Monthly base salary was revised from HK$150,000 to HK$153,000 from January 2010

Purchase, Sale or Redemption of Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2010.

Interim Dividend

The Board of Directors has resolved to declare an interim dividend of 5.0 HK cents (2009: nil) per Share for the six months ended 30 June 2010.

Closure of Register of Members

The Register of Members will be closed from 20 September 2010 to 22 September 2010, both days inclusive. 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 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 pm on 17 September 2010. Dividend warrants are expected to be despatched to the shareholders of the Company on 24 September 2010.

Information for Investors

Listing Information

Listing **Hong Kong Stock Exchange**

Stock Code **891**

Key Dates

25 August 2010

Announcement of 2010 Interim Results

20 to 22 September 2010 (both days inclusive)

Closure of Register of Members

24 September 2010

Despatch of 2010 Interim Dividend warrants

Share Information

Board lot size

2,000 shares

Shares outstanding as at 30 June 2010

1,574,254,883 shares

Market capitalisation as at 30 June 2010

HK$8,249,095,587

Dividend per share for 2010

Interim **5.0 HK cents**

Share Registrar and Transfer Offices

Principal:

Butterfield Fulcrum Group (Bermuda) Limited

Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

Hong Kong Branch:

Tricor Investor Services Limited

26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Enquiries Contact

Mr Bruno LI Kwok Ho

Executive Director/Chief Financial Officer
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Trinity Limited

11/F, 10 Shing Yip Street
Kwun Tong, Kowloon
Hong Kong

Website

www.trinity-limited.com

Condensed Consolidated Income Statement

	Note	Unaudited Six months ended 30 June **2010** **HK$'000**	 2009 HK$'000
Continuing Operations			
Revenue	4	**924,674**	768,402
Cost of sales		**(223,379)**	(210,260)
Gross profit		**701,295**	558,142
Other income		**26,911**	11,863
Selling and marketing expenses		**(380,292)**	(329,345)
Administrative expenses		**(170,044)**	(140,816)
Other gains – net		**2,061**	161
Operating profit	5	**179,931**	100,005
Finance income		**587**	170
Finance costs		**(3,344)**	(19,766)
Finance costs – net		**(2,757)**	(19,596)
Share of profit of jointly controlled entities		**20,867**	12,925
Profit before income tax		**198,041**	93,334
Income tax expense	6	**(51,180)**	(25,554)
Profit for the period from Continuing Operations		**146,861**	67,780
Discontinued Operations			
Loss for the period from Discontinued Operations	14	**–**	(11,469)
Attributable to:			
Shareholders of the Company		**146,861**	56,311
Basic earnings/(losses) per share attributable to shareholders of the Company (expressed in HK cents per share)	7		
– from Continuing Operations		**9.3 cents**	5.6 cents
– from Discontinued Operations		**–**	(1.0) cent
		9.3 cents	4.6 cents
Diluted earnings/(losses) per share attributable to shareholders of the Company (expressed in HK cents per share)	7		
– from Continuing Operations		**9.1 cents**	5.6 cents
– from Discontinued Operations		**–**	(1.0) cent
		9.1 cents	4.6 cents

The notes on pages 25 to 38 are an integral part of this condensed consolidated financial information. Details of interim dividend of HK$78,713,000 (2009: nil) are set out in note 8.

Condensed Consolidated Statement of Comprehensive Income

	Unaudited Six months ended 30 June	
	2010 **HK$'000**	2009 HK$'000
Profit for the period	**146,861**	56,311
Other comprehensive income for the period		
Currency translation differences	**6,213**	5,847
Share of cash flow hedging reserve of jointly controlled entities: Fair value losses	**–**	(6,922)
Total comprehensive income attributable to:		
Shareholders of the Company	**153,074**	55,236

The notes on pages 25 to 38 are an integral part of this condensed consolidated financial information.

Condensed Consolidated Balance Sheet

	Note	**Unaudited 30 June 2010 HK$'000**	Audited 31 December 2009 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	**125,092**	121,157
Intangible assets	9	**1,623,371**	1,627,460
Investments in jointly controlled entities		**217,217**	190,097
Deposit and prepayments		**35,949**	31,511
Deferred income tax assets		**46,183**	51,949
		2,047,812	2,022,174
Current assets			
Inventories		**363,494**	385,283
Trade receivables	10	**118,291**	172,814
Deposit and prepayments		**36,388**	34,406
Amounts due from related parties	17(b)	**1,517**	3,456
Cash and cash equivalents		**346,825**	518,240
		866,515	1,114,199
Total assets		**2,914,327**	3,136,373

The notes on pages 25 to 38 are an integral part of this condensed consolidated financial information.

Condensed Consolidated Balance Sheet *(continued)*

	Note	**Unaudited 30 June 2010 HK$'000**	Audited 31 December 2009 HK$'000
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	11	**157,425**	157,425
Share premium		**1,515,001**	1,515,001
Reserves		**403,192**	343,618
Total equity		**2,075,618**	2,016,044
LIABILITIES			
Non-current liabilities			
Provision for long service payments		**4,799**	5,071
Retirement benefit obligations		**12,584**	12,229
Other payables and accrued expenses		**39,718**	42,450
Deferred income tax liabilities		**69,515**	61,445
Borrowings	13	**360,000**	623,000
		486,616	744,195
Current liabilities			
Trade payables	12	**46,745**	55,735
Other payables and accrued expenses		**187,288**	216,805
Amounts due to related parties	17(b)	**5,878**	2,141
Current income tax liabilities		**12,182**	9,654
Borrowings	13	**100,000**	91,799
		352,093	376,134
Total liabilities		**838,709**	1,120,329
Total equity and liabilities		**2,914,327**	3,136,373
Net current assets		**514,422**	738,065
Total assets less current liabilities		**2,562,234**	2,760,239

The notes on pages 25 to 38 are an integral part of this condensed consolidated financial information.

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 2009		120,517	1,041,310	435,137	(253,108)	1,343,856
Comprehensive income						
Exchange differences		–	–	–	5,847	5,847
Profit for the period		–	–	56,311	–	56,311
Share of cash flow hedging reserve of jointly controlled entities:						
Fair value losses for the period		–	–	–	(6,922)	(6,922)
Total comprehensive income/(loss)		–	–	56,311	(1,075)	55,236
Transactions with owners						
Dividends paid	8	–	–	(57,848)	–	(57,848)
Deemed contributions from intermediate holding company		–	–	–	21,686	21,686
Total transactions with owners		–	–	(57,848)	21,686	(36,162)
Balance at 30 June 2009		120,517	1,041,310	433,600	(232,497)	1,362,930
Balance at 1 January 2010		**157,425**	**1,515,001**	**570,779**	**(227,161)**	**2,016,044**
Comprehensive income						
Exchange differences		**–**	**–**	**–**	**6,213**	**6,213**
Profit for the period		**–**	**–**	**146,861**	**–**	**146,861**
Total comprehensive income		**–**	**–**	**146,861**	**6,213**	**153,074**
Transactions with owners						
Employee share option benefit		**–**	**–**	**–**	**17,000**	**17,000**
Dividends paid	8	**–**	**–**	**(110,500)**	**–**	**(110,500)**
Total transactions with owners		**–**	**–**	**(110,500)**	**17,000**	**(93,500)**
Balance at 30 June 2010		**157,425**	**1,515,001**	**607,140**	**(203,948)**	**2,075,618**

The notes on pages 25 to 38 are an integral part of this condensed consolidated financial information.

Condensed Consolidated Cash Flow Statement

	Note	Unaudited Six months ended 30 June 2010 HK$'000	2009 HK$'000
Continuing Operations			
Cash flows from operating activities			
Cash generated from operations		**260,364**	199,262
Interest paid		**(728)**	(3,398)
Income tax paid		**(34,816)**	(25,450)
Net cash generated from operating activities		**224,820**	170,414
Cash flows from investing activities			
Purchase of property, plant and equipment		**(12,591)**	(9,396)
Interest received		**587**	170
Dividend received from jointly controlled entities		**–**	11,942
Net cash (used in)/generated from investing activities		**(12,004)**	2,716
Cash flows from financing activities			
Interest paid		**(2,616)**	–
Proceeds from borrowings		**60,000**	437,000
Repayment of borrowings		**(314,812)**	(394,339)
Dividends paid	8	**(110,500)**	(57,848)
Share issuance cost		**(16,303)**	–
Net cash used in financing activities		**(384,231)**	(15,187)
Net (decrease)/increase in cash and cash equivalents from Continuing Operations		**(171,415)**	157,943
Discontinued Operations			
Increase in cash and cash equivalents from Discontinued Operations	14	**–**	60,304
Cash and cash equivalents at beginning of the period		**518,240**	145,177
Cash and cash equivalents at end of the period		**346,825**	363,424

The notes on pages 25 to 38 are an integral part of this condensed consolidated financial information.

Notes to the Condensed Consolidated Financial Information

1 General information

Trinity Limited (the "Company") is an investment holding company and was incorporated in Bermuda as an exempted company with limited liability under Companies Act 1981 of Bermuda. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Company and its subsidiaries (together the "Group") and jointly controlled entities are principally engaged in the retailing of high-end to luxury menswear in Chinese Mainland, Hong Kong, Macau and Taiwan (the "Greater China Region") and a retailer of luxury fashion and accessories in South Korea and various countries in Southeast Asia (the "Continuing Operations") respectively. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is at 11/F, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong.

This unaudited condensed consolidated financial information is presented in thousand units of Hong Kong dollars, unless otherwise stated.

This condensed consolidated financial information was approved for issue by the Board of Directors on 25 August 2010.

2 Basis of preparation

This unaudited condensed consolidated financial information for the six months ended 30 June 2010 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 financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 Summary of principal accounting policies

The accounting policies applied and used in this condensed consolidated financial information are consistent with those used and described in the annual consolidated financial statements for the year ended 31 December 2009.

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

(a) Standards, amendments and interpretations to existing standards effective in 2010 and adopted by the Group

The Group has adopted the relevant new and amended standards and interpretations of HKFRS which are mandatory for accounting periods beginning on or after 1 January 2010. The adoption of such new and amended standards and interpretations does not have material impact on the condensed consolidated financial information and does not result in substantial changes to the Group's accounting policies.

3 Summary of principal accounting policies *(Continued)*

(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

HKFRS 9	Financial instruments (effective for annual accounting periods beginning on or after 1 January 2013)
HKAS 24 (Revised)	Related party disclosures (effective for annual accounting periods beginning on or after 1 January 2011)
HKAS 32 (Amendment)	Classification of rights issues (effective for annual accounting periods beginning on or after 1 February 2010)
HK(IFRIC) Int-14	Prepayments of a minimum funding requirement (effective for annual accounting periods beginning on or after 1 January 2011)
HK(IFRIC) Int-19	Extinguishing financial liabilities with equity instruments (effective for annual accounting periods beginning on or after 1 July 2010)
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters (effective for annual accounting periods beginning on or after 1 July 2010)

In addition, HKICPA has also issued a number of amendments for existing standards under its annual improvement project in May 2010. All these amendments are effective in the financial year of 2011 and these amendments are not expected to have a significant impact on the results and financial position of the Group.

4 Segmental information

The Group is principally engaged in the retail and wholesale distribution of menswear under self-owned brands and licensed brands in the Greater China Region. The performance of the Group's retail stores is subject to seasonal fluctuations. Revenue is generally higher during the holiday seasons such as Christmas, Labour Day and National Day and during fall/winter fashion season. Therefore, the Group's revenue is generally higher during the second half of the year.

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 products perspectives. Geographically, Management considers the performance of the retail businesses in Chinese Mainland, Hong Kong and Macau ("HK & Macau") and Taiwan. HK & Macau is further segregated into retail and wholesale as all of the wholesale business is located in Hong Kong.

Segment assets consist primarily of property, plant and equipment, licence rights, goodwill, trademark, inventories, trade receivables, deposits, prepayments and operating cash.

4 Segmental information *(Continued)*

(a) Segment results

The segment results for the six months ended 30 June 2010 are as follows:

	Unaudited					
	HK & Macau		Chinese Mainland	Taiwan	Overseas	
	Retail HK$'000	Wholesale HK$'000	Retail HK$'000	Retail HK$'000	Retail HK$'000	Total HK$'000
Segment revenue and revenue from external customers	**306,970**	**6,092**	**530,773**	**80,839**	**–**	**924,674**
Gross profit	**237,690**	**207**	**408,446**	**54,952**	**–**	**701,295**
Segment profit before income tax	**88,991**	**635**	**183,027**	**15,311**	**20,867**	**308,831**
Segment profit before income tax includes:						
Depreciation and amortisation	**(7,441)**	**(226)**	**(31,900)**	**(1,496)**	**–**	**(41,063)**
Interest (expenses)/income	**(286)**	**–**	**166**	**12**	**–**	**(108)**
Share of profit of jointly controlled entities	**–**	**–**	**–**	**–**	**20,867**	**20,867**
Segment assets as at 30 June 2010	**1,128,602**	**2,999**	**1,183,737**	**199,613**	**218,433**	**2,733,384**

4 Segmental information *(Continued)*

(a) Segment results *(Continued)*

The segment results for the six months ended 30 June 2009 are as follows:

	Unaudited					
	HK & Macau Retail HK$'000	Wholesale HK$'000	Chinese Mainland Retail HK$'000	Taiwan Retail HK$'000	Overseas Retail HK$'000	Total HK$'000
Segment revenue and revenue from external customers	234,514	7,040	456,969	69,879	–	768,402
Gross profit	170,017	293	341,005	46,827	–	558,142
Segment profit before income tax	54,906	357	135,137	225	12,925	203,550
Segment profit before income tax includes:						
Depreciation and amortisation	(7,490)	(191)	(18,980)	(2,552)	–	(29,213)
Interest (expenses)/income	(665)	–	(484)	7	–	(1,142)
Impairment of property, plant and equipment	(2,315)	–	–	(1,329)	–	(3,644)
Share of profit of jointly controlled entities	–	–	–	–	12,925	12,925
Segment assets as at 31 December 2009	1,127,600	2,143	1,148,744	194,880	192,089	2,665,456

4 Segmental information *(Continued)*

(b) A reconciliation of segment profit before income tax and Discontinued Operations to the Group's profit before income tax is as follows:

	Unaudited Six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
Segment profit before income tax for reportable segments	**308,831**	203,550
Add:		
Management and service fee income	**14,034**	3,052
Less:		
Interest expenses	**(2,649)**	(18,454)
Employee benefit expenses	**(98,524)**	(73,957)
Rental expenses	**(10,989)**	(9,322)
Depreciation and amortisation	**(2,977)**	(3,207)
Corporate and other unallocated expenses	**(9,685)**	(8,328)
Total Group's profit before income tax	**198,041**	93,334

(c) Reportable segment assets are reconciled to total assets as follows:

	Unaudited 30 June 2010	Audited 31 December 2009
	HK$'000	HK$'000
Segment assets for reportable segments	**2,733,384**	2,665,456
Add:		
Property, plant and equipment	**13,294**	14,505
Corporate bank deposits	**115,438**	398,487
Deferred tax assets	**46,183**	51,949
Deposit and prepayments	**4,511**	2,520
Amounts due from related parties	**1,517**	3,456
Total assets per consolidated balance sheet	**2,914,327**	3,136,373

5 Operating profit

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

	Unaudited Six months ended 30 June	
	2010 **HK$'000**	2009 HK$'000
Impairment of inventories	**6,198**	3,722
Depreciation of property, plant and equipment (Note 9)	**39,951**	28,256
Impairment of property, plant and equipment (Note 9)	**–**	3,644
Amortisation of intangible assets (Note 9)	**4,089**	4,164
Loss on disposal of property, plant and equipment (Note 9)	**2,614**	4,544
Additional/(reversal of) provision for impairment of trade receivables	**265**	(2,452)

6 Income tax expense

Hong Kong profits tax has been provided at the estimated annual effective tax rate of 16.5% (2009: 16.5%) for the six months ended 30 June 2010. Taxation on overseas profits is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the countries or regions in which the Group operates.

	Unaudited Six months ended 30 June	
	2010 **HK$'000**	2009 HK$'000
Current income tax		
– Hong Kong profits tax	**10,697**	4,803
– Overseas taxation	**26,647**	12,311
Deferred income tax	**13,836**	8,440
	51,180	25,554

7 Earnings per share

(a) Basic

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

	Unaudited Six months ended 30 June	
	2010	2009
Weighted average number of ordinary shares in issue	**1,574,255,000**	1,205,173,000
Profit from Continuing Operations attributable to shareholders of the Company (HK$'000)	**146,861**	67,780
Basic earnings per share from Continuing Operations (HK cents per share)	**9.3 cents**	5.6 cents
Loss from Discontinued Operations attributable to shareholders of the Company (HK$'000)	**–**	(11,469)
Basic losses per share from Discontinued Operations (HK cents per share)	**–**	(1.0) cent

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	Unaudited Six months ended 30 June	
	2010	2009
Weighted average number of ordinary shares for diluted earnings per share	**1,616,435,000**	1,205,173,000
Profit from Continuing Operations attributable to shareholders of the Company (HK$'000)	**146,861**	67,780
Diluted earnings per share from Continuing Operations (HK cents per share)	**9.1 cents**	5.6 cents
Loss from Discontinued Operations attributable to shareholders of the Company (HK$'000)	**–**	(11,469)
Diluted losses per share from Discontinued Operations (HK cents per share)	**–**	(1.0) cent

8 Interim dividend

	Unaudited Six months ended 30 June	
	2010 **HK$'000**	2009 HK$'000
Interim dividend declared of 5.0 HK cents (2009: nil) per ordinary share	**78,713**	–

The interim dividend has not been recognised as a liability at the balance sheet date. A final dividend of HK$110,500,000 for the year ended 31 December 2009 was paid in June 2010 (2009: a final dividend of HK$57,848,000 relating to 2008 was paid in May 2009).

9 Property, plant and equipment and intangible assets

	Property, plant and equipment HK$'000	Intangible assets HK$'000
Opening net book amount at 1 January 2009	117,818	1,635,738
Exchange differences	(41)	–
Additions	20,374	–
Disposals (Note 5)	(4,544)	–
Impairment charge (Note 5)	(3,644)	–
Depreciation and amortisation (Note 5)	(28,256)	(4,164)
Closing net book amount at 30 June 2009	101,707	1,631,574
Opening net book amount at 1 January 2010	**121,157**	**1,627,460**
Exchange differences	**90**	**–**
Additions	**46,410**	**–**
Disposals (Note 5)	**(2,614)**	**–**
Depreciation and amortisation (Note 5)	**(39,951)**	**(4,089)**
Closing net book amount at 30 June 2010	**125,092**	**1,623,371**

10 Trade receivables

Majority of the Group's revenue are retail sales made in cash or by credit card, and sales through department stores which are generally collectible within 30 to 60 days from the invoice date.

At 30 June 2010, the ageing analysis of trade receivables of the Group by invoice date is as follows:

	Unaudited 30 June 2010 HK$'000	Audited 31 December 2009 HK$'000
1 – 30 days	**87,320**	123,010
31 – 60 days	**22,402**	41,581
61 – 90 days	**4,056**	6,936
Over 90 days	**5,301**	1,810
	119,079	173,337
Less: Provision for impairment of receivables	**(788)**	(523)
	118,291	172,814

As at 30 June 2010, the fair values of the Group's trade receivables are approximately the same as their carrying amounts.

11 Share capital and options

	Number of shares (in thousand)	**HK$'000**
Authorised:		
At 1 January 2010 and 30 June 2010, ordinary shares of HK$0.10 each	**4,000,000**	**400,000**
Issued and fully paid:		
At 1 January 2010 and 30 June 2010, ordinary shares of HK$0.10 each	**1,574,255**	**157,425**

Details of share option schemes adopted by the Group since 16 October 2009 are set out in the annual financial statements for the year ended 31 December 2009. Movements in the number of such share options granted and their related weighted average exercise prices during the period, are as follows:

	Number of options	**Weighted average exercise price HK$**
At 1 January 2010	**83,714,000**	**2.02**
Forfeited	**(126,000)**	**1.65**
At 30 June 2010	**83,588,000**	**2.02**

12 Trade payables

At 30 June 2010, the ageing analysis of the Group's trade payables by invoice date is as follows:

	Unaudited 30 June 2010 HK$'000	Audited 31 December 2009 HK$'000
1 – 30 days	**29,891**	37,094
31 – 60 days	**3,643**	12,795
61 – 90 days	**6,970**	1,125
Over 90 days	**6,241**	4,721
	46,745	55,735

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

13 Borrowings

The maturity of bank borrowings is as follows:

	Unaudited 30 June 2010 HK$'000	Audited 31 December 2009 HK$'000
Within 1 year	**100,000**	91,799
Between 1 and 2 years	**80,000**	–
Between 2 and 5 years	**280,000**	623,000
	460,000	714,799

(a) All the bank borrowings were secured by cross guarantees amongst group companies.

(b) As at 30 June 2010, the Group has unutilised banking facilities amounted to HK$850 million (31 December 2009: HK$710 million).

14 Discontinued Operations

The entire equity interest in BLS (Private Labels) Holdings Limited and its subsidiaries ("BLS Private Label"), which was engaged in the retailing of menswear of owned brands, such as Leo, Gibo and Uffizi (the "Discontinued Operations"), was reverted back to BLS Holdings Limited on 25 August 2009 for the same consideration when BLS Private Label was acquired by the Group on 1 June 2009. Details of the Discontinued Operations were set out in the annual financial statements for the year ended 31 December 2009. The acquisition of BLS Private Label was prepared using the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combination" issued by the HKICPA. The results of the Discontinued Operations for the period from 1 January 2009 to 30 June 2009 have been presented as Discontinued Operations under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" and are set out as follows:

	Unaudited Six months ended 30 June 2009 HK$'000
Revenue	159,124
Gross profit	105,324
Operating loss	(11,153)
Loss before income tax	(12,850)
Loss for the period	(11,469)

An analysis of the cash flows of the Discontinued Operations is as follows:

	Unaudited Six months ended 30 June 2009 HK$'000
Net cash generated from operating activities	87,380
Net cash used in investing activities	(3,290)
Net cash used in financing activities	(23,786)
Increase in cash and cash equivalents	60,304

15 Contingencies

Save as disclosed elsewhere in this report, the Group had no significant contingent liabilities as at 30 June 2010.

16 Commitments

(a) Capital commitments for property, plant and equipment

	Unaudited 30 June 2010 HK$'000	Audited 31 December 2009 HK$'000
Contracted but not provided for		
– Property, plant and equipment	**–**	61
– Computer software	**–**	468
	–	529

(b) Commitments under operating leases

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

	Unaudited 30 June 2010 HK$'000	Audited 31 December 2009 HK$'000
– No later than 1 year	**175,935**	148,396
– Later than 1 year and no later than 5 years	**170,828**	122,651
	346,763	271,047

(c) Other commitments

	Unaudited 30 June 2010 HK$'000	Audited 31 December 2009 HK$'000
Contracted marketing expenses		
– No later than 1 year	**3,029**	2,200
– Later than 1 year and no later than 5 years	**2,400**	2,400
	5,429	4,600

17 Related party transactions

(a) Significant related party transactions

Other than the related party transactions disclosed elsewhere, significant related party transactions of the Group during the period were as follows:

	Unaudited Six months ended 30 June	
	2010 **HK$'000**	2009 HK$'000
Purchase of goods	**4,843**	163
Sub-contracting fee for production of product parts	**8,335**	9,963
Service fee received for provision of accounting, information system and human resources services	**3,534**	3,052
Service fee paid for provision of corporate compliance services and other administrative services	**1,760**	2,696
Service fee paid for provision of warehouse and logistics services	**4,477**	3,956
Rental and license fee received	**1,575**	665
Rental and management fee paid	**1,915**	2,647
Management services fee received	**10,500**	–

All the above related party transactions were entered with companies associated with or controlled by Li & Fung (1937) Limited, a substantial shareholder of the Company. All related party transactions were determined on basis agreed by both parties and were conducted in the normal course of business.

(b) Balances with related parties

	Unaudited 30 June 2010 HK$'000	Audited 31 December 2009 HK$'000
Due from related parties	**1,517**	3,456
Due to related parties	**5,878**	2,141

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

17 Related party transactions *(Continued)*

(c) Corporate guarantee to a related party

The Company has provided a corporate guarantee in favour of a bank in Thailand to support the banking facilities of Ferragamo (Thailand) Limited. The maximum liability of the Company is the lower of (a) 50% of the borrowed sum; or (b) 50% of Baht 110 million and USD1.4 million (that is Baht 55 million and USD0.7 million). As at 30 June 2010, the sum borrowed by Ferragamo (Thailand) Limited amounted to approximately Baht 84 million and USD0.7 million (approximately HK$25.4 million in aggregate) (31 December 2009: Baht 65 million and USD0.6 million (approximately HK$19.4 million in aggregate)).

(d) Key management compensation

Key management compensation amounted to HK$4,787,000 for the six months ended 30 June 2010 (2009: HK$5,659,000).

18 Events after the balance sheet date

Save as disclosed elsewhere in this report, there was no other significant subsequent events that took place subsequent to 30 June 2010.