

**I.T**

**INTERIM REPORT**

**12/13**

**STOCK CODE: 999**





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**R**

**U**

**T**

**I**

**S**

**a fashion icon**

**TREND SETTING**

**inspiration**

**a lifestyle**

**MOVING FORWARD**

**CORPORATE PROFILE**

### **Executive Directors**

Mr. SHAM Kar Wai  
Mr. SHAM Kin Wai

# DIRECTORS

### **Independent Non-executive Directors**

Mr. Francis GOUTENMACHER  
Dr. WONG Tin Yau, Kelvin  
Mr. MAK Wing Sum, Alvin

### **Company Secretary**

Miss HO Suk Han, Sophia

### **Registered Office**

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

### **Head Office and Principal Place of Business in Hong Kong**

31/F Tower A Southmark  
11 Yip Hing Street  
Wong Chuk Hang  
Hong Kong

### **Auditor**

PricewaterhouseCoopers,  
Certified Public Accountants

### **Principal Bankers**

Hang Seng Bank Limited  
The Hongkong and Shanghai Banking  
Corporation Limited  
Standard Chartered Bank (Hong Kong) Limited

### **Principal Share Registrar**

HSBC Securities Services (Bermuda) Limited

### **Hong Kong Branch Share Registrar**

Computershare Hong Kong Investor  
Services Limited  
Shops 1712-1716 17/F Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong  
Tel: 2862-8555

### **IR Contact**

Mr. FONG Wai Bun, Benny  
Investor Relations Manager  
Tel: 3197-1126  
Fax: 2237-6616  
Email: ir\_mail@ithk.com

### **Corporate Website**

[www.ithk.com](http://www.ithk.com)



# HIGHLIGHTS

- Total turnover of the Group increased by 23.3% to HK\$2,965.3 million with sales growth in all operating markets.
- Total retail sales in Hong Kong increased by 17.0% to HK\$1,691.5 million at comparable store sales growth rate of +8.0%. Total retail sales in Mainland China increased by 44.1% to HK\$813.2 million at comparable store sales growth rate of +12.9%.
- Japan landed at total sales of HK\$266.1 million and achieved profit turnaround at HK\$18.8 million operating profit.
- Total retail sales in other region (namely Macau and Taiwan) increased by 37.5% to HK\$120.1 million with operating profits at HK\$25.1 million.
- Gross profit of the Group increased by 18.0% to HK\$1,766.8 million at gross profit margin of 59.6%.
- Net profit of the Group decreased by 20.2% to HK\$121.1 million.

Per share data	31 August 2012	31 August 2011	Change
EPS-basic (HK\$)	0.098	0.126	-22.2%
EPS-diluted (HK\$)	0.095	0.119	-20.2%
Book value (HK\$) <sup>(1)</sup>	1.86	1.60	15.9%

Key statistics	31 August 2012	31 August 2011	Change
Inventory turnover (Days) <sup>(2)</sup>	197.0	177.0	11.3%
Cash and cash equivalent (HK\$ million)	914.8	606.3	50.9%
Net debt (HK\$ million) <sup>(3)</sup>	105.1	16.7	529.3%
Debt to equity ratio (%) <sup>(4)</sup>	44.7	31.8	40.6%
Return on equity ratio (%) <sup>(5)</sup>	5.3	8.0	-33.8%

Notes:

<sup>(1)</sup> Net asset value per share as at the end of period.

<sup>(2)</sup> Average of the inventory at the beginning and at the end of the period divided by cost of sales times number of days during the period.

<sup>(3)</sup> Cash and cash equivalents less bank borrowings.

<sup>(4)</sup> Bank borrowings divided by total equity at the end of the period.

<sup>(5)</sup> Profit attributable to equity holders of the Company for the period divided by average of the total equity at the beginning and at the end of the period.

## Store Coverage

	A. No. of stores			
	Self-managed		Franchised	
	31 August 2012	29 February 2012	31 August 2012	29 February 2012
<b>Greater China:</b>				
Hong Kong				
I.T	287	266	–	–
FCUK IT <sup>(1)</sup>	7	7	–	–
ZIT H.K. <sup>(1)</sup>	3	3	–	–
Mainland China				
I.T	213	217	75	78
FCIT China <sup>(1)</sup>	16	14	–	–
Taiwan	20	19	–	–
Macau				
I.T	10	9	–	–
FCIT Macau <sup>(1)</sup>	1	1	–	–
<b>Overseas:</b>				
Japan	23	25	–	–
USA	1	1	–	–
Thailand	–	–	16	13
Europe <sup>(2)</sup>	–	–	2	5
The Philippines	–	–	2	2
Singapore	–	–	1	1
South Korea	–	–	1	1
Canada	–	–	1	1

	B. Sales footage <sup>(3)</sup>			
	Self-managed		Franchised	
	31 August 2012	29 February 2012	31 August 2012	29 February 2012
<b>Greater China:</b>				
Hong Kong				
I.T	612,777	581,141	–	–
FCUK IT <sup>(1)</sup>	8,642	9,838	–	–
ZIT H.K. <sup>(1)</sup>	3,597	3,597	–	–
Mainland China				
I.T	617,646	604,834	84,875	87,661
FCIT China <sup>(1)</sup>	23,825	22,175	–	–
Taiwan	32,376	30,532	–	–
Macau				
I.T	32,526	28,964	–	–
FCIT Macau <sup>(1)</sup>	3,330	3,330	–	–
<b>Overseas:</b>				
Japan	53,954	56,945	–	–
USA	3,313	3,313	–	–
Thailand	–	–	15,950	12,750
Europe <sup>(2)</sup>	–	–	930	2,166
The Philippines	–	–	1,280	1,280
Singapore	–	–	2,016	2,016
South Korea	–	–	2,156	2,130
Canada	–	–	3,165	3,615

Notes:

<sup>(1)</sup> a 50% owned joint venture of the Company.

<sup>(2)</sup> includes England and France.

<sup>(3)</sup> represents gross area.

# INDEPENDENT REVIEW REPORT



羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION  
TO THE BOARD OF DIRECTORS OF I.T LIMITED  
(incorporated in Bermuda with limited liability)

## INTRODUCTION

We have reviewed the interim financial information set out on pages 13 to 31, which comprises the interim condensed consolidated statement of financial position of I.T Limited (the "Company") and its subsidiaries (together, the "Group") as at 31 August 2012 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

A handwritten signature in black ink, appearing to be a stylized 'M' or similar character, followed by a horizontal line.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 30 October 2012

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*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong*  
T: +852 2289 8888, F: +852 2810 9888, [www.pwchk.com](http://www.pwchk.com)

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 August 2012

	Note	Six months ended 31 August	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Turnover	4	<b>2,965,306</b>	2,404,596
Cost of sales	6	<b>(1,198,523)</b>	(906,800)
Gross profit		<b>1,766,783</b>	1,497,796
Other (losses)/gains	5	<b>(9,372)</b>	4,024
Operating expenses	6	<b>(1,610,641)</b>	(1,307,559)
Operating profit		<b>146,770</b>	194,261
Finance cost, net	7	<b>(8,207)</b>	(2,619)
Share of (loss)/profit of jointly controlled entities		<b>(3,549)</b>	3,394
Profit before income tax		<b>135,014</b>	195,036
Income tax expense	8	<b>(13,946)</b>	(43,276)
Profit for the period		<b>121,068</b>	151,760
<b>Other comprehensive income:</b>			
Currency translation differences		<b>(8,339)</b>	20,322
Total comprehensive income for the period		<b>112,729</b>	172,082
Profit/(loss) attributable to:			
– Equity holders of the Company		<b>119,734</b>	152,428
– Non-controlling interests		<b>1,334</b>	(668)
		<b>121,068</b>	151,760
Total comprehensive income/(loss) attributable to:			
– Equity holders of the Company		<b>111,182</b>	173,090
– Non-controlling interests		<b>1,547</b>	(1,008)
		<b>112,729</b>	172,082
Earnings per share attributable to equity holders of the Company for the period (expressed in HK\$ per share)			
– basic	10	<b>0.098</b>	0.126
– diluted	10	<b>0.095</b>	0.119
Dividends	9	<b>–</b>	30,515

The accompanying notes are an integral part of this condensed interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 August 2012

	Note	As at 31 August 2012 (Unaudited) HK\$'000	As at 29 February 2012 (Audited) HK\$'000
<b>ASSETS</b>			
Non-current assets			
Property, furniture and equipment	11	938,425	880,887
Intangible assets	11	370,954	373,018
Investments in and amounts due from jointly controlled entities	12	194,335	118,059
Rental deposits	14	306,317	277,738
Prepayments for furniture and equipment	14	15,072	4,437
Deferred income tax assets		108,814	77,782
		<b>1,933,917</b>	1,731,921
Current assets			
Inventories		1,324,389	1,237,808
Trade and other receivables	13	157,620	155,450
Amounts due from jointly controlled entities	12	23,150	23,648
Prepayments and other deposits	14	264,029	216,063
Derivative financial instruments	15	–	116
Cash and cash equivalents		914,795	626,944
		<b>2,683,983</b>	2,260,029
<b>LIABILITIES</b>			
Current liabilities			
Bank borrowings	18	(257,141)	(184,178)
Trade and bill payables	16	(495,074)	(487,948)
Accruals and other payables	17	(668,774)	(463,583)
Amounts due to jointly controlled entities	12	(50,786)	(50,064)
Current income tax liabilities		(45,658)	(48,754)
		<b>(1,517,433)</b>	(1,234,527)
Net current assets		<b>1,166,550</b>	1,025,502
Total assets less current liabilities		<b>3,100,467</b>	2,757,423
Non-current liabilities			
Bank borrowings	18	(762,723)	(437,126)
Accruals	17	(16,316)	(18,079)
Derivative financial instruments	15	(11,895)	(2,639)
Deferred income tax liabilities		(27,889)	(30,801)
		<b>(818,823)</b>	(488,645)
Net assets		<b>2,281,644</b>	2,268,778
<b>EQUITY</b>			
Capital and reserves			
Share capital	19	122,814	122,067
Reserves	20	2,158,830	2,148,649
Non-controlling interests		–	(1,938)
Total equity		<b>2,281,644</b>	2,268,778



**SHAM KAR WAI**  
Chairman



**SHAM KIN WAI**  
Director

The accompanying notes are an integral part of this condensed interim financial information.

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 August 2012

	<b>Share capital (Unaudited)</b> HK\$'000	<b>Reserves (Unaudited)</b> HK\$'000	<b>Non- controlling interests (Unaudited)</b> HK\$'000	<b>Total (Unaudited)</b> HK\$'000
Balance at 1 March 2012	122,067	2,148,649	(1,938)	2,268,778
Profit for the period	–	119,734	1,334	121,068
Other comprehensive income:				
– currency translation differences	–	(8,552)	213	(8,339)
Total comprehensive income for the six months ended 31 August 2012	–	111,182	1,547	112,729
Transaction with owners:				
Final dividends for the year ended 29 February 2012	–	(158,430)	–	(158,430)
Exercise of share options	747	17,131	–	17,878
Tax credit from exercise of share options	–	36,000	–	36,000
Share option scheme				
– value of employment services	–	8,924	–	8,924
Acquisition of non-controlling interests	–	(4,626)	391	(4,235)
Total transaction with owners	747	(101,001)	391	(99,863)
Balance at 31 August 2012	122,814	2,158,830	–	2,281,644
Balance at 1 March 2011	119,725	1,727,236	(3,749)	1,843,212
Profit for the period	–	152,428	(668)	151,760
Other comprehensive income:				
– currency translation differences	–	20,662	(340)	20,322
Total comprehensive income for the six months ended 31 August 2011	–	173,090	(1,008)	172,082
Transaction with owners:				
Final dividends for the year ended 28 February 2011	–	(126,906)	–	(126,906)
Exercise of share options	2,336	50,485	–	52,821
Share option scheme				
– value of employment services	–	15,313	–	15,313
Total transaction with owners	2,336	(61,108)	–	(58,772)
Balance at 31 August 2011	122,061	1,839,218	(4,757)	1,956,522

The accompanying notes are an integral part of this condensed interim financial information.

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 31 August 2012

	Six months ended 31 August	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Net cash generated from operating activities	139,969	109,145
Net cash used in investing activities	(267,215)	(224,772)
Net cash generated from/(used in) financing activities	415,716	(54,945)
Net increase/(decrease) in cash and cash equivalents	288,470	(170,572)
Currency translation differences	(619)	1,079
Cash and cash equivalents, at 1 March	626,944	775,841
Cash and cash equivalents, at 31 August	914,795	606,348
Analysis of cash and cash equivalents:		
Cash and bank deposits	914,795	606,348

The accompanying notes are an integral part of this condensed interim financial information.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

I.T Limited (the "Company") is an investment holding company and its subsidiaries (together with the Company are collectively referred to as the "Group") are principally engaged in the sales of fashion wears and accessories.

The Company was incorporated in Bermuda on 18 October 2004 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company is listed on The Stock Exchange of Hong Kong Limited.

These condensed consolidated interim financial information are presented in Hong Kong Dollars ("HK\$"), unless otherwise stated.

This condensed consolidated interim financial information was approved for issue by Board of Directors on 30 October 2012.

This condensed consolidated interim financial information has not been audited.

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 31 August 2012 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").

This condensed consolidated interim financial information should be read in conjunction with the Group's annual financial statements for the year ended 29 February 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

## 3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 29 February 2012, as described in those annual financial statements.

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

- (a) The following new standards, amendments and interpretations to existing standards are mandatory for the accounting periods beginning on or after 1 March 2012, but are not relevant to the Group:

HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 3 ACCOUNTING POLICIES (Continued)

(b) The following new standards, amendments and interpretations to existing standards have been issued, but are not effective and have not been early adopted:

HKAS 1 (Amendment)	Presentation of Financial Statements on Other Comprehensive Income (effective for annual period beginning on or after 1 July 2012)
HKAS 19 (Revised 2011)	Employee Benefits (effective for annual period beginning on or after 1 January 2013)
HKAS 27 (Revised 2011)	Separate Financial Statements (effective for annual period beginning on or after 1 January 2013)
HKAS 28 (Revised 2011)	Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2013)
HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities (effective for annual period beginning on or after 1 January 2014)
HKFRS 7 (Amendment)	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities (effective for annual period beginning on or after 1 January 2013)
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures (effective for annual period beginning on or after 1 January 2015)
HKFRS 9	Financial Instruments (effective for annual period beginning on or after 1 January 2015)
HKFRS 10	Consolidated Financial Statements (effective for annual period beginning on or after 1 January 2013)
HKFRS 11	Joint Arrangements (effective for annual period beginning on or after 1 January 2013)
HKFRS 12	Disclosure of Interests in Other (effective for annual period beginning on or after 1 January 2013)
HKFRS 13	Fair Value Measurement (effective for annual period beginning on or after 1 January 2013)
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine (effective for annual period beginning on or after 1 January 2013)

The adoption of the above new standards, amendments and interpretations to existing standards in future periods is not expected to result in substantial changes to the Group's accounting policies.

In addition, the HKICPA also published a number of amendments to existing standards under its annual improvement project. These amendments are not expected to have a significant financial impact on the results of operations and financial position of the Group.

The Group will adopt the above new standards, amendments and interpretations when they become effective.

## 4 TURNOVER AND SEGMENT INFORMATION

	<b>Six months ended 31 August</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Turnover		
– Sales of fashion wears and accessories	<b>2,965,306</b>	2,404,596

The chief operating decision maker has been identified as the board of directors that makes strategic decisions. The board of directors reviews the internal reporting of the Group in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The board of directors considers the business from geographic perspective and assesses the performance of the geographical segment based on a measure of operating profit before impairment of goodwill and property, furniture and equipment, depreciation of property, furniture and equipment, amortisation and write-off of intangible assets ("EBITDA"). The information provided to the board of directors is measured in a manner consistent with that in the financial statements.

Segment assets exclude deferred income tax assets and investments in and amounts due from jointly controlled entities which are managed on a central basis.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 4 TURNOVER AND SEGMENT INFORMATION (Continued)

The segment information provided to the board of directors for the reportable segments is as follows:

	(Unaudited)									
	Hong Kong		Mainland China		Japan		Others		Total	
	Six months ended 31 August		Six months ended 31 August		Six months ended 31 August		Six months ended 31 August		Six months ended 31 August	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Turnover	<b>1,701,142</b>	1,455,798	<b>877,969</b>	614,013	<b>266,073</b>	247,426	<b>120,122</b>	87,359	<b>2,965,306</b>	2,404,596
EBITDA	<b>157,961</b>	180,357	<b>46,563</b>	84,995	<b>42,407</b>	19,747	<b>29,387</b>	28,347	<b>276,318</b>	313,446
Depreciation, amortisation and impairment	<b>(65,597)</b>	(62,357)	<b>(36,072)</b>	(27,896)	<b>(23,574)</b>	(22,961)	<b>(4,305)</b>	(5,971)	<b>(129,548)</b>	(119,185)
Operating profit/(loss)	<b>92,364</b>	118,000	<b>10,491</b>	57,099	<b>18,833</b>	(3,214)	<b>25,082</b>	22,376	<b>146,770</b>	194,261
Finance income									<b>5,655</b>	3,506
Finance cost									<b>(13,862)</b>	(6,125)
Share of (loss)/profit of jointly controlled entities									<b>(3,549)</b>	3,394
Profit before income tax									<b>135,014</b>	195,036
	<b>Hong Kong</b>		<b>Mainland China</b>		<b>Japan</b>		<b>Others</b>		<b>Total</b>	
	HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000	
Total segment assets										
As at 31 August 2012	<u>2,149,707</u>		<u>1,563,797</u>		<u>448,259</u>		<u>129,838</u>		<u>4,291,601</u>	
As at 29 February 2012	<u>1,904,583</u>		<u>1,328,738</u>		<u>424,688</u>		<u>114,452</u>		<u>3,772,461</u>	

Reportable segments' assets are reconciled to total assets as follows:

	<b>As at 31 August 2012 (Unaudited) HK\$'000</b>	As at 29 February 2012 (Audited) HK\$'000
Segment assets for reportable segments	<b>4,161,763</b>	3,658,009
Other segments assets	<b>129,838</b>	114,452
	<b>4,291,601</b>	3,772,461
Unallocated:		
Deferred income tax assets	<b>108,814</b>	77,782
Investments in and amounts due from jointly controlled entities	<b>217,485</b>	141,707
	<b>4,617,900</b>	3,991,950

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 5 OTHER (LOSSES)/GAINS

	<b>Six months ended 31 August</b>	
	<b>2012</b> <b>(Unaudited)</b> <b>HK\$'000</b>	<b>2011</b> <b>(Unaudited)</b> <b>HK\$'000</b>
Fair value (loss)/gain from derivative financial instruments		
– forward foreign exchange contracts	<b>(116)</b>	4,024
– currency swap contract	<b>(5,474)</b>	–
– interest rate swap contract	<b>(3,782)</b>	–
	<b>(9,372)</b>	4,024

## 6 EXPENSES BY NATURE

	<b>Six months ended 31 August</b>	
	<b>2012</b> <b>(Unaudited)</b> <b>HK\$'000</b>	<b>2011</b> <b>(Unaudited)</b> <b>HK\$'000</b>
Cost of inventories sold	<b>1,154,792</b>	866,570
Write-down of inventories to net realisable value	<b>20,263</b>	14,926
Employment costs (including directors' emoluments)	<b>492,365</b>	403,519
Operating lease rentals of premises		
– minimum lease payments	<b>523,212</b>	409,525
– contingent rents	<b>101,435</b>	66,924
Advertising and promotion costs	<b>36,604</b>	43,797
Depreciation of furniture and equipment	<b>122,817</b>	104,876
Impairment for furniture and equipment	–	6,971
(Gain)/loss on disposals of furniture and equipment	<b>(317)</b>	1,701
Licence fees (included in operating expenses)		
– amortisation of licence rights	<b>1,645</b>	2,200
– contingent licence fees	<b>6,623</b>	6,820
Amortisation of intangible assets (included in operating expenses)	<b>5,086</b>	5,138
Provision for impairment of amount due from a jointly controlled entity	<b>1,576</b>	1,023
Net exchange gains	<b>(2,070)</b>	(1,199)
Other expenses	<b>345,133</b>	281,568
Total	<b>2,809,164</b>	2,214,359
Representing:		
Cost of sales	<b>1,198,523</b>	906,800
Operating expenses	<b>1,610,641</b>	1,307,559
	<b>2,809,164</b>	2,214,359

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 7 FINANCE COST, NET

	<b>Six months ended 31 August</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest income from		
– bank deposits	<b>4,459</b>	2,509
– amounts due from jointly controlled entities	<b>228</b>	284
– others <sup>①</sup>	<b>968</b>	713
	<hr/>	<hr/>
Finance income	<b>5,655</b>	3,506
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Interest expense on		
– bank borrowings wholly repayable within five years	<b>(13,862)</b>	(6,125)
	<hr/>	<hr/>
Finance cost	<b>(13,862)</b>	(6,125)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net finance cost	<b>(8,207)</b>	(2,619)
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

Note:

<sup>①</sup> These represent the interests arising from the amortisation of financial assets and liabilities recognised at amortised cost.

## 8 INCOME TAX EXPENSE

The Company is exempted from taxation in Bermuda until March 2016. The Company's subsidiaries established in the British Virgin Islands are incorporated under the BVI Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income taxes.

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 31 August 2011: 16.5%) and overseas profits tax has been provided at the rates of taxation prevailing in the countries in which the Group operates.

During the period, subsidiaries established in Mainland China are subject to China corporate income tax at rate of 25% (six months ended 31 August 2011: ranging from 24% to 25%).

Japan Corporate Income Tax has been provided at the applicable rate of 42% on the estimated assessable profits of the Group's operations in Japan. According to the "Amendment to the 2011 Tax Reform Bill ("2011 Reform Amendment Law") and "Special Measures to Secure the Financial Resources to Implement the Restoration from the Tohoku Earthquake" ("Special Restoration Tax Law"), the Corporate income tax rates are gradually reduced from 42% to 35.64%, effective for tax years beginning on or after 1 April 2012 (for corporations with capital exceeding JPY 100 million in the Tokyo Metropolitan Area). The effective applicable tax rates is gradually decreased to 40.69% for 2012, 38.01% for 2013 to 2015, 35.64% for tax years beginning on or after 1 April 2015, according to Restoration surtax stipulated in the Special Restoration Tax Law and related circular.

Macau Complementary (Corporate) Tax has been provided at the applicable rates ranging from 9% to 12% (six months ended 31 August 2011: 9% to 12%) on the estimated assessable profit in excess of HK\$196,000 (approximately MOP200,000) and below HK\$295,000 (approximately MOP300,000) and a fixed rate of 12% on assessable profit in excess of HK\$295,000 (approximately MOP300,000).

Taiwan profits tax has been provided at the rate of 17% (six months ended 31 August 2011: 17%) on the estimated assessable profits of the Group's operations in Taiwan.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 8 INCOME TAX EXPENSE (Continued)

The amounts of taxation charged to the condensed consolidated interim statement of comprehensive income represent:

	<b>Six months ended 31 August</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current income tax		
– Hong Kong profits tax	<b>13,082</b>	24,125
– Mainland China enterprise income tax	<b>300</b>	21,504
– Overseas income tax	<b>6,867</b>	2,588
Deferred income tax	<b>(6,303)</b>	(4,941)
	<b>13,946</b>	43,276

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 31 August 2012 is 18.2% (six months ended 31 August 2011: 17.9%).

## 9 DIVIDENDS

A final dividend relating to the year ended 29 February 2012 amounted to HK\$158,430,000, which was fully paid in September 2012.

The board of directors does not declare the payment of an interim dividend for the six months ended 31 August 2012 (six months ended 31 August 2011: 2.5 HK cents per ordinary share).

## 10 EARNINGS PER SHARE

### Basic

The calculation of basic earnings per share for the period is based on the consolidated profit attributable to equity holders of the Company and on the weighted average number of ordinary shares in issue during the period.

	<b>Six months ended 31 August</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	<b>119,734</b>	152,428
Weighted average number of ordinary shares in issue ('000)	<b>1,226,493</b>	1,212,296
Basic earnings per share (HK\$)	<b>0.098</b>	0.126

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 10 EARNINGS PER SHARE (Continued)

### 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.

Shares issuable under the share option schemes are the only dilutive potential ordinary shares. A calculation is prepared to determine the number of shares that could have been acquired at fair value (determined as the average daily quoted market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is increased by the number of shares that would have been issued assuming the exercise of the share options.

	<b>Six months ended 31 August</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	<b>119,734</b>	152,428
Weighted average number of ordinary shares in issue ('000)	<b>1,226,493</b>	1,212,296
Adjustments for share options ('000)	<b>40,316</b>	69,628
Weighted average number of ordinary shares for diluted earnings per share ('000)	<b>1,266,809</b>	1,281,924
Diluted earnings per share (HK\$)	<b>0.095</b>	0.119

## 11 PROPERTY, FURNITURE AND EQUIPMENT AND INTANGIBLE ASSETS

	<b>Property, furniture and equipment (Unaudited) HK\$'000</b>	<b>Intangible assets (Unaudited) HK\$'000</b>
<b>Six months ended 31 August 2012</b>		
Opening net book amount as at 1 March 2012	<b>880,887</b>	<b>373,018</b>
Additions	<b>179,912</b>	<b>3,475</b>
Disposals	<b>(170)</b>	-
Depreciation and amortisation	<b>(122,817)</b>	<b>(6,731)</b>
Exchange differences	<b>613</b>	<b>1,192</b>
Closing net book amount as at 31 August 2012	<b>938,425</b>	<b>370,954</b>
<b>Six months ended 31 August 2011</b>		
Opening net book amount as at 1 March 2011	727,022	370,722
Additions	179,849	2,893
Disposals	(1,747)	-
Depreciation and amortisation	(104,876)	(7,338)
Impairment	(6,971)	-
Exchange differences	12,647	14,767
Closing net book amount as at 31 August 2011	805,924	381,044

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 12 INVESTMENTS IN AND BALANCES WITH JOINTLY CONTROLLED ENTITIES

	<b>As at 31 August 2012 (Unaudited) HK\$'000</b>	As at 29 February 2012 (Audited) HK\$'000
Share of net assets	<b>40,805</b>	49,621
Amounts due from jointly controlled entities	<b>181,337</b>	95,167
Less: provision for impairment of amount due from a jointly controlled entity	<b>(4,657)</b>	(3,081)
	<b>176,680</b>	92,086
Less: current portion of amounts due from jointly controlled entities	<b>217,485 (23,150)</b>	141,707 (23,648)
	<b>194,335</b>	118,059
Amounts due to jointly controlled entities	<b>(50,786)</b>	(50,064)

### (a) Balances with jointly controlled entities

	<b>As at 31 August 2012 (Unaudited) HK\$'000</b>	As at 29 February 2012 (Audited) HK\$'000
<b>Due from jointly controlled entities</b>		
ZIT H.K. Limited (Notes ii & iv)	<b>5,757</b>	7,287
FCIT China Limited (Note i)	<b>28,191</b>	27,749
Glory Premium Limited (Note iv)	<b>1,454</b>	1,574
FCUK IT Company (Note iv)	–	374
Galleries Lafayette (China) Limited (Note iii)	<b>141,278</b>	55,102
	<b>176,680</b>	92,086
<b>Due to jointly controlled entities</b>		
Kenchart Apparel (Shanghai) Limited (Note iv)	<b>(48,697)</b>	(48,284)
FCUK IT Company (Note iv)	<b>(2,085)</b>	(1,780)
Glory Premium Limited (Note iv)	<b>(4)</b>	–
	<b>(50,786)</b>	(50,064)

Notes:

- (i) The amount due from FCIT China Limited of approximately HK\$6,495,000 (29 February 2012: HK\$6,172,000) is unsecured, non-interest bearing and fully repayable in 2016. This amount is carried at amortised cost using the effective interest rate at 5% per annum (29 February 2012: 5% per annum). The remaining balance is unsecured, non-interest bearing and repayable on demand.
- (ii) The amount due from ZIT H.K. Limited of approximately HK\$5,575,000 (29 February 2012: HK\$7,164,000) is unsecured, interest bearing at 5% per annum (29 February 2012: 5% per annum) and fully repayable in 2014.
- (iii) The amount due from Galleries Lafayette (China) Limited of approximately HK\$141,278,000 (29 February 2012: HK\$55,102,000) is unsecured, bears interest at HIBOR plus 0.3% per annum (29 February 2012: HIBOR plus 0.3%) and fully repayable in 2017.
- (iv) The remaining balances with jointly controlled entities are unsecured, non-interest bearing and repayable on demand.

There are no material contingent liabilities relating to the Group's investments in the jointly controlled entities, and no material contingent liabilities of the jointly controlled entities themselves.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 12 INVESTMENTS IN AND BALANCES WITH JOINTLY CONTROLLED ENTITIES (Continued)

### (b) Details of the principal jointly controlled entities:

Name	Place of incorporation/ establishment and operations	Issued and fully paid/ registered capital	Percentage of equity interest attributable to the Group indirectly	Principal activities
FCUK IT Company	Hong Kong	HK\$2	50%	Retail of fashion wears and accessories
FCIT China Limited	Hong Kong	HK\$2	50%	Investment holding
ZIT H.K. Limited	Hong Kong	HK\$1,000,000	50%	Retail of fashion wears and accessories
Glory Premium Limited	Hong Kong	HK\$4,500,000	50%	Investment holding
Kenchart Apparel (Shanghai) Limited	Mainland China	US\$3,700,000	50%	Retail of fashion wears and accessories
FCIT (Macau), Limited	Macau	MOP\$1,030,000	50%	Retail of fashion wears and accessories
Galleries Lafayette (China) Limited	Hong Kong	HK\$311,936,200	50%	Investment holding
Galleries Lafayette (Beijing) Limited	Mainland China	US\$12,000,000	50%	Operation of a department store

## 13 TRADE AND OTHER RECEIVABLES

	As at 31 August 2012 (Unaudited) HK\$'000	As at 29 February 2012 (Audited) HK\$'000
Trade receivables – gross	154,197	154,504
Less: provision for impairment of trade receivables	(1,761)	(3,471)
Trade receivables – net	<u>152,436</u>	151,033
Other receivables	<u>5,184</u>	4,417
Trade and other receivables	<u><u>157,620</u></u>	<u><u>155,450</u></u>

The Group's sales are mainly settled by cash or credit/debit cards. The Group grants to a limited number of corporate customers credit periods ranging from 30 to 60 days.

The ageing analysis of the trade receivables is as follows:

	As at 31 August 2012 (Unaudited) HK\$'000	As at 29 February 2012 (Audited) HK\$'000
0 to 30 days	147,367	145,664
31 to 60 days	2,035	3,640
61 to 90 days	2,130	1,296
Over 90 days	2,665	3,904
	<u><u>154,197</u></u>	<u><u>154,504</u></u>



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 14 PREPAYMENTS AND OTHER DEPOSITS

	<b>As at 31 August 2012 (Unaudited) HK\$'000</b>	As at 29 February 2012 (Audited) HK\$'000
Rental deposits	<b>392,853</b>	354,001
Prepayments	<b>173,089</b>	121,585
Utilities and other deposits	<b>19,476</b>	22,652
	<b>585,418</b>	498,238
Less: non-current portion:		
Rental deposits	<b>(306,317)</b>	(277,738)
Prepayments for furniture and equipment	<b>(15,072)</b>	(4,437)
	<b>264,029</b>	216,063

## 15 DERIVATIVE FINANCIAL INSTRUMENTS

	<b>As at 31 August 2012</b>		As at 29 February 2012	
	<b>Assets HK\$'000</b>	<b>Liabilities HK\$'000</b>	Assets HK\$'000	Liabilities HK\$'000
Current portion:				
Foreign exchange forward contracts, at market value (a)	–	–	116	–
Non-current portion:				
Foreign currency swap contract, at market value (b)	–	<b>(8,076)</b>	–	(2,639)
Interest rate swap contract, at market value (c)	–	<b>(3,819)</b>	–	–
	–	<b>(11,895)</b>	–	(2,639)

Notes:

- (a) As at 29 February 2012, the notional principal amounts of the outstanding forward foreign exchange contracts to buy Japanese Yen for economic hedging against foreign exchange risk exposures relating to firm purchase orders of fashion wears and accessories and certain outstanding payables denominated in those currencies, were HK\$110,400,000. The contracts became mature during the period.
- (b) As at 31 August 2012, the notional principal amount of the outstanding foreign currency swap contract to buy Chinese Renminbi for economic hedge against foreign exchange risk exposures relating to liabilities denominated in Chinese Renminbi was HK\$129,570,000 (as at 29 February 2012: HK\$129,570,000). The contract will be matured in March 2015.
- (c) As at 31 August 2012, the notional principal amounts of the outstanding interest rate swap contracts were HK\$129,570,000 (as at 29 February 2012: nil) and the interest rate is fixed at 5.35% per annum (as at 29 February 2012: nil). The contracts will be matured in March 2015.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 16 TRADE AND BILL PAYABLES

The ageing analysis of trade and bill payables is as follows:

	<b>As at 31 August 2012 (Unaudited) HK\$'000</b>	As at 29 February 2012 (Audited) HK\$'000
0 to 30 days	<b>316,957</b>	237,940
31 to 60 days	<b>122,335</b>	104,318
61 to 90 days	<b>27,095</b>	64,889
91 to 180 days	<b>17,341</b>	73,355
181 to 365 days	<b>9,113</b>	6,067
Over 365 days	<b>2,233</b>	1,379
	<b>495,074</b>	487,948

## 17 ACCRUALS AND OTHER PAYABLES

	<b>As at 31 August 2012 (Unaudited) HK\$'000</b>	As at 29 February 2012 (Audited) HK\$'000
Unutilised coupon	<b>8,911</b>	4,853
Accruals		
– Rented premises	<b>212,049</b>	167,206
– Employment costs	<b>71,303</b>	91,393
– Others	<b>91,516</b>	80,251
Other payables	<b>142,883</b>	137,959
Dividend payable	<b>158,428</b>	–
	<b>685,090</b>	481,662
Less: Non-current portion		
– Rented premises	<b>(16,316)</b>	(18,079)
	<b>668,774</b>	463,583

## 18 BANK BORROWINGS

	<b>As at 31 August 2012 (Unaudited) HK\$'000</b>	As at 29 February 2012 (Audited) HK\$'000
Current bank borrowings	<b>257,141</b>	184,178
Non-current bank borrowings	<b>762,723</b>	437,126
	<b>1,019,864</b>	621,304

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 18 BANK BORROWINGS (Continued)

Movements in bank borrowings are analysed as follows:

	<b>(Unaudited)</b> <b>HK\$'000</b>
<b>Six months ended 31 August 2012</b>	
As at 1 March 2012	621,304
Proceeds from borrowings	465,064
Repayments of borrowings	(67,226)
Exchange differences	722
	<u>1,019,864</u>
<b>As at 31 August 2012</b>	
<b>Six months ended 31 August 2011</b>	
As at 1 March 2011	594,145
Proceeds from borrowings	274,085
Repayments of borrowings	(254,944)
Exchange differences	9,800
	<u>623,086</u>

The fair value of current borrowings approximates their carrying amount, as the impact of discounting is not significant. The effective borrowing cost was 2.1% (as at 29 February 2012: 1.9%) per annum.

Interest expense on borrowings for the six months ended 31 August 2012 is approximately HK\$13,862,000 (six months ended 31 August 2011: HK\$6,125,000).

Details of the Group's banking facilities are set out in Note 21.

## 19 SHARE CAPITAL

The total number of authorised ordinary shares is 3,000,000,000 shares (29 February 2012: 3,000,000,000 shares) with a par value of HK\$0.1 per share (29 February 2012: HK\$0.1 per share).

	<b>Number of ordinary shares</b> (thousands)	<b>Nominal Value</b> HK\$'000
Issued and fully paid:		
<b>At 1 March 2012</b> (Audited)	1,220,666	122,067
Exercise of share options	7,475	747
	<u>1,228,141</u>	<u>122,814</u>
<b>At 31 August 2012</b> (Unaudited)		
<b>At 1 March 2011</b> (Audited)	1,197,249	119,725
Exercise of share options	23,356	2,336
	<u>1,220,605</u>	<u>122,061</u>
<b>At 31 August 2011</b> (Unaudited)		

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 19 SHARE CAPITAL (Continued)

### Share options

Details of the Share Option Schemes are set out in the annual report for the year ended 29 February 2012. Movements in the number of share options outstanding and the exercise prices are as follows:

	Six months ended 31 August		2011	
	2012		2011	
	Exercise price per share HK\$	Options (thousands)	Exercise price per share HK\$	Options (thousands)
Beginning of the period	2.77	111,510	1.72	94,678
Exercised	2.39	(7,475)	2.26	(23,356)
Share options granted	-	-	4.96	40,250
Forfeited	-	-	2.20	(1)
End of the period	2.80	104,035	2.78	111,571

The weighted average closing price was HK\$4.39 (2011: HK\$6.51) per share at the dates immediately before the dates on which the options were exercised.

Share options outstanding at the end of the period have the following expiry dates and exercise prices:

Expiry date	Exercise price after issue of scrip shares HK\$	Share options (thousands)	
		As at 31 August 2012	As at 31 August 2011
13 April 2012	2.30	-	7,374
13 April 2013	2.31	7,443	7,605
27 December 2019	1.23	33,805	33,805
11 February 2020	1.43	22,537	22,537
17 March 2021	4.96	40,250	40,250
		104,035	111,571

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 20 RESERVES

	Share premium (Unaudited) HK\$'000	Share-based payment reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Foreign exchange translation reserve (Unaudited) HK\$'000	Statutory reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 March 2012	872,237	55,109	32,337	97,629	27,044	1,064,293	2,148,649
Share option scheme							
– value of employment services	–	8,924	–	–	–	–	8,924
Profit for the period	–	–	–	–	–	119,734	119,734
Final dividends for the year ended 29 February 2012	–	–	–	–	–	(158,430)	(158,430)
Exercise of share options	20,655	(3,524)	–	–	–	–	17,131
Tax credit from exercise of share options	–	–	36,000	–	–	–	36,000
Acquisition of non-controlling interests	–	–	(4,626)	–	–	–	(4,626)
Currency translation differences							
– Group	–	–	–	(8,287)	–	–	(8,287)
– Jointly controlled entities	–	–	–	(265)	–	–	(265)
<b>Balance at 31 August 2012</b>	<b>892,892</b>	<b>60,509</b>	<b>63,711</b>	<b>89,077</b>	<b>27,044</b>	<b>1,025,597</b>	<b>2,158,830</b>
Representing:							
Declared interim dividends						–	
Others						1,025,597	
						<u>1,025,597</u>	
Balance at 1 March 2011	810,947	36,055	32,337	70,453	15,128	762,316	1,727,236
Share option scheme							
– value of employment services	–	15,313	–	–	–	–	15,313
Profit for the period	–	–	–	–	–	152,428	152,428
Final dividends for the year ended 28 February 2011	–	–	–	–	–	(126,906)	(126,906)
Exercise of share options	61,131	(10,646)	–	–	–	–	50,485
Currency translation differences							
– Group	–	–	–	19,874	–	–	19,874
– Jointly controlled entities	–	–	–	788	–	–	788
<b>Balance at 31 August 2011</b>	<b>872,078</b>	<b>40,722</b>	<b>32,337</b>	<b>91,115</b>	<b>15,128</b>	<b>787,838</b>	<b>1,839,218</b>
Representing:							
Declared interim dividends						30,515	
Others						757,323	
						<u>787,838</u>	

## 21 BANKING FACILITIES AND PLEDGE OF ASSETS

As at 31 August 2012, the Group had aggregate banking facilities of approximately HK\$1,868 million (29 February 2012: approximately HK\$1,531 million) for overdrafts, bank loans and trade financing, of which approximately HK\$855 million (29 February 2012: approximately HK\$718 million) was unutilised as at the same date. These facilities are secured by corporate guarantees provided by the Company and certain subsidiaries.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 22 COMMITMENTS

### (a) Capital commitments

	<b>As at 31 August 2012 (Unaudited) HK\$'000</b>	As at 29 February 2012 (Audited) HK\$'000
Authorised but not contracted for – capital contribution to a jointly controlled entity	<b>2,024</b>	88,200
Contracted but not provided for – fixture and furniture	<b>1,695</b>	1,218
	<b>3,719</b>	89,418

### (b) Lease commitments

The Group leases various retail shops, offices and warehouses under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future aggregate minimal lease payments are as follows:

	<b>As at 31 August 2012 (Unaudited) HK\$'000</b>	As at 29 February 2012 (Audited) HK\$'000
Not later than one year	<b>1,087,838</b>	968,236
Later than one year and not later than five years	<b>2,026,182</b>	1,960,866
Later than five years	<b>201,885</b>	195,212
	<b>3,315,905</b>	3,124,314

The above lease commitments only include commitments for basic rentals, and do not include commitments for additional rental payable (contingent rents), if any, which are to be determined generally by applying pre-determined percentages to future sales less the basic rentals of the respective leases, as it is not possible to determine in advance the amount of such additional rentals.

## 23 RELATED PARTY TRANSACTIONS

(a) As at 31 August 2012, the Group was controlled by Effective Convey Limited (incorporated in the British Virgin Islands), which directly and indirectly owns a total of 56.87% of the Company's shares. Effective Convey Limited is indirectly wholly-owned by a discretionary trust for the benefit of, amongst others, Mr. Sham Kar Wai and Mr. Sham Kin Wai.

(b) Details of significant transactions with related parties:

	<b>Six months ended 31 August 2012 (Unaudited) HK\$'000</b>	2011 (Unaudited) HK\$'000
Purchases from jointly controlled entities	<b>3,073</b>	2,405
Commission income from a jointly controlled entity	<b>870</b>	769
Interest income from jointly controlled entities	<b>228</b>	284
Reimbursement of operating expenses by jointly controlled entities	<b>2,430</b>	2,130

### (c) Key management compensation

	<b>Six months ended 31 August 2012 (Unaudited) HK\$'000</b>	2011 (Unaudited) HK\$'000
Salaries and allowances	<b>8,686</b>	7,105
Pension costs – employer's contributions to a defined contribution plan	<b>27</b>	18
Share options granted	<b>5,099</b>	8,180
	<b>13,812</b>	15,303

## 24 SEASONALITY

The sales for fashion wears and accessories are subject to seasonal fluctuations, with higher sales amount in the third and fourth quarters of the financial year. This is due to seasonal weather conditions and holiday periods.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Business Review**

### **(a) Group**

Global retail markets have been weighed heavily by the threat of European sovereign debt uncertainties, slow recovery of the U.S. economy and deceleration of growth in Mainland China since the fourth quarter of 2011. The Asian consumer sector is no exception, with staff costs and rental hikes in both Hong Kong and Mainland China putting extra heat into the austere trading environment.

A clear sign of a rebound in spending momentum could hardly be seen during the period under review. Sales in Hong Kong and Mainland China markets remained volatile, mainly attributed to slower customer traffic and weaker consumption sentiment. As a result, our stock turnover and cost efficiencies have trended behind those achieved in the same period last year.

Amid the challenging macro environment, the Group achieved an increase in turnover to HK\$2,965.3 million (2011: HK\$2,404.6 million), representing a 23.3% increase. Positive comparable-store-sales growth was recorded in all of our key operating regions. Net profit decreased 20.2% to HK\$121.1 million (2011: HK\$151.8 million) mainly attributed to the rise in operating costs and margin dilution resulted from more proactive promotions and discount offers.

### **Turnover by Market**

The Group has maintained its strength and leadership role in Hong Kong, which continued to serve as the largest revenue and profit contributor. Turnover in Hong Kong amounted to HK\$1,701.1 million for the six months ended 31 August 2012 (2011: HK\$1,455.8 million), representing a 16.9% growth. It contributed 57.4% to group turnover.

Mainland China remained the second largest contributor to the Group, accounting for 29.6% of Group turnover. Turnover of our Mainland China operation recorded HK\$878.0 million for the period under review (2011: HK\$614.0 million), representing a 43.0% increase.

Through strong brand management, our Japan business continued to perform well and had turned profitable. Turnover of our Japan operation reached HK\$266.1 million for the six months ended 31 August 2012 (2011: HK\$247.4 million), which represented 7.5% growth. Our Japan business accounted for 9.0% of our Group turnover.

**Breakdown of turnover by region of operation:**

	Turnover Six months ended 31 August			Group Participation Six months ended 31 August	
	2012 HK\$ million	2011 HK\$ million	Change	2012	2011
Hong Kong	<b>1,701.1</b>	1,455.8	<b>+16.9%</b>	<b>57.4%</b>	60.5%
<i>Retail sales only</i>	1,691.5	1,445.9	+17.0%		
Mainland China	<b>878.0</b>	614.0	<b>+43.0%</b>	<b>29.6%</b>	25.5%
<i>Retail sales only</i>	813.2	564.5	+44.1%		
Japan	<b>266.1</b>	247.4	<b>+7.5%</b>	<b>9.0%</b>	10.3%
Others	<b>120.1</b>	87.4	<b>+37.5%</b>	<b>4.0%</b>	3.7%
Total	<b>2,965.3</b>	2,404.6	<b>+23.3%</b>	<b>100.0%</b>	100.0%

**Brand Mix**

All product lines namely in-house, international and licensed brands continued to achieve noticeable sales growth. In-house brands remained the key sales driver; it represented 56.6% of Group sales (2011: 55.9%), while international brands contributed 40.0% to Group sales (2011: 40.8%).

**Breakdown of retail sales by brand category:**

	Retail Sales Six months ended 31 August			Group Participation Six months ended 31 August	
	2012 HK\$ million	2011 HK\$ million	Change	2012	2011
In-house brands	<b>1,620.0</b>	1,289.2	<b>+25.7%</b>	<b>56.6%</b>	55.9%
International brands	<b>1,143.9</b>	940.5	<b>+21.6%</b>	<b>40.0%</b>	40.8%
Licensed brands	<b>98.1</b>	78.1	<b>+25.7%</b>	<b>3.4%</b>	3.3%
Total	<b>2,862.0</b>	2,307.8	<b>+24.0%</b>	<b>100.0%</b>	100.0%



### **Dynamics in Margin and Cost**

Proactive promotions alongside various marketing strategies and discount offers were employed during the first half of the financial year to accelerate volume growth, which resulted in margin dilution. Gross profit of the Group increased by 18.0% to HK\$1,766.8 million (2011: HK\$1,497.8 million) while the gross profit margin was trimmed down to 59.6% (2011: 62.3%).

Despite escalating cost pressure and a challenging trading environment, total operating cost ratio remained stable at 54.3% (2011: 54.4%). The rent (including rental charges, management fees, rates and government rent) ratio increased by 1.5 percentage points to 24.1% (2011: 22.6%); nonetheless, the increase was offset by the enhancement of other operating expenses efficiencies. The staff cost (excluding share option expenses) ratio maintained steadily at 16.3% (2011: 16.2%).

With the above-mentioned revenue, margin and cost analysis, the operating profit of the Group decreased by 24.4% to HK\$146.8 million (2011: HK\$194.3 million) at an operating profit margin of 4.9% (2011: 8.1%).

#### **(b) Hong Kong**

To further strengthen our market dominance and to create continuous shopping excitement for our customers, a net of 21 new retail shops were opened during the period from 1 March to 31 August 2012. Included are six new AAPE (a new subsidiary line of "The Bathing Ape" brand, targeting younger customers segment) shops in Silvercord Tsim Sha Tsui, Times Square Causeway Bay, Hollywood Plaza and Langham Place Mong Kok, APM Kwun Tong and Festival Walk Kowloon Tong. The total trading area in Hong Kong increased by 5.4% to 612,777 square feet (29 February 2012: 581,141 square feet). With Hong Kong turnover amounting to HK\$1,701.1 million for the six months ended 31 August 2012, retail sales in Hong Kong increased by 17.0% to HK\$1,691.5 million with a comparable store sales growth of 8.0%; despite the slower customer traffic and weaker spending pattern experienced during the period under review.

Gross profit margin shrank to 59.1% (2011: 62.1%), driven by more proactive discount offers and optimization of pricing strategies during the financial period. Operating profit, as a result, dropped 21.7% to HK\$ 92.4 million (2011: HK\$118.0 million) at 5.4% operating profit margin (2011: 8.1%), while the operating cost to sales ratio was flat at 53.1%.

**(c) Mainland China**

Notwithstanding that a hard expansion target has not been set for FY12/13, our long-term commitment to Mainland China market remains firm. During the financial period, some stores were refined to best fit the local demand and preferences. The total store count as at 31 August 2012 amounted to 213 (29 February 2012: 217) while the total trading area increased by 2.0%.

Consistent marketing efforts alongside tailor-made and focused brand building activities were deployed, to provide new shopping experiences and to further enhance our trend-setter image. Turnover increased by 43.0% to HK\$878.0 million. Total retail sales in Mainland China increased by 44.1% to HK\$813.2 million for the six months ended 31 August 2012, at a comparable store sales growth rate of 12.9%.

Gross profit margin narrowed to 58.1% (2011: 66.4%) mainly driven by increased discount offers and optimization of pricing strategies. The shrink in gross profit margin combined with hiking operating costs, caused operating profit to decrease by 81.6% to HK\$10.5 million, at an operating profit margin of 1.2% (2011: 9.3%). Operating cost ratio was recorded at 56.9% (2011: 55.8%).

**(d) Japan**

Our Nowhere Group business in Japan continued to perform well, with the operating efficiency program having started to generate a return. Total sales in our Japan operation amounted to HK\$266.1 million (2011: HK\$247.4 million) with a profit turnaround to HK\$18.8 million operating profit (2011: operating loss of HK\$3.2 million).

**(e) Others**

Total retail sales in other regions (namely Macau and Taiwan) increased by 37.5% to HK\$120.1 million and operating profits increased by 12.1% to HK\$25.1 million. Benefiting from Mainland China tourist traffic and strong local consumption demand, Macau business continued to grow steadily.

The Group also managed a franchised store network comprising 23 overseas franchised stores in countries such as the UK, France, Canada, Thailand, the Philippines, Singapore and South Korea.

**Share of Results of Jointly Controlled Entities**

Mainly attributed to the pre-operating expenses of a jointly controlled entity, Galeries Lafayette (China) Limited, a share of loss of jointly controlled entities amounted to HK\$3.5 million was recorded for the six months ended 31 August 2012 (2011: share of profit of HK\$3.4 million).

### **Inventory**

The unfavorable trading environment witnessed during the financial period, with slower customer traffic and weaker spending momentum, impacted our stock turnover efficiency in a negative way. Inventory turnover days of the Group was 197 days for the six months ended 31 August 2012 (2011: 177 days), with a significant portion of the stock holdings being current season products and products prepared for the upcoming season.

### **Cash Flows & Financial Position**

The Group has a total of cash and bank balances amounting to HK\$914.8 million as at 31 August 2012 (29 February 2012: HK\$626.9 million). An overall net debt position of HK\$105.1 million (net debt is defined as cash and cash equivalents of HK\$914.8 million less bank borrowings of HK\$1,019.9 million as shown in the consolidated balance sheet) was recorded as at 31 August 2012 (29 February 2012: a net cash position of HK\$5.6 million).

Cash inflow from operating activities for the period ended 31 August 2012 amounted to HK\$140.0 million (2011: HK\$109.1 million).

### **Liquidity and Banking Facilities**

The Group has secured adequate bank lines to support continuous corporate growth and development. Aggregate banking facilities amounted to approximately HK\$1,868.0 million as at 31 August 2012 (29 February 2012: HK\$1,531.1 million), of which approximately HK\$855.0 million (29 February 2012: HK\$718.0 million) was unutilized. The Debt-to-Equity ratio (Debt-to-Equity ratio equals to bank borrowings divided by total equity at the end of the period) increased to 44.7% (29 February 2012: 27.4%).

### **Charges of Assets**

As at 31 August 2012, bank borrowings are secured on land and building with carrying amounts of HK\$225.8 million (29 February 2012: HK\$229.1 million).

### **Contingent Liabilities**

As at 31 August 2012, the Group did not have significant contingent liabilities (29 February 2012: Nil).

### **Foreign Exchange**

The Group is exposed to foreign exchange risk arising from the exposure to Japanese Yen, Macau Pataca, Pound Sterling, Euro, United States Dollar, New Taiwan Dollar and Chinese Renminbi against the Hong Kong Dollar. Management regularly monitors the foreign exchange risks of the Group and enters into forward exchange contracts and foreign currency swap contracts with major and reputable financial institutions to hedge the foreign exchange risk.

### **Employment, Training and Development**

The Group had a total of 6,476 employees as at 31 August 2012 (29 February 2012: 6,089) with quality staff added in the financial period to support the front-line operations of new stores as well as continuous corporate development. Training and development courses were regularly organized for employees to enhance their technical and product knowledge as well as sales and marketing and business management skills. The Group offered competitive remuneration packages to its employees, including basic salary, allowances, insurance and commission/bonuses.

### **Future Outlook**

Looking ahead, the current challenges we are facing in the Asian consumer sector can be expected to continue into the second half of the financial year. A quick solution to the existing macroeconomic issues is not imminent; we expect customer traffic to continue to be volatile, consumption sentiment to remain conscious and operating cost to remain high in the short-term. At this time, we remain of the view that we should be cautiously optimistic, and anticipate that sales in our key operating regions to maintain steady growth, as we will stay focused on stimulating volume growth through different promotional campaigns. In addition, we aim to increase our stock turnover efficiencies in the coming periods by adjusting stock ordering patterns with emphasis on the volume to best fit the current market conditions.

Our aggressive expansion strategy in Mainland China has yet to reap its initially anticipated benefits due primarily to the current sluggish business environment, but our commitment to this region remains firm. We are refining our strategy and store formats to ensure new shopping excitement can continuously be delivered to our customers.

We will continue to stay very focused on achieving the objectives and initiatives set forth for the year, which include enhancing store efficiency and staff productivity.

# DISCLOSURE OF INTEREST

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 August 2012, the interests and short positions of the Directors and Chief Executives 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 (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

### (a) Long positions in the shares of the Company

Director	No. of shares held		Direct interest	Total	Percentage of issued share capital
	Beneficiary of trust (Note 1)	Interest in underlying shares/equity derivatives (Note 2)			
Sham Kar Wai (Note 3)	698,564,441	26,178,359	6,834,000	731,576,800	59.56%
Sham Kin Wai (Note 3)	698,564,441	26,178,359	6,834,000	731,576,800	59.56%

Notes:

- (1) Mr. Sham Kar Wai and Mr. Sham Kin Wai are both beneficiaries of The ABS 2000 Trust, which is an irrevocable discretionary trust. Fine Honour Limited, Fortune Symbol Limited, Fresh Start Holdings Limited and Sure Elite Limited are wholly-owned subsidiaries of Effective Convey Limited (collectively the "Immediate Holding Companies"). Effective Convey Limited is wholly-owned by Dynamic Vitality Limited, which is in turn wholly-owned by The ABS 2000 Trust. Each of Mr. Sham Kar Wai and Mr. Sham Kin Wai is therefore deemed to be interested in the interests of the Immediate Holding Companies in the Company.
- (2) Detailed in the section headed "Share Options" below.
- (3) Ms. Yau Shuk Ching, Chingmy, spouse of Mr. Sham Kar Wai, is deemed to be interested in the same number of shares held by Mr. Sham Kar Wai. Ms. Wong Choi Shan, spouse of Mr. Sham Kin Wai, is deemed to be interested in the same number of shares held by Mr. Sham Kin Wai. Their interests in the shares and underlying shares of the Company are recorded in the register maintained by the Company under Section 336 of the SFO.

### (b) Long positions in the share options of the Company

The interests of the Directors and Chief Executives of the Company in the share options of the Company are detailed in the section headed "Share Options" below.

## DISCLOSURE OF INTEREST (Continued)

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Continued)

#### (c) Long positions in the shares of associated corporations of the Company

Director	Name of associated corporations	Capacity	Percentage of shareholding
Sham Kar Wai	3WH Limited	Beneficial owner	50% (Note 1)
	Income Team Limited	Interests in controlled company	100%
	Online Profit Limited	Interests in controlled company	100%
	Popbest Limited	Interests in controlled company	100%
	Shine Team Development Limited	Interest in controlled company	100%
	Veston Limited	Interests in controlled company	100%
	Young Ranger Investment Limited	Interests in controlled company	100%
	Sure Elite Limited	Beneficiary of a trust	100%
	Fresh Start Holdings Limited	Beneficiary of a trust	100%
	Fortune Symbol Limited	Beneficiary of a trust	100%
	Fine Honour Limited	Beneficiary of a trust	100%
	Effective Convey Limited	Beneficiary of a trust	100%
	Dynamic Vitality Limited	Beneficiary of a trust	100%
Sham Kin Wai	3WH Limited	Beneficial owner	50%
	Income Team Limited	Interests in controlled company	100%
	Online Profit Limited	Interests in controlled company	100%
	Popbest Limited	Interests in controlled company	100%
	Shine Team Development Limited	Interests in controlled company	100%
	Veston Limited	Interests in controlled company	100%
	Young Ranger Investment Limited	Interests in controlled company	100%
	Sure Elite Limited	Beneficiary of a trust	100%
	Fresh Start Holdings Limited	Beneficiary of a trust	100%
	Fortune Symbol Limited	Beneficiary of a trust	100%
	Fine Honour Limited	Beneficiary of a trust	100%
	Effective Convey Limited	Beneficiary of a trust	100%
	Dynamic Vitality Limited	Beneficiary of a trust	100%

Note:

- (1) Mr. Sham Kar Wai and Ms. Yau Shuk Ching, Chingmy (spouse of Mr. Sham Kar Wai) each holds 25% of the issued share capital of 3WH Limited. As such, Mr. Sham Kar Wai is deemed to be interested in the same number of shares held by Ms. Yau Shuk Ching, Chingmy.

Save as disclosed above, none of the Directors or their associates had any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations as at 31 August 2012.

## DISCLOSURE OF INTEREST (Continued)

### DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from those disclosed in the section headed "Share Options" under this report on page 40, at no time during the period ended 31 August 2012 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or their associates to acquire benefits by means of acquisition of shares in, or debenture of, the Company or any body corporate.

### SHARE OPTIONS

#### (a) The First Share Option Scheme

The Company adopted a share option scheme (the "First Share Option Scheme") on 3 February 2005. The First Share Option Scheme is operated for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Pursuant to the First Share Option Scheme, the Company might grant options to eligible participants as defined in the First Share Option Scheme to subscribe for shares in the Company at a price per share of not less than the highest of (i) the nominal value of a share; (ii) the closing price of a share as stated in the daily quotation sheets issued by the Stock Exchange on the date of the offer of the relevant option; and (iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer. A consideration of HK\$10 was to be paid on acceptance of the grant of options.

No participant with options granted was in excess of the individual limit as stipulated in the First Share Option Scheme.

The First Share Option Scheme ought to remain in force for a period of 10 years up to February 2015. At the 2008 annual general meeting of the Company held on 30 June 2008, the shareholders of the Company approved the adoption of a new share option scheme (the "New Share Option Scheme"), detailed hereafter, and the termination of the First Share Option Scheme.

The operation of the First Share Option Scheme was terminated with effect from the conclusion of the 2008 annual general meeting. No further options could thereafter be offered under the First Share Option Scheme but the provisions of the First Share Option Scheme would remain in full force and effect. Options granted under the First Share Option Scheme and remain unexpired prior to the termination of the First Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the First Share Option Scheme.

#### (b) The New Share Option Scheme

The New Share Option Scheme is to enable the Group to be more flexible in granting options to selected eligible participants as incentives or rewards for their contribution or potential contribution to the Group. Pursuant to the New Share Option Scheme, the Company may grant options to eligible participants as defined in the New Share Option Scheme to subscribe for shares in the Company at a price per share of not less than the highest of (i) the nominal value of a share; (ii) the closing price of a share as stated in the daily quotation sheets issued by the Stock Exchange on the date of the offer of the relevant option; and (iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer. A consideration of HK\$10 is payable on acceptance of the grant of options.

No participant with options granted is in excess of the individual limit as stipulated in the New Share Option Scheme.

The New Share Option Scheme will remain in force for a period of 10 years up to June 2018.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the First Share Option Scheme, the New Share Option Scheme and any other scheme adopted by the Group from time to time would not in aggregate exceed 30% of the share capital of the Company in issue from time to time. The maximum number of shares issued and to be issued upon exercise of options granted under the New Share Option Scheme and any other share option schemes of the Company to any eligible participant, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

## DISCLOSURE OF INTEREST (Continued)

### SHARE OPTIONS (Continued)

Details of the movements in share options to subscribe for shares in the Company during the period ended 31 August 2012 are set out below:

	Date of grant	Exercise period	Exercise price per share HK\$	As at 1 March 2012	Number of Share Options Granted during the period	Exercised during the period	Lapsed during the period	As at 31 August 2012	Notes
<b>Director</b>									
Sham Kar Wai	14 April 2008	14 April 2008 to 13 April 2013	2.41	6,821,980	-	(3,412,000)	-	3,409,980	(1)
	12 February 2010	12 February 2012 to 11 February 2020	1.43	11,268,379	-	-	-	11,268,379	
	18 March 2011	18 March 2017 to 17 March 2021	4.96	11,500,000	-	-	-	11,500,000	
Sham Kin Wai	14 April 2008	14 April 2008 to 13 April 2013	2.41	6,821,980	-	(3,412,000)	-	3,409,980	(1)
	12 February 2010	12 February 2012 to 11 February 2020	1.43	11,268,379	-	-	-	11,268,379	
	18 March 2011	18 March 2017 to 17 March 2021	4.96	11,500,000	-	-	-	11,500,000	
<b>Continuous contract employees</b>	14 April 2008	14 April 2008 to 13 April 2013	2.20	1,274,352	-	(651,240)	-	623,112	(2)
	28 December 2009	28 December 2011 to 27 December 2019	1.23	33,805,137	-	-	-	33,805,137	
	18 March 2011	18 March 2017 to 17 March 2021	4.96	17,250,000	-	-	-	17,250,000	
				<u>111,510,207</u>	<u>-</u>	<u>(7,475,240)</u>	<u>-</u>	<u>104,034,967</u>	

Notes:

(1) The vesting dates and exercisable periods of the options each held by Mr. Sham Kar Wai and Mr. Sham Kin Wai are as follows:

Vesting date	Exercise period	As at 1 March 2012	Number of Share Options Exercised during the period (Note (a))	As at 31 August 2012
14 April 2009	14 April 2009 to 13 April 2012	3,410,735	(3,410,735)	-
14 April 2010	14 April 2010 to 13 April 2013	3,411,245	(1,265)	3,409,980
		<u>6,821,980</u>	<u>(3,412,000)</u>	<u>3,409,980</u>

Note (a) The weighted average closing price of the shares immediately before the date on which the options were exercised was HK\$4.52

(2) The vesting dates and exercisable periods of the options are as follows:

Vesting date	Exercise period	As at 1 March 2012	Number of Share Options Exercised during the period (Note (a))	As at 31 August 2012
14 April 2009	14 April 2009 to 13 April 2012	522,570	(522,570)	-
14 April 2010	14 April 2010 to 13 April 2013	751,782	(128,670)	623,112
		<u>1,274,352</u>	<u>(651,240)</u>	<u>623,112</u>

Note (a) The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$4.89.



## DISCLOSURE OF INTEREST (Continued)

### SHARE OPTIONS (Continued)

- (3) On 4 June 2012, the Company offered 12,280,000 options to each of Mr. Sham Kar Wai and Mr. Sham Kin Wai, Directors, to subscribe for shares in the Company at an exercise price of HK\$3.58 per share. The said options were termed to be vested on the sixth anniversary date and exercisable before the tenth anniversary date of the date of grant. The closing price of the Company's shares immediately before the date on which the options were offered was HK\$3.31. The Company did not receive acceptance from both Mr. Sham before the acceptance period as stipulated in the offer letters and the offer was deemed to have been irrevocably declined and lapsed automatically pursuant to the terms of the New Share Option Scheme. The options offered have no fair value.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 August 2012, the register kept by the Company under Section 336 of the SFO showed that the following shareholders (other than Directors of the Company) had disclosed to the Company pursuant to Division 2 and 3 of Part XV of the SFO an interest or a short position in the shares or underlying shares of the Company:

#### Long positions in the Shares of the Company

Name	Capacity	Number of shares held	Percentage of issued share capital	Long/short positions/lending pool
Yau Shuk Ching Chingmy (Note 1)	Beneficiary of a trust/Interest of spouse	731,576,800	59.56%	Long
Wong Choi Shan (Note 2)	Beneficiary of a trust/Interest of spouse	731,576,800	59.56%	Long
Effective Convey Limited (Note 3)	Beneficial owner and interest in corporation	698,564,441	56.87%	Long
Dynamic Vitality Limited (Note 4)	Interest in corporation	698,564,441	56.87%	Long
HSBC International Trustee Limited (Note 4)	Interest in corporation	698,564,441	56.87%	Long
Fine Honour Limited (Note 3)	Beneficial owner	169,197,830	13.98%	Long
Templeton Assets Management Ltd.	Investment manager	111,280,395	9.06%	Long
JPMorgan Chase & Co. (Notes 5)	Investment manager and custodian corporation/approved lending agent	86,366,568	7.03%	Long/lending pool
Glorious Sun Trading (HK) Limited	Beneficial owner	68,827,473	5.77%	Long
Glorious Sun Enterprises (BVI) Limited (Note 6)	Interest in corporation	68,827,473	5.77%	Long
Glorious Sun Enterprises Limited (Note 6)	Interest in corporation	68,827,473	5.77%	Long
Glorious Sun Holdings (BVI) Limited (Note 7)	Interest in corporation	68,827,473	5.77%	Long
Yeung Chun Kam (Note 7)	Interest in controlled company	68,827,473	5.77%	Long
Yeung Chun Fan (Note 7)	Interest in controlled company	68,827,473	5.77%	Long
Cheung Wai Yee (Note 8)	Interest in controlled company	68,827,473	5.77%	Long

Notes:

- Spouse of Mr. Sham Kar Wai (Director of the Company). Out of the 731,576,800 Shares, Ms. Yau held 33,012,359 shares in the capacity of interest of spouse and the balance being 698,564,441 Shares, in the capacity of beneficiary of a trust.
- Spouse of Mr. Sham Kin Wai (Director of the Company). Out of the 731,576,800 Shares, Ms. Wong held 33,012,359 shares in the capacity of interest of spouse and the balance being 698,564,441 Shares, in the capacity of beneficiary of a trust.
- Fine Honour Limited, Fortune Symbol Limited, Fresh Start Holdings Limited and Sure Elite Limited (collectively the "Companies") are wholly-owned subsidiaries of Effective Convey Limited. Effective Convey Limited is therefore deemed interested in the Shares held by the Companies. Fortune Symbol Limited, Fresh Start Holdings Limited and Sure Elite Limited each held 60,028,130 Shares as at 31 August 2012.
- Effective Convey Limited is a wholly-owned subsidiary of Dynamic Vitality Limited, which is wholly-owned by The ABS 2000 Trust. The ABS 2000 Trust was established on 14 September 2000 as an irrevocable discretionary trust for the benefit of Mr. Sham Kar Wai and Mr. Sham Kin Wai, and their respective family members. HSBC International Trustee Limited is the trustee of The ABS 2000 Trust. Each of Dynamic Vitality Limited and HSBC International Trustee Limited is therefore deemed interested in the Shares held by Effective Convey Limited.
- Out of the 86,366,568 Shares, JPMorgan Chase & Co held 23,008,000 Shares in the capacity of investment manager and the balance, being 63,358,568 Shares, in the capacity of custodian corporation/approved lending agent. JPMorgan Chase & Co. held the Shares through its controlled corporations, JPMorgan Chase Bank, N.A., JF Asset Management Limited, JPMorgan Asset Management (Asia) Inc., JPMorgan Asset Management Holdings Inc., JPMorgan Asset Management (Taiwan) Limited, JPMorgan Asset Management (UK) Limited, JPMorgan Asset Management Holdings (UK) Limited and JPMorgan Asset Management International Limited.
- Glorious Sun Trading (HK) Limited is a wholly-owned subsidiary of Glorious Sun Enterprises (BVI) Limited, which is wholly-owned by Glorious Sun Enterprises Limited. Each of Glorious Sun Enterprises (BVI) Limited and Glorious Sun Enterprises Limited is therefore deemed interested in the Shares held by Glorious Sun Trading (HK) Limited.
- Glorious Sun Holdings (BVI) Limited holds 37.47% interest in Glorious Sun Enterprises Limited. Dr. Yeung Chun Kam and Mr. Yeung Chun Fan respectively holds 51.93% and 48.07% interest in Glorious Sun Holdings (BVI) Limited. Therefore, each of Glorious Sun Holdings (BVI) Limited, Dr. Yeung Chun Kam and Mr. Yeung Chun Fan is deemed interested in the Shares held by Glorious Sun Trading (HK) Limited.
- Spouse of Mr. Yeung Chun Fan.

## OTHER INFORMATION

### INTERIM DIVIDEND

The business environment would likely continue to be a difficult one, the Board does not declare the payment of an interim dividend for the six months ended 31 August 2012 (six months ended 31 August 2011: 2.5 HK cents per share) so as to retain cash and working capital.

### COMPLIANCE WITH RULES 3.10(1) AND 3.21 OF THE LISTING RULES

From 1 January to 30 March 2012, the Board had only two Independent Non-executive Directors subsequent to the resignation of Mr. Wong Wai Ming as Independent Non-executive Director of the Company. On 31 March 2012, Mr. Mak Wing Sum, Alvin was appointed as Independent Non-executive Director of the Company and a member of the Audit Committee of the Board in compliance with Rules 3.10(1), 3.11 and 3.21 of the Listing Rules.

### CORPORATE GOVERNANCE CODE

The Company is committed to implementing good corporate governance practices and emphasising on transparency and accountability to its shareholders and stakeholders. In the opinion of the Board, the Company has applied and complied with the code provisions of the Code on Corporate Governance Practices for the period from 1 March 2012 to 31 March 2012 and the Corporate Governance Code for the period from 1 April 2012 to 31 August 2012 (collectively "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 31 August 2012, except for the deviations as mentioned below.

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Sham Kar Wai currently holds both positions. The Board believes that vesting the roles of both Chairman of the Board and Chief Executive Officer in the same person would allow the Company to be more effective and efficient in developing long term business strategies and execution of business plans.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules for securities transactions by the Directors. Upon enquiry by the Company, all Directors have confirmed that, for the six months ended 31 August 2012, they have complied with the required standard set out in the Model Code regarding securities transactions by the Directors.

### DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

The change in the information of the Directors of the Company since the publication of the annual report of the Company for the year ended 29 February 2012 required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

#### Name of Director

#### Details of changes

*Independent Non-executive Director*  
Dr. Wong Tin Yau, Kelvin

- appointed as a non-executive director of the Securities and Futures Commission with effect from 20 October 2012.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## OTHER INFORMATION (Continued)

### CONTINUING DISCLOSURE REQUIREMENTS

Terms used herein have the same meaning as those defined in the announcement made by the Company on 24 February 2012 pursuant to Rule 13.18 of the Listing Rules (the "Announcement").

On 24 February 2012, the Company made the Announcement that i.t apparels Limited, has entered into the Facility Agreement for the purposes of financing the capital expenditure and general corporate requirements of the Group. Pursuant to the Facility Agreement, it is (among other matters) an event of default if (i) Mr. Sham Kar Wai and Mr. Sham Kin Wai, the current Executive Directors, and the Sham's Family Trust collectively do not or cease to maintain management control over the management and business of the Group; or (ii) the Sham's Family and the Sham's Family Trust collectively do not or cease to own, directly or indirectly, at least 40% of the beneficial shareholding, carrying at least 40% of the voting rights in the Company, free from any Security. Upon occurrence of an event of default, commitments of the Lenders or any part thereof under the Facility Agreement may be cancelled, and/or all or any part of the Loans together with accrued interest and all other amounts accrued or outstanding may become immediately due and payable, and/or all or any part of the Loans may become payable on demand.

Details of the Facilities are set out below:

Facility Agreement:	The facility agreement dated 24 February 2012 and executed by i.t apparels Limited, the Guarantors, the Facility Agent and the Lenders;
Borrower:	i.t apparels Limited, an indirectly wholly-owned subsidiary of the Company;
Guarantors:	the Company and 12 direct and indirect subsidiaries of the Company;
Lenders:	Hang Seng Bank Limited and The Hongkong and Shanghai Banking Corporation Limited;
Facility Agent:	Hang Seng Bank Limited;
Facilities:	Facility A, Facility B and Facility C; Facility A: a HK\$ term loan of HK\$275,000,000, which is repayable over a period of 48 months from the date of the Facility Agreement Facility B: a HK\$ revolving loan of HK\$100,000,000, the termination date of which is the date falling 47 months from the date of the Facility Agreement Facility C: a RMB term loan of RMB105,000,000, the repayment date of which is the date falling 36 months from the date of the Facility Agreement

The circumstances giving rise to the obligation of disclosure pursuant to Rule 13.18 of the Listing Rules continues to exist after the period ended 31 August 2012.

## **OTHER INFORMATION** (Continued)

### **REVIEW OF FINANCIAL INFORMATION**

The Audit Committee has reviewed with the Management the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters including the review of the unaudited financial information of the Group and interim report for the six months ended 31 August 2012.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the six months ended 31 August 2012.

On Behalf of the Board



**Sham Kar Wai**  
Chairman

Hong Kong, 30 October 2012

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