

I.T
INTERIM
REPORT
15/16

STOCK CODE: 999

I.T LIMITED INTERIM REPORT

15/16

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IT

IS



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, JP

Mr. MAK Wing Sum, Alvin

Company Secretary

Miss HO Suk Han Sophia

Registered Office

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2 Church Street

Hamilton HM11

Bermuda

Head Office and Principal Place of Business in Hong Kong

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11 Yip Hing Street

Wong Chuk Hang

Hong Kong

Auditor

PricewaterhouseCoopers,
Certified Public Accountants

Principal Bankers

Hang Seng Bank

Hongkong and Shanghai Banking Corporation

Standard Chartered Bank

Principal Share Registrar

Codan Services Limited

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services

Limited

Shops 1712-1716, 17/F., Hopewell Centre

183 Queen's Road East

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Corporate Website

www.ithk.com

Stock Code

Shares: 00999

Senior Notes due 2018: 85923 (I.T N1805-R)

HIGHLIGHTS

- Total turnover of the Group increased by 5.1% to HK\$3,392.5 million.
- Total retail sales in Hong Kong decreased by 3.6% to HK\$1,571.4 million irrespective of our Hong Kong segment having consistently outperformed the market index¹. Comparable store sales growth rate in Hong Kong registered at -0.9% (FY14/15: 3.5%).
- Total retail sales in Mainland China increased by 19.1% to HK\$1,336.3 million on the back of double-digit percentage growth in sales area and positive comparable store sales growth rate at 5.9% (FY14/15: 4.3%).
- Japan continued to outperform with total retail sales of HK\$222.4 million or JPY3,494.6 million, representing 6.9% increase in Hong Kong dollar or 27.5% increase in base currency from FY14/15.
- Total retail sales in Macau increased by 6.2% to HK\$101.0 million despite lower-than-expected tourist traffic.
- The gross profit of the Group increased by 1.4% to HK\$2,026.1 million at gross profit margin of 59.7% (FY14/15: 61.9%).
- The Group recorded a net loss of HK\$31.0 million (FY14/15: net profit of HK\$49.4 million).
- If a non-recurring foreign exchange loss totaling HK\$79.6 million² is excluded, net profit increased 32.8% over last period to HK\$48.6 million (FY14/15: net profit of HK\$36.6 million excluding a non-recurring gain of HK\$15.3 million (after tax: HK\$12.8 million) from the repurchases of the Group's Senior Notes). Basic earnings per share decreased by 165.0% to -2.6 HK cents. Diluted earnings per share decreased by 164.1% to -2.5 HK cents.

Notes:

1. Market index refers to the "value index of retail sales in wearing apparel", provided by the Census and Statistics Department of Hong Kong for the period spanning March to August 2015 and ranging from -2.2% to -13.5%.
2. The non-recurring foreign exchange loss comprised of a loss of HK\$66.8 million, resulting from the conversion of the Group's RMB fixed deposits, amounting to RMB1,187 million, into Hong Kong dollar on 12 August 2015 and a HK\$12.8 million loss in currency translation, which was substantially attributed to currency headwinds in the form of a depreciating RMB.

Per share data	31 August 2015	31 August 2014	Change
EPS-basic (HK\$)	-0.026	0.040	-165.0%
EPS-diluted (HK\$)	-0.025	0.039	-164.1%
Book value (HK\$) ⁽¹⁾	2.19	2.20	-0.5%

Key statistics	31 August 2015	31 August 2014	Change
Inventory turnover (Days) ⁽²⁾	168.2	176.8	-4.9%
Cash and cash equivalent (HK\$ million)	1,957.7	2,229.9	-12.2%
Net cash/(debt) (HK\$ million) ⁽³⁾	407.6	326.5	24.8%
Debt to equity ratio (%) ⁽⁴⁾	57.8	70.6	-18.1%
Return on equity ratio (%) ⁽⁵⁾	-1.1	1.8	-161.1%

Notes:

- ⁽¹⁾ Net asset value per share as at end of the period.
- ⁽²⁾ 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.
- ⁽³⁾ Cash and cash equivalents less borrowings.
- ⁽⁴⁾ Borrowings divided by total equity at the end of the period.
- ⁽⁵⁾ 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 2015	28 February 2015	31 August 2015	28 February 2015
Greater China:				
Hong Kong				
I.T	243	266	-	-
FCUK IT ⁽¹⁾	6	7	-	-
ZIT H.K. ⁽¹⁾	3	3	-	-
Mainland China				
I.T	301	283	105	115
FCIT China ⁽¹⁾	19	19	-	-
Camper I.T China ⁽¹⁾	11	11	-	-
Taiwan	18	21	-	-
Macau				
I.T	11	11	-	-
FCIT Macau ⁽¹⁾	1	1	-	-
Overseas:				
Japan	21	21	-	-
USA	1	1	-	-
Thailand	-	-	1	-
England	-	-	3	3
Singapore	-	-	4	4
Indonesia	-	-	1	1
South Korea	-	-	2	4
Canada	-	-	3	3

	B. Sales footage ⁽²⁾			
	Self-managed		Franchised	
	31 August 2015	28 February 2015	31 August 2015	28 February 2015
Greater China:				
Hong Kong				
I.T	604,417	631,292	-	-
FCUK IT ⁽¹⁾	8,219	9,407	-	-
ZIT H.K. ⁽¹⁾	3,597	3,597	-	-
Mainland China				
I.T	1,015,507	978,854	143,161	152,047
FCIT China ⁽¹⁾	29,594	28,233	-	-
Camper I.T China ⁽¹⁾	7,313	7,313	-	-
Taiwan	31,605	37,404	-	-
Macau				
I.T	33,087	33,087	-	-
FCIT Macau ⁽¹⁾	3,330	3,330	-	-
Overseas:				
Japan	46,601	46,601	-	-
USA	3,313	3,313	-	-
Thailand	-	-	2,152	-
England	-	-	1,335	1,335
Singapore	-	-	23,106	23,106
Indonesia	-	-	3,160	3,160
South Korea	-	-	2,030	2,778
Canada	-	-	8,430	8,430

Notes:

⁽¹⁾ a 50% owned joint venture of the Company.

⁽²⁾ 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 33, 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 2015 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period 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 read 'PricewaterhouseCoopers', is written over a horizontal dotted line.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 October 2015

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 August 2015

	Note	Six months ended 31 August	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Turnover	6	3,392,452	3,227,586
Cost of sales	8	(1,366,399)	(1,229,308)
Gross profit		2,026,053	1,998,278
Other (losses)/gains, net	7	(63,540)	12,716
Operating expenses	8	(1,917,871)	(1,877,563)
Operating profit		44,642	133,431
Finance income	9	32,221	29,458
Finance costs	9	(40,938)	(44,260)
Share of loss of joint ventures		(13,862)	(20,021)
Profit before income tax		22,063	98,608
Income tax expense	10	(53,076)	(49,189)
(Loss)/profit for the period		(31,013)	49,419
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss			
Currency translation differences		(44,795)	(10,549)
Cash flow hedge recognised as finance costs		31,568	3,371
Fair value changes on cash flow hedge, net of tax		15,766	(30,886)
Total other comprehensive income/(loss) for the period		2,539	(38,064)
Total comprehensive (loss)/income for the period		(28,474)	11,355
(Loss)/profit attributable to:			
– Equity holders of the Company		(31,252)	49,245
– Non-controlling interests		239	174
		(31,013)	49,419
Total comprehensive (loss)/income attributable to:			
– Equity holders of the Company		(28,709)	11,202
– Non-controlling interests		235	153
		(28,474)	11,355
(Loss)/earnings per share attributable to equity holders of the Company for the period (expressed in HK cent per share)			
– basic	12	(2.6)	4.0
– diluted	12	(2.5)	3.9

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 August 2015

	Note	As at 31 August 2015 (Unaudited) HK\$'000	As at 28 February 2015 (Audited) HK\$'000
ASSETS			
Non-current assets			
Property, furniture and equipment	13	796,054	836,410
Intangible assets	13	353,766	322,404
Investments in and loans to joint ventures	14	147,426	166,828
Rental deposits	16	320,331	316,835
Prepayments for non-current assets	16	8,862	41,765
Deferred income tax assets		158,808	132,427
		<u>1,785,247</u>	<u>1,816,669</u>
Current assets			
Inventories		1,237,708	1,260,598
Trade, bills and other receivables	15	180,659	243,926
Amounts due from joint ventures	14	46,358	50,086
Prepayments and other deposits	16	328,702	285,613
Current income tax recoverable		3,656	21,714
Cash and cash equivalents		1,957,683	2,294,103
		<u>3,754,766</u>	<u>4,156,040</u>
LIABILITIES			
Current liabilities			
Borrowings	20	(193,176)	(267,431)
Trade and bill payables	18	(393,523)	(385,280)
Accruals and other payables	19	(606,335)	(707,859)
Derivative financial instruments	17	(17,162)	(30)
Amounts due to joint ventures	14	(40,945)	(33,693)
Current income tax liabilities		(85,409)	(100,949)
		<u>(1,336,550)</u>	<u>(1,495,242)</u>
Net current assets		<u>2,418,216</u>	<u>2,660,798</u>
Total assets less current liabilities		<u>4,203,463</u>	<u>4,477,467</u>
Non-current liabilities			
Borrowings	20	(1,356,945)	(1,468,808)
Accruals	19	(9,835)	(12,017)
Derivative financial instruments	17	(105,623)	(122,378)
Deferred income tax liabilities		(49,479)	(34,145)
		<u>(1,521,882)</u>	<u>(1,637,348)</u>
Net assets		<u>2,681,581</u>	<u>2,840,119</u>
EQUITY			
Capital and reserves			
Share capital	21	122,464	122,760
Reserves	22	2,557,944	2,716,421
Non-controlling interests		1,173	938
Total equity		<u>2,681,581</u>	<u>2,840,119</u>



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 2015

	Share capital (Unaudited) HK\$'000	Reserves (Unaudited) HK\$'000	Non- controlling interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 March 2015	122,760	2,716,421	938	2,840,119
(Loss)/profit for the period	-	(31,252)	239	(31,013)
Other comprehensive (loss)/income:				
- currency translation differences	-	(44,791)	(4)	(44,795)
- cash flow hedge recognised as finance costs	-	31,568	-	31,568
- fair value changes on cash flow hedge, net of tax	-	15,766	-	15,766
Total comprehensive (loss)/income for the six months ended 31 August 2015	-	(28,709)	235	(28,474)
Transaction with owners:				
Final dividends for the year ended 28 February 2015	-	(134,711)	-	(134,711)
Repurchase of shares	(296)	(6,496)	-	(6,792)
Tax credit from exercise of share options	-	(558)	-	(558)
Share option scheme				
- value of employment services	-	11,997	-	11,997
Total transaction with owners	(296)	(129,768)	-	(130,064)
Balance at 31 August 2015	122,464	2,557,944	1,173	2,681,581
Balance at 1 March 2014	122,876	2,672,756	685	2,796,317
Profit for the period	-	49,245	174	49,419
Other comprehensive (loss)/income:				
- currency translation differences	-	(10,528)	(21)	(10,549)
- cash flow hedge recognised as finance costs	-	3,371	-	3,371
- fair value changes on cash flow hedge, net of tax	-	(30,886)	-	(30,886)
Total comprehensive income for the six months ended 31 August 2014	-	11,202	153	11,355
Transaction with owners:				
Final dividends for the year ended 28 February 2014	-	(122,760)	-	(122,760)
Repurchase of shares	(116)	(2,966)	-	(3,082)
Tax credit from exercise of share options	-	3,161	-	3,161
Share option scheme				
- value of employment services	-	11,997	-	11,997
Total transaction with owners	(116)	(110,568)	-	(110,684)
Balance at 31 August 2014	122,760	2,573,390	838	2,696,988

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 2015

	Six months ended 31 August	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Cash flows from operating activities		
Cash generated from operations	173,255	226,518
Interest paid	(39,319)	(44,260)
Hong Kong profits tax (paid)/refunded	(24,577)	473
Overseas income tax paid	(38,709)	(3,355)
Net cash generated from operating activities	70,650	179,376
Cash flows from investing activities		
Purchase of property, furniture and equipment	(111,480)	(97,654)
Increase in intangible assets	(13,285)	(2,604)
Proceeds from disposal of property, furniture and equipment	-	499
Dividend received from a joint venture	-	2,500
Interest received	31,399	28,787
Net cash used in investing activities	(93,366)	(68,472)
Cash flows from financing activities		
Proceeds from borrowings	360,048	251,692
Repayments of borrowings	(512,529)	(204,519)
Buy-back of Senior Notes	-	(119,598)
Repurchases of shares	(6,792)	(3,082)
Dividends paid	(134,711)	(122,760)
Net cash used in financing activities	(293,984)	(198,267)
Net decrease in cash and cash equivalents	(316,700)	(87,363)
Currency translation differences	(19,720)	1,765
Cash and cash equivalents, at 1 March	2,294,103	2,315,498
Cash and cash equivalents, at 31 August	1,957,683	2,229,900

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 (the “Stock Exchange”).

This condensed consolidated interim financial information is presented in Hong Kong Dollars (“HK\$”), unless otherwise stated.

This condensed consolidated interim financial information was approved for issue by the board of directors of the Company (the “Board”) on 28 October 2015.

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 2015 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 28 February 2015, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3 ACCOUNTING POLICIES

The accounting policies applied and methods of computation used in the preparation of this interim financial report are consistent with those used in the annual financial statements for the year ended 28 February 2015, except for the adoption of the revised standards and amendments issued by the HKICPA.

The following new standards, amendments and interpretations are mandatory for the financial year beginning 1 March 2015 and have no material impact to the Group.

HKAS 19 (Amendment) Annual Improvements Project Annual Improvements Project	Employee benefits: defined benefit plans – employee contributions Annual improvements 2010-2012 cycle Annual improvements 2011-2013 cycle
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The following new standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 March 2015 and have not been early adopted:

HKAS 1 (Amendment) HKAS 16 and HKAS 38 (Amendment) HKAS 27 (Amendment) HKFRS 10, HKFRS 12 and HKAS 28 (Amendment) HKFRS 10 and HKAS 28 (Amendments)	Disclosure initiative Clarification of acceptable methods of depreciation and amortisation Equity method in separate financial statements Investment entities: applying the consolidation exception
HKFRS 9 HKFRS 11 (Amendment) HKFRS 14 HKFRS 15 Annual Improvements Project	Sale or contribution of assets between an investor and its associate or joint venture Financial instruments Accounting for acquisitions of interests in joint operations Regulatory deferral accounts Revenue from contracts with customers Annual improvements 2012-2014 cycle

4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 28 February 2015.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

5 FINANCIAL RISK MANAGEMENT

5.1 Fair value estimation

The Group measures its fair value of the financial instruments carried at fair value as at 31 August 2015 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

The following table presents the Group's financial instruments carried at fair value as at 31 August and 28 February 2015:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 August 2015				
Liabilities				
Currency and interest rate swap contracts				
– cash flow hedges	–	(105,623)	–	(105,623)
Interest rate swap contract not qualified for hedge accounting	–	(441)	–	(441)
Foreign exchange forward contract not qualified for hedge accounting	–	(16,721)	–	(16,721)
	<u>–</u>	<u>(122,785)</u>	<u>–</u>	<u>(122,785)</u>
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 28 February 2015				
Liabilities				
Currency and interest rate swap contracts				
– cash flow hedges	–	(121,389)	–	(121,389)
Currency swap contract not qualified for hedge accounting	–	(30)	–	(30)
Interest rate swap contract not qualified for hedge accounting	–	(989)	–	(989)
	<u>–</u>	<u>(122,408)</u>	<u>–</u>	<u>(122,408)</u>

6 TURNOVER AND SEGMENT INFORMATION

	Six months ended 31 August	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Turnover		
– Sales of fashion wears and accessories	<u>3,392,452</u>	<u>3,227,586</u>

The chief operating decision maker (“CODM”) has been identified as the executive directors that makes strategic decisions. The CODM 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 CODM considers the business from geographic perspective and assesses the performance of the geographical segment based on a measure of profit before impairment of goodwill and property, furniture and equipment, depreciation of property, furniture and equipment, amortisation of intangible assets (“EBITDA”). The measure excludes the effects of share of loss from joint ventures. Finance income and expenses, loss arising from conversion of Renminbi fixed deposit into Hong Kong dollar and net gains on buy-back of Senior Notes are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group. The information provided to the CODM is measured in a manner consistent with that in the financial statements.

Segment assets exclude deferred income tax assets, current income tax recoverable and investments in and amounts due from joint ventures which are managed on a central basis.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

7 OTHER (LOSSES)/GAINS, NET

	Six months ended 31 August	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Fair value gains/(losses) from derivative financial instruments		
– forward foreign exchange contracts	–	57
– currency swap contract	30	(1,165)
– interest rate swap contract	548	431
Net gains on buy-back of Senior Notes (Note 20)	–	15,267
Net exchange gains/(losses)	2,698	(1,874)
Loss arising from conversion of Renminbi fixed deposit into Hong Kong dollar (a)		
– fair value losses from forward exchange contracts	(18,131)	–
– exchange losses	(48,685)	–
	<u>(63,540)</u>	<u>12,716</u>

Note:

(a) During the period, due to unexpected devaluation of exchange rate of Renminbi against Hong Kong dollar, the Group had started to convert its Renminbi fixed deposits, amounting to RMB1,187,000,000, into Hong Kong dollar by entering into several forward exchange contracts.

As at 31 August 2015, the Group had already converted RMB474,000,000 fixed deposits into Hong Kong dollar. The outstanding forward exchange contracts for the remaining RMB713,000,000 were subsequently matured between 1 to 30 September 2015 (see Note 17(d)).

8 EXPENSES BY NATURE

	Six months ended 31 August	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Cost of inventories sold	1,337,630	1,207,336
Write-down of inventories to net realisable value	16,845	14,772
Employment costs (including directors' emoluments)	563,764	580,974
Operating lease rentals of premises		
– minimum lease payments	722,010	668,329
– contingent rents	71,487	70,181
Advertising and promotion costs	65,651	42,366
Depreciation of property, furniture and equipment	140,773	146,479
(Reversal of)/impairment of property, furniture and equipment	(5,061)	3,003
(Reversal of)/provision for onerous contracts	(22,869)	3,395
Impairment of intangible assets	143	–
Loss on disposals of furniture and equipment	4,230	4,516
Licence fees (included in operating expenses)		
– amortisation of licence rights	1,856	1,470
– contingent licence fees	8,241	6,647
Amortisation of intangible assets (excluding licence fees)	4,789	3,503
Provision for impairment of amount due from a joint venture	2,485	132
Other expenses	372,296	353,768
Total	<u>3,284,270</u>	<u>3,106,871</u>
Representing:		
Cost of sales	1,366,399	1,229,308
Operating expenses	1,917,871	1,877,563
	<u>3,284,270</u>	<u>3,106,871</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

9 FINANCE COSTS, NET

	Six months ended 31 August	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Interest income from		
– bank deposits	31,399	28,787
– amounts due from joint ventures	427	417
– others (i)	395	254
Finance income	<u>32,221</u>	<u>29,458</u>
Interest expense on borrowings wholly repayable within five years	(39,319)	(44,912)
Net foreign exchange transaction gain	29,949	4,023
Transfer from hedging reserve		
– interest rate and currency swaps: cash flow hedge	(31,568)	(3,371)
Finance costs	<u>(40,938)</u>	<u>(44,260)</u>
Net finance costs	<u>(8,717)</u>	<u>(14,802)</u>

Note:

(i) These represent the interest arisen from the unwinding of discount on financial assets recognised at amortised cost.

10 INCOME TAX EXPENSE

The Company is exempted from income taxes in Bermuda until March 2035. 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 16.5% (six months ended 31 August 2014: 16.5%) and overseas profits tax has been provided at the rates of taxation prevailing in the countries in which the Group operates.

Mainland China enterprise income tax has been provided at the applicable rates of 25% (six months ended 31 August 2014: 25%) on the profits of the Group's operations in Mainland China.

Japan Corporate Income Tax has been provided at the applicable rate of 38.01% (six months ended 31 August 2014: 43.41%) on the estimated assessable profits of the Group's operations in Japan.

Macau Complementary (Corporate) tax has been provided at the applicable rates ranging from 9% to 12% (six months ended 31 August 2014: 9%-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 2014: 17%) on the estimated assessable profits of the Group's operations in Taiwan.

The applicable US enterprise income tax rate for subsidiary operating in the United States of America is 45.03% (six months ended 31 August 2014: 45.03%).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

10 INCOME TAX EXPENSE (Continued)

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

	Six months ended 31 August	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Current income tax		
– Hong Kong profits tax	4,718	13,981
– Mainland China enterprise income tax	20,201	10,130
– Overseas income tax	40,885	19,407
Deferred income tax	(12,728)	5,671
	<u>53,076</u>	<u>49,189</u>

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 2015 is 41.7% (six months ended 31 August 2014: 29.9%). The increase is mainly caused by a change of the distribution of profits of the Group's entities operating in different locations.

11 DIVIDENDS

A final dividend relating to the year ended 28 February 2015 amounting to HK\$134,711,000 was fully paid in August 2015.

The Board does not declare the payment of an interim dividend for the six months ended 31 August 2015 (six months ended 31 August 2014: an interim dividend of 1.0 HK cent per share).

12 (LOSS)/EARNINGS PER SHARE

Basic

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

	Six months ended 31 August	
	2015 (Unaudited)	2014 (Unaudited)
(Loss)/profit attributable to equity holders of the Company (HK\$'000)	<u>(31,252)</u>	<u>49,245</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,225,434</u>	<u>1,228,240</u>
Basic (loss)/earnings per share (HK cent)	<u>(2.6)</u>	<u>4.0</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

12 (LOSS)/EARNINGS PER SHARE (Continued)

Diluted

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary share: share options. For share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	Six months ended 31 August	
	2015 (Unaudited)	2014 (Unaudited)
(Loss)/profit attributable to equity holders of the Company (HK\$'000)	<u>(31,252)</u>	<u>49,245</u>
Weighted average number of ordinary shares in issue ('000)	1,225,434	1,228,240
Adjustments for share options ('000)	<u>29,405</u>	<u>26,224</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>1,254,839</u>	<u>1,254,464</u>
Diluted (loss)/earnings per share (HK cent)	<u>(2.5)</u>	<u>3.9</u>

13 PROPERTY, FURNITURE AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, furniture and equipment (Unaudited) HK\$'000	Intangible assets (Unaudited) HK\$'000
	Six months ended 31 August 2015	
Opening net book amount as at 1 March 2015	836,410	322,404
Additions	110,489	47,179
Disposals	(4,230)	-
Depreciation and amortisation	(140,773)	(6,645)
Reversal of impairment/(impairment)	5,061	(143)
Exchange differences	<u>(10,903)</u>	<u>(9,029)</u>
Closing net book amount as at 31 August 2015	<u>796,054</u>	<u>353,766</u>
Six months ended 31 August 2014		
Opening net book amount as at 1 March 2014	913,145	343,043
Additions	97,654	2,604
Disposals	(5,015)	-
Depreciation and amortisation	(146,479)	(4,973)
Impairment	(3,003)	-
Exchange differences	<u>(1,861)</u>	<u>(3,042)</u>
Closing net book amount as at 31 August 2014	<u>854,441</u>	<u>337,632</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

14 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES

	As at 31 August 2015 (Unaudited) HK\$'000	As at 28 February 2015 (Audited) HK\$'000
Share of net assets	127,410	145,491
Loans to joint venture	20,016	21,337
	<u>147,426</u>	<u>166,828</u>
Amounts due from joint ventures	<u>46,358</u>	<u>50,086</u>
Amounts due to joint ventures	<u>(40,945)</u>	<u>(33,693)</u>
(a) Balances with joint ventures		

	As at 31 August 2015 (Unaudited) HK\$'000	As at 28 February 2015 (Audited) HK\$'000
Due from joint ventures		
ZIT H.K. Limited (i)	12,064	11,614
FCIT China Limited (ii)	31,714	30,887
Glory Premium Limited (iii)	1,750	1,880
Galleries Lafayette (China) Limited (iii)	1,558	1,707
Galleries Lafayette (Beijing) Limited (iii)	14,024	15,870
Camper (Shanghai) Limited (iii)	11,586	13,302
	<u>72,696</u>	<u>75,260</u>
Less: provision for impairment	<u>(6,322)</u>	<u>(3,837)</u>
	<u>66,374</u>	<u>71,423</u>
Due to joint ventures		
Kenchart Apparel (Shanghai) Limited (iii)	(38,039)	(32,735)
FCUK IT Company (iii)	(1,106)	(884)
ZIT H.K. Limited (iii)	(1,800)	(74)
	<u>(40,945)</u>	<u>(33,693)</u>

Notes:

- (i) The amount due from ZIT H.K. Limited of approximately HK\$11,842,000 (28 February 2015: HK\$11,614,000) is unsecured, interest bearing at 5% per annum (28 February 2015: 5% per annum) and fully repayable at the termination of the joint venture. The remaining balance is unsecured, non-interest bearing and repayable on demand.
- (ii) The amount due from FCIT China Limited of approximately HK\$7,446,000 (28 February 2015: HK\$7,247,000) is unsecured, non-interest bearing and fully repayable in 2016. This amount is carried at amortised cost using the effective interest rate at 5.5% per annum (28 February 2015: 5.5% per annum). The remaining balance is unsecured, non-interest bearing and repayable on demand.
- (iii) These balances with joint ventures are unsecured, non-interest bearing and repayable on demand.

There are no material contingent liabilities relating to the Group's investments in the joint ventures, and no material contingent liabilities of the joint ventures themselves.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

14 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES (Continued)

(b) Details of the principal joint ventures:

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	MOP1,030,000	50%	Retail of fashion wears and accessories
Galleries Lafayette (China) Limited	Hong Kong	HK\$425,485,166	50%	Investment holding
Galleries Lafayette (Beijing) Limited	Mainland China	US\$15,000,000	50%	Operation of a department store
Macaron (Beijing) Limited	Mainland China	US\$100,000	50%	Dormant
Camper I.T China Limited	Hong Kong	HK\$6,000,000	50%	Investment Holding
Camper (Shanghai) Limited	Mainland China	US\$2,100,000	50%	Retails of foot wears

15 TRADE, BILLS AND OTHER RECEIVABLES

	As at 31 August 2015 (Unaudited) HK\$'000	As at 28 February 2015 (Audited) HK\$'000
Trade receivables	112,737	186,868
Credit card receivables	65,926	52,572
Less: provision for impairment of trade receivables	(3,370)	(3,390)
Trade and bills receivables – net	175,293	236,050
Interest receivables	2,924	5,339
Other receivables	2,442	2,537
Trade, bills and other receivables	180,659	243,926

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

15 TRADE, BILLS AND OTHER RECEIVABLES (Continued)

The ageing analysis of the trade and bills receivables is as follows:

	As at 31 August 2015 (Unaudited) HK\$'000	As at 28 February 2015 (Audited) HK\$'000
0 to 30 days	153,586	199,497
31 to 60 days	17,261	21,974
61 to 90 days	2,685	858
Over 90 days	5,131	17,111
	<u>178,663</u>	<u>239,440</u>

The carrying amounts of trade and other receivables approximate their fair values.

16 PREPAYMENTS AND OTHER DEPOSITS

	As at 31 August 2015 (Unaudited) HK\$'000	As at 28 February 2015 (Audited) HK\$'000
Rental deposits	474,301	436,393
Prepayments	156,900	187,069
Utilities and other deposits	26,694	20,751
	<u>657,895</u>	<u>644,213</u>
Less: non-current portion:		
Rental deposits	(320,331)	(316,835)
Prepayments for non-current assets	(8,862)	(41,765)
	<u>328,702</u>	<u>285,613</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

17 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 August 2015 Liabilities (Unaudited) HK\$'000	As at 28 February 2015 Liabilities (Audited) HK\$'000
Qualified for hedge accounting – cash flow hedge:		
Foreign currency and interest rate swap contract, at market value (a)	(105,623)	(121,389)
Not qualified for hedge accounting:		
Foreign currency swap contract, at market value (b)	-	(30)
Interest rate swap contract, at market value (c)	(441)	(989)
Foreign exchange forward contract, at market value (d)	(16,721)	-
	<u>(122,785)</u>	<u>(122,408)</u>
Less: current portion		
Interest rate swap contract, at market value (c)	441	-
Foreign currency swap contract, at market value (b)	-	30
Foreign exchange forward contract, at market value (d)	16,721	-
	<u>(105,623)</u>	<u>(122,378)</u>

Notes:

- (a) As at 31 August 2015, the notional principal amounts of the outstanding foreign currency and interest rate swap contracts were RMB894,000,000 (as at 28 February 2015: RMB 894,000,000), which has been designated as the hedging instrument for the Senior Notes (Note 20). As at 31 August 2015, the fixed interest rate for the Senior Notes was 6.25% (as at 28 February 2015: 6.25%) per annum. The swap exchange rate is 1.2645 HK\$ per one RMB (as at 28 February 2015: 1.2645 HK\$ per one RMB) whereas the swap interest rate is 5.75% (as at 28 February 2015: 5.75%) per annum. Gains and losses recognised in the hedging reserve in equity (Note 22) on foreign currency and interest rate swap contract as of 31 August 2015 will be continuously released to the statement of comprehensive income until the repayment of the Senior Notes.
- (b) As at 28 February 2015, the notional principal amount of the outstanding foreign currency swap contract to buy Renminbi for economic hedge against foreign exchange risk exposures relating to liabilities denominated in Renminbi was HK\$129,686,000. The contract was matured on 1 March 2015.
- (c) As at 31 August 2015, the notional principal amount of the outstanding interest rate swap contract for economic hedging against interest rate risk exposures relating to liabilities with floating interest rate was HK\$247,528,000 (as at 28 February 2015: HK\$247,528,000). The remaining maturity of the contract is 2 March 2016.
- (d) As at 31 August 2015, the notional principal amount of the outstanding foreign exchange forward contracts to sell Renminbi for economic hedging against foreign exchange rate risk exposures relating to deposits denominated in Renminbi was HK\$839,425,000 (as at 28 February 2015: Nil). The maturities of these contracts are in September 2015.

18 TRADE AND BILL PAYABLES

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

	As at 31 August 2015 (Unaudited) HK\$'000	As at 28 February 2015 (Audited) HK\$'000
0 to 30 days	185,045	242,136
31 to 60 days	126,837	70,999
61 to 90 days	42,311	35,754
91 to 180 days	21,819	20,436
181 to 365 days	7,658	5,863
Over 365 days	9,853	10,092
	<u>393,523</u>	<u>385,280</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

19 ACCRUALS AND OTHER PAYABLES

	As at 31 August 2015 (Unaudited) HK\$'000	As at 28 February 2015 (Audited) HK\$'000
Unutilised coupon	4,725	6,649
Accruals		
– Rented premises	239,872	261,871
– Employment costs	52,259	94,334
– Others	126,053	160,942
Other payables	193,261	196,080
	<u>616,170</u>	<u>719,876</u>
Less: Non-current portion		
Accruals – Rented premises	(9,835)	(12,017)
	<u>606,335</u>	<u>707,859</u>

20 BORROWINGS

	As at 31 August 2015 (Unaudited) HK\$'000	As at 28 February 2015 (Audited) HK\$'000
Non-current borrowings		
– Bank borrowings	292,345	374,976
– Senior Notes (a)	1,064,600	1,093,832
	<u>1,356,945</u>	<u>1,468,808</u>
Current borrowings		
– Portion of bank borrowings due for repayment within one year	83,526	163,081
– Portion of bank borrowings due for repayment after one year which contain a repayable on demand clause	109,650	104,350
	<u>193,176</u>	<u>267,431</u>
	<u>1,550,121</u>	<u>1,736,239</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

20 BORROWINGS (Continued)

Movements in borrowings are analysed as follows:

	(Unaudited) HK\$'000
Six months ended 31 August 2015	
As at 1 March 2015	1,736,239
Proceeds from borrowings	360,048
Repayments of borrowings	(512,529)
Exchange differences	(33,637)
	<hr/>
As at 31 August 2015	1,550,121
	<hr/> <hr/>
Six months ended 31 August 2014	
As at 1 March 2014	1,991,027
Proceeds from borrowings	251,692
Repayments of borrowings	(324,117)
Net gains on buy-back of Senior Notes (Note 7)	(15,267)
Exchange differences	85
	<hr/>
As at 31 August 2014	1,903,420
	<hr/> <hr/>

The fair values of current borrowings approximate their carrying amounts, as the impact of discounting is not significant. The effective borrowing cost was 5.1% (as at 28 February 2015: 4.8%) per annum.

Interest expense on borrowings for the six months ended 31 August 2015 is approximately HK\$39,319,000 (six months ended 31 August 2014: HK\$44,912,000).

Details of the Group's banking facilities are set out in Note 23.

Note:

- (a) On 15 May 2013, the Company issued senior notes, with an aggregate nominal value of RMB1,000,000,000 (equivalent to HK\$1,264,500,000) at par value (the "Senior Notes"), which bear interest at 6.25% per annum and the interest is payable semi-annually in arrears. The net proceeds, after deducting the direct issuance costs, amounted to approximately RMB987,395,936 (equivalent to HK\$1,248,606,276). The Senior Notes will mature on 15 May 2018 and are listed on the Stock Exchange.

During the six months ended 31 August 2014, the Group has purchased Senior Notes in the principal amount of RMB106,000,000, representing approximately 10.6% of the Senior Notes in the principal amount of RMB1,000,000,000 issued in May 2013. The purchased Senior Notes amounting to RMB106,000,000 during the six months ended 31 August 2014 was then duly cancelled pursuant to the terms and conditions of the Senior Notes. As at 31 August 2015 and 2014, the aggregate principal amount of the Senior Notes which remains outstanding and subject to the terms of the indenture governing the Senior Notes is RMB894,000,000.

During the six months ended 31 August 2014, the Group also terminated the interest rate and currency swap with a notional amount of RMB106,000,000 which was designated as a cash flow hedge for the Senior Notes with a face value of RMB106,000,000. After deducting the related transaction costs, the buy-back resulted in a pre-tax profit of HK\$15,267,000 during the six months ended 31 August 2014.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

21 SHARE CAPITAL

The total number of authorised ordinary shares is 3,000,000,000 (28 February 2015: 3,000,000,000) shares with a par value of HK\$0.1 per share (28 February 2015: HK\$0.1 per share).

	Number of ordinary shares '000	Nominal Value HK\$'000
Issued and fully paid:		
At 1 March 2015 (Audited)	1,227,603	122,760
Repurchase of share (i)	(2,958)	(296)
At 31 August 2015 (Unaudited)	<u>1,224,645</u>	<u>122,464</u>
At 1 March 2014 (Audited)	1,228,763	122,876
Repurchase of share (i)	(1,160)	(116)
At 31 August 2014 (Unaudited)	<u>1,227,603</u>	<u>122,760</u>

Note:

- (i) The Group acquired 2,958,000 of its shares through purchases on the Stock Exchange in March 2015 and July 2015 (2014: 1,160,000 shares in June 2014). The total amount paid to acquire the shares was HK\$6,792,000 (2014: HK\$3,082,000) and has been deducted from shareholders' equity.

Share options

Details of the Share Option Schemes are set out in the annual report for the year ended 28 February 2015. Movements in the number of share options outstanding and the exercise prices are as follows:

	Six months ended 31 August			
	2015		2014	
	Weighted- average exercise price per share HK\$	Options '000	Weighted- average exercise price per share HK\$	Options '000
Beginning and end of the period	2.95	<u>121,152</u>	2.95	<u>121,152</u>

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 '000	
		As at 31 August 2015	As at 31 August 2014
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
16 September 2022	3.42	24,560	24,560
		<u>121,152</u>	<u>121,152</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

22 RESERVES

	Share-based		Foreign exchange		Statutory reserve	Hedging reserve	Retained profits	Total
	Share premium	payment reserve	Capital reserve	translation reserve				
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000				
Balance at 1 March 2015	891,538	120,988	48,524	14,492	50,191	(95,651)	1,686,339	2,716,421
Share option scheme								
– value of employment services	–	11,997	–	–	–	–	–	11,997
Repurchase of share	(6,496)	–	–	–	–	–	–	(6,496)
Loss for the period	–	–	–	–	–	–	(31,252)	(31,252)
Final dividends for the year ended 28 February 2015	–	–	–	–	–	–	(134,711)	(134,711)
Tax credit from exercise of share options	–	–	(558)	–	–	–	–	(558)
Currency translation differences								
– Group	–	–	–	(39,801)	–	–	–	(39,801)
– Joint ventures	–	–	–	(4,990)	–	–	–	(4,990)
Cash flow hedge recognised as finance costs	–	–	–	–	–	31,568	–	31,568
Fair value changes on cash flow hedge, net of tax	–	–	–	–	–	15,766	–	15,766
Balance at 31 August 2015	885,042	132,985	47,966	(30,299)	50,191	(48,317)	1,520,376	2,557,944
Representing:								
Others							1,520,376	
							<u>1,520,376</u>	
Balance at 1 March 2014	894,504	97,190	49,825	77,242	42,280	(5,100)	1,516,815	2,672,756
Share option scheme								
– value of employment services	–	11,997	–	–	–	–	–	11,997
Repurchase of share	(2,966)	–	–	–	–	–	–	(2,966)
Profit for the period	–	–	–	–	–	–	49,245	49,245
Final dividends for the year ended 28 February 2014	–	–	–	–	–	–	(122,760)	(122,760)
Tax credit from exercise of share options	–	–	3,161	–	–	–	–	3,161
Currency translation differences								
– Group	–	–	–	(10,644)	–	–	–	(10,644)
– Joint ventures	–	–	–	116	–	–	–	116
Cash flow hedge recognised as finance costs	–	–	–	–	–	3,371	–	3,371
Fair value changes on cash flow hedge, net of tax	–	–	–	–	–	(30,886)	–	(30,886)
Balance at 31 August 2014	891,538	109,187	52,986	66,714	42,280	(32,615)	1,443,300	2,573,390
Representing:								
Declared interim dividends							12,276	
Others							1,431,024	
							<u>1,443,300</u>	

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

23 BANKING FACILITIES AND PLEDGE OF ASSETS

As at 31 August 2015, the Group had aggregate banking facilities of approximately HK\$1,972,003,000 (28 February 2015: approximately HK\$1,950,303,000) for overdrafts, bank loans and trade financing, of which approximately HK\$1,355,014,000 (28 February 2015: approximately HK\$1,256,426,000) was unutilised as at the same date. These facilities are secured by corporate guarantees provided by the Company and certain subsidiaries.

24 COMMITMENTS

(a) Capital commitments

	As at 31 August 2015 (Unaudited) HK\$'000	As at 28 February 2015 (Audited) HK\$'000
Authorised but not contracted for		
– acquisition of fixture and furniture	78,330	57,307
– acquisition of land use rights for warehouse use	<u>360,120</u>	<u>366,131</u>
Contracted but not provided for		
– capital expenditure	<u>7,448</u>	<u>229</u>

(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:

	As at 31 August 2015 (Unaudited) HK\$'000	As at 28 February 2015 (Audited) HK\$'000
Not later than one year	1,270,664	1,196,930
Later than one year and not later than five years	1,995,349	1,686,012
Later than five years	<u>57,495</u>	<u>64,073</u>
	<u>3,323,508</u>	<u>2,947,015</u>

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

25 RELATED PARTY TRANSACTIONS

(a) As at 31 August 2015, the Group was controlled by Effective Convey Limited (incorporated in the British Virgin Islands), which directly and indirectly owns a total of 57.01% 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:

	Six months ended 31 August	
	2015	2014
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Purchases from joint ventures	4,634	1,380
Commission income from joint ventures	982	481
Interest income from joint ventures	427	417
Reimbursement of operating expenses by joint ventures	3,825	3,582
Reimbursement of operating expenses to a joint venture	8,396	8,295

(c) Key management compensation

	Six months ended 31 August	
	2015	2014
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Salaries and allowances	7,871	7,586
Discretionary bonus	26,230	27,500
Pension costs – employer's contributions to a defined contribution plan	18	17
Share options granted	8,172	8,172
	42,291	43,275

26 SEASONALITY

The sales of 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.

27 COMPARATIVE FIGURES

Certain prior period comparative figures have been reclassified to conform to the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

(a) Group

Sales development across the Group's principal operating regions (namely Hong Kong and Mainland China) reflected an economic and exchange rate landscape that was more complex than could have been expected in the first half of the fiscal year. Looking specifically at the Hong Kong market, a slow economic recovery alongside diminished inbound tourist traffic growth (from Mainland China in particular), which was attributed predominantly to the strength of the HK dollar and the easing of immigration in multiple tourist destinations such as Europe, Japan and Korea, has placed unprecedented challenges on the consumer retail market. Similarly, Mainland China, where domestic headwinds continued to cause considerable impact on consumer appetite and maintained lingering concerns about the economic prospect of the country, demonstrated by the depression of external import demand, has created a challenging economic environment for retailers in the region. At this juncture, consumer sentiment across these regions remained weak, and retail sales growth was largely boosted by sales promotions.

On the cost of operations side, the trend continued on the expansionary front. Rental which represents a considerably significant portion of our total operating expenses, has continued to place downward pressure on the Group's profitability, in particular the Hong Kong segment. To that end, the Group has remained prudent with regard to store network expansion while being flexible to new ideas and opportunities in Hong Kong. As of 31 August 2015, the total sales area in Hong Kong has declined compared to the same time last year. In contrast, our sales area in Mainland China has continued to grow, representing our confidence and long-term commitment to this region.

Irrespective of the Group having managed to deliver a turnover growth of 5.1% over last period to HK\$3,392.5 million, a net loss of HK\$31.0 million was recorded for the six months ended 31 August 2015, representing a decline of 162.8%.

On 12 August 2015, the Group's RMB fixed deposits amounting to RMB1,187 million was converted into Hong Kong dollar with an aim to minimise future exposure to RMB exchange risk. As a result, an exchange loss of HK\$66.8 million was recorded. Alongside a HK\$12.8 million loss in currency translation which was substantially attributed to currency headwinds in the form of a depreciating RMB represented a total non-recurring foreign exchange loss of HK\$79.6 million. If this non-recurring item is excluded, net profit increased 32.8% to HK\$48.6 million (FY14/15: net profit of HK\$36.6 million excluding a non-recurring gain of HK\$15.3 million (after tax: HK\$12.8 million) from repurchases of the Group's Senior Notes).

Turnover by Market

Turnover generated by our Hong Kong segment amounted to HK\$1,586.0 million, representing a decline of 4.2% over last period on the back of a contraction in total trading area of 2.1%. Hong Kong remained the largest revenue contributor to the Group, as in previous period, contributing 46.7% of total Group turnover (FY14/15: 51.3%).

The Group reaffirmed its commitment to the Mainland China region through double-digit percentage growth in sales footage. Alongside positive comparable store sales growth recorded for the period under review, our Mainland China operations has achieved another period of noticeable turnover growth of 16.9% to HK\$1,426.3 million. It contributed 42.0% to total Group turnover and remained the second largest contributor (FY14/15: 37.8%).

Despite the reduction in trading area, the turnover of our Japan businesses increased by 29.2% in base currency to JPY3,735.0 million. However, owing to the weakening of the Japanese Yen, the turnover in HK dollar increased only by 8.3% over last period to HK\$237.7 million and remained the third-largest operating region.

Breakdown of turnover by region of operation:

	Turnover Six months ended 31 August		Change	% of Turnover Six months ended 31 August	
	2015 HK\$ million	2014 HK\$ million		2015	2014
Hong Kong	1,586.0	1,656.3	-4.2%	46.7%	51.3%
Retail sales only	1,571.4	1,630.9	-3.6%		
Mainland China	1,426.3	1,219.7	+16.9%	42.0%	37.8%
Retail sales only	1,336.3	1,122.4	+19.1%		
Japan	237.7	219.5	+8.3%	7.1%	6.8%
Retail sales only	222.4	208.0	+6.9%		
Macau	101.0	95.1	+6.2%	3.0%	2.9%
Other	41.5	37.0	+12.2%	1.2%	1.2%
Total	3,392.5	3,227.6	+5.1%	100.0%	100.0%

Brand Mix

It is without doubt that having a multi-faceted business model with inherent flexibility will allow us to remain resilient over the long run. We also believe that innovation and differentiation are among the most relevant tools to support our position as a fashion leader across our operating regions and allow us to adapt to the rapidly changing fashion markets. To that end, the Group continues to focus and invest in further strengthening its fashion platform through a combination of international brands assortment upgrades and new fashion concepts establishment within the in-house brands segment. Today, we have a balanced portfolio showcasing a collection of the latest distinctive international brands alongside multiple innovative in-house brands, all of which have their own unique identities that complement each other well. For the period under review, our in-house brands segment continued to represent the largest revenue contributor, landing at 56.8%.

Breakdown of retail sales by brand category:

	Retail Sales Six months ended 31 August		Change	% of Retail Sales Six months ended 31 August	
	2015 HK\$ million	2014 HK\$ million		2015	2014
In-house brands	1,858.1	1,734.3	+7.1%	56.8%	56.1%
International brands	1,396.0	1,327.2	+5.2%	42.7%	42.9%
Licensed brands	18.5	31.9	-42.0%	0.5%	1.0%
	<u>3,272.6</u>	<u>3,093.4</u>	+5.8%	<u>100.0%</u>	<u>100.0%</u>

Dynamics in Margin and Cost

Although the Group managed to deliver another year of turnover growth at 5.1%, with gross profit also increasing by 1.4% over last period, the gross margin declined by 2.2 percentage points to 59.7%. The contraction in gross margin was attributed primarily to the more proactive offer of sales activities across our key operating regions (namely Hong Kong and Mainland China) in view of the unfavorable business environment.

With regard to the cost of operations, it continues to point to a rising market. Rental expenses in particular, which remained a significant portion of our total operating expenses, have continued to restrain operating profit margins. Rent increased to 23.4% of total turnover (FY14/15: 22.9%). On a positive note, a level of increased incidence of efficiency, measured by staff costs to sales ratio, has been achieved, and this enhancement was primarily the result of multiple effective cost-saving initiatives. Staff costs (excluding share option expenses) decreased to 16.3% of total turnover (FY14/15: 17.6%). As a consequence, the total operating cost ratio decreased to 56.5% (FY14/15: 58.2%).

An operating profit of HK\$44.6 million was recorded for the six months ended 31 August 2015, representing a decline of 66.5% over last period, or an increase by 5.2% to HK\$124.2 million if the non-recurring item and the non-recurring gain of HK\$15.3 million from the repurchase of the Group's Senior Notes during the same period last year are excluded.

(b) **Hong Kong**

Amid local and peripheral economic factors continuing to drive risk sentiment, the operating environment in the consumer retail sector has become very challenging throughout the financial period under review. As demonstrated by the "value index of retail sales in wearing apparel" (provided by the Census and Statistics Department of Hong Kong), strict negative monthly performance figures were recorded for the period spanning March to August 2015, ranging from -2.2% to -13.5%. Irrespective of the Group having consistently outperformed the market index, the data suggest that consumer spending still lacks positive momentum. The ongoing strength of the USD (hence HK\$) against major Asian currencies has caused considerable impact on the growth of inbound tourist traffic. Moreover, the easing of visa requirement policies across a number of Asian tourist destinations, such as Japan and Korea, was indeed another factor causing the impairment of consumer appetite. At this juncture, our Hong Kong businesses inevitably declined by 4.2% in turnover to HK\$1,586.0 million and a 3.6% decrease in retail sales to HK\$1,571.4 million, with comparable store sales growth registered at -0.9%. These results were achieved on the back of a net decrease in total trading area of 2.1% over the same period last year to 604,417 square feet. In the face of this ongoing difficult business environment, the Group has remained prudent with regard to store network expansion and maintained a dominant and appropriate distribution structure with the aim of enhancing overall store efficiency and sustainability in the long run.

In the midst of these challenging times, retail sales growth has been highly driven by promotional and discounting campaigns, which further suppressed margins. As a result, the gross margin decreased by 3.7 percentage points to 56.9%. Coincidentally, the operating cost to sales ratio (which is defined as operating expenses divided by turnover) also disappointed, increasing by 2.6 percentage points to 63.0%. The uplift in operating cost to sales ratio was attributed principally to the dual effect of an increase in cost of operating retail channels, rental in particular and the decline in turnover. As a consequence, an operating loss of HK\$91.4 million was recorded for the six months ended 31 August 2015, compared to an operating profit of HK\$3.2 million for the corresponding period last year.

(c) **Mainland China**

The Group has continued to leverage its competitive advantage as Hong Kong's leading fashion operator to drive cross-border business, with Mainland China in particular. We continued to focus and invest for the long-term in this region through a combination of product assortment upgrades to cater for the growing demand for unique and distinctive fashion products and store design enhancement to further improve the shopping experience for our customers. We have also deployed effective marketing strategies to further broaden our brand awareness and market presence. Related to retail network expansion, we have not only been focusing on tier-1 cities but also looking into possible opportunities in lower-tier cities that have experienced higher economic growth and are expected to be comparatively resilient to economic fluctuations in general. Today, we have a diversified presence spanning over 19 cities, with a total trading area amounting to 1,015,507 square feet, representing an increase of 14.6% over the same period last year in spite of slower economic growth across the region.

Although a general contraction in spending momentum was seen throughout the financial period under review, the Group has managed to deliver creditable results, demonstrated by another period of growth in turnover at 16.9% to HK\$1,426.3 million. Total retail sales also increased in a similar manner by 19.1% to HK\$1,336.3 million, with comparable store sales growth registered at 5.9% (FY14/15: 4.3%).

The gross margin decreased by 1.4 percentage points to 59.0%. The decline was primarily a result of the more proactive discounting campaigns that were offered toward the end of August 2015. On a positive note, a remarkable level of enhancement in efficiency, measured by operating cost to sales ratio, was achieved, landing at 53.4% (FY14/15: 57.9%). This enhancement in operating cost efficiency has been more than able to offset the decline in the gross margin. Consequently, the operating profit increased by 160.9% over the same period last year to HK\$78.2 million.

(d) **Japan**

Despite slow economic growth, our Japan businesses have managed to deliver another period of sustainable growth and increased profitability following the success of a number of brand promotional strategies, which include multiple cross-border collaborative events with various renowned fashion units. Our Japan businesses also benefited from the increase in inbound tourist traffic (mainly from Mainland China and Hong Kong) due to depreciation of the Japanese Yen. Consequently, sales of our Japan segment increased by 29.2% to JPY3,735.0 million, whereas sales in Hong Kong dollar terms grew by 8.3% to HK\$237.7 million. Benefiting from the enhancement in gross margin to 70.5% (FY14/15: 67.7%) and the ongoing efforts to improve operating efficiency (measured by cost to sales ratio), the operating profit also increased by 54.7% to HK\$94.7 million.

(e) **Macau**

Macau has continued to show modest growth despite lower-than-expected tourist traffic. Total retail sales in Macau increased by 6.2% to HK\$101.0 million, with an operating profit amounting to HK\$31.8 million, representing a growth of 2.0% over last period.

Share of Results of Joint Ventures

A share of loss of joint ventures amounting to HK\$13.9 million was recorded for the six months ending 31 August 2015, representing a 30.8% decline over last period. A related factor to the decrease in loss was that our joint venture business with Galeries Lafayette has continued to experience sales growth, resulting in a decline in the loss incurred by the business.

Inventory

The inventory turnover cycle of the Group has been reduced to 168 days, representing a reduction of 9 days over the same period last year. This inventory turnover enhancement was achieved through multiple effective brand promotional campaigns to boost sales volume and strategic management of discounting policies.

Cash Flows and Financial Position

The Group's cash and bank balances as at 31 August 2015 were HK\$1,957.7 million compared to HK\$2,294.1 million as at 28 February 2015 and its net cash balance amounted to HK\$407.6 million (net cash is defined as cash and cash equivalents of HK\$1,957.7 million less bank borrowings of HK\$485.5 million and the Senior Notes of HK\$1,064.6 million) versus HK\$557.9 million as at 28 February 2015.

Cash inflow from operating activities for the six months ended 31 August 2015 amounted to HK\$70.7 million (FY14/15: HK\$179.4 million).

Liquidity and Banking Facilities

As at 31 August 2015, the Group had aggregate banking facilities of approximately HK\$1,972.0 million (28 February 2015: HK\$1,950.3 million) for overdrafts, bank loans and trade financing, of which approximately HK\$1,355.0 million (28 February 2015: HK\$1,256.4 million) was unutilised as at the same date. These facilities are mainly secured by corporate guarantees provided by the Company and certain subsidiaries.

Charges of Assets

As at 31 August 2015, bank borrowing was secured on land and buildings with a carrying amount of HK\$206.4 million (28 February 2015: HK\$209.6 million).

Contingent Liabilities

As at 31 August 2015, the Group did not have significant contingent liabilities (FY14/15: Nil).

Foreign Exchange

The Group is exposed to foreign exchange risk arising from exposure in the Japanese Yen, Macau Pataca, Pound Sterling, Euro, US dollar, New Taiwan dollar and Renminbi against the Hong Kong dollar. Although management monitors the foreign exchange risks of the Group on a regular basis, and may enter into forward exchange contracts and foreign currency swap contracts with major and reputable financial institutions for foreign exchange risk hedging, fluctuations in the value of the Hong Kong dollar against other currencies could affect our margins and profitability.

Employment, Training and Development

Human resources are our greatest assets, and we regard the personal development of our employees as highly important. As of 31 August 2015, the Group had a total of 6,147 (FY14/15: 6,013) full-time employees. The Group invests in regular training and other development courses for employees to enhance their technical and product knowledge as well as management skills. The Group offers competitive remuneration packages to its employees, including basic salary, allowances, insurance, and commission/bonuses.

Future Outlook

Looking ahead, it is anticipated that global growth concerns and regional economic development uncertainties will continue to cast a shadow over the recovery of consumer retail sectors across the Group's operating markets, prolonging the dampening effect of consumer appetite, at least for the near term. Although we do not subscribe to the view that consumer spending momentum will witness any form of imminent improvement, it is our belief that the inherent adaptability and flexibility of our multi-faceted business model will continue to support us as a fashion leader across the Group's operating regions and remain resilient during market turmoil. Our passion for fashion will ensure that new ideas and the most distinctive fashion products are brought to our customers in a timely and sustainable manner. For instance, a new F&B attraction with its origins in Seoul, Korea, and a renowned European lifestyle product line were both exclusively introduced through our multi-brand retail channels in Hong Kong during the first half of the fiscal year, overwhelming responses were received regarding these introductions. Importantly, we will continue to execute the strategies that were set forth for the year. For example, these include different aspects such as store layout enhancement with an aim to increase retail efficiency and focused marketing initiatives alongside a wide range of collaborative activities to boost brand equity and customer traffic. Moreover, we will continue to explore development opportunities in Mainland China to achieve broader coverage, and this represents our confidence in the long-term economic prospects of this region. In contrast, although the Group will remain prudent with regard to network expansion in Hong Kong due to the challenging times, it will still be very open and flexible to new fashion names and concepts.

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 2015, 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 the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (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	Beneficiary of trust (Note 1)	Interest in underlying shares/equity derivatives (Note 2)	No. of shares held		Percentage of issued shares (Note 4)
			Direct interest	Total	
Sham Kar Wai (Note 3)	698,564,441	35,048,379	6,834,000	740,446,820	60.46%
Sham Kin Wai (Note 3)	698,564,441	35,048,379	6,834,000	740,446,820	60.46%

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 detailed in the section headed "Substantial Shareholders' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company" below.
- (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.
- (4) The issued shares of the Company was 1,224,645,307 shares as at 31 August 2015.

(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.

(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)
	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%
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: 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 2015.

DISCLOSURE OF INTEREST (Continued)

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from those disclosed in the section headed "Share Options" below, at no time during the period ended 31 August 2015 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

The Company adopted a share option scheme on 30 June 2008 (the "Scheme"). The Scheme is to provide incentives or rewards to selected eligible participants for their contribution or potential contribution to the Group. Pursuant to the Scheme, the Company may grant options to eligible participants as defined in the 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. The Scheme will remain in force for a period of 10 years up to June 2018.

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

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other scheme adopted by the Group from time to time would not in aggregate exceed 30% of the Shares in issue from time to time. The maximum number of shares issued and to be issued upon exercise of options granted under the 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.

As at the date of this report, the total number of shares available for issue under the Scheme and any other share option schemes of the Company is 55,226,003, representing 4.52% of the issued shares of the Company.

No share option was granted, exercised or lapsed during the period ended 31 August 2015. The outstanding options granted under the Scheme and yet to be exercised are set out below:

	Date of grant	Exercise period	Exercise price per share HK\$	Number of Share Options as at 1 March 2015 and 31 August 2015
Director				
Sham Kar Wai	12 February 2010	12 February 2012 to 11 February 2020	1.43	11,268,379
	18 March 2011	18 March 2017 to 17 March 2021	4.96	11,500,000
	17 September 2012	17 September 2018 to 16 September 2022	3.42	12,280,000
Sham Kin Wai	12 February 2010	12 February 2012 to 11 February 2020	1.43	11,268,379
	18 March 2011	18 March 2017 to 17 March 2021	4.96	11,500,000
	17 September 2012	17 September 2018 to 16 September 2022	3.42	12,280,000
Continuous contract employees	28 December 2009	28 December 2011 to 27 December 2019	1.23	33,805,137
	18 March 2011	18 March 2017 to 17 March 2021	4.96	17,250,000
				<hr/>
				<u>121,151,895</u>

DISCLOSURE OF INTEREST (Continued)

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

As at 31 August 2015, 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 shares (Note 13)	Long/short position
Yau Shuk Ching Chingmy (Notes 1 & 2)	Beneficiary of a trust/ Interest of spouse	743,856,800	60.56%	Long
Wong Choi Shan (Notes 1 & 3)	Beneficiary of a trust/ Interest of spouse	743,856,800	60.56%	Long
Effective Convey Limited (Note 4)	Beneficial owner/ Interest in corporation	698,564,441	57.01%	Long
Dynamic Vitality Limited (Notes 1 & 5)	Interest in corporation	698,564,441	57.01%	Long
HSBC International Trustee Limited (Notes 1 & 5)	Interest in corporation	698,564,441	57.01%	Long
Fine Honour Limited (Note 4)	Beneficial owner	169,197,830	13.98%	Long
Yeung Chun Kam (Note 6)	Interest in controlled company/Joint interest	68,827,473	5.61%	Long
Yeung Chun Fan (Note 6)	Interest in controlled company/Joint interest	68,827,473	5.61%	Long
Cheung Wai Yee (Note 7)	Interest of spouse	68,827,473	5.61%	Long
Greenwoods Asset Management Limited (Note 8)	Interest in controlled company	61,878,000	5.04%	Long
Greenwoods Asset Management Holdings Limited (Notes 8 & 9)	Interest in controlled company	61,878,000	5.04%	Long
Unique Element Corp. (Notes 8 & 10)	Interest in controlled company	61,878,000	5.04%	Long
Jiang Jinzhi (Notes 8 & 11)	Interest in controlled company	61,878,000	5.04%	Long
The Capital Group Companies, Inc. (Note 12)	Interest in corporation	61,568,000	5.02%	Long

Notes:

- 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 (both are Directors of the Company) and their respective family members. HSBC International Trustee Limited is the trustee of The ABS 2000 Trust.
- Spouse of Mr. Sham Kar Wai. Out of the 743,856,800 shares, Ms. Yau as a beneficiary of The ABS 2000 Trust, is interested in 698,564,441 shares while the rest of the shares is held in the capacity of interest of spouse.
- Spouse of Mr. Sham Kin Wai. Out of the 743,856,800 shares, Ms. Wong as a beneficiary of The ABS 2000 Trust, is interested in 698,564,441 shares while the rest of the shares is held in the capacity of interest of spouse.
- 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.
- Effective Convey Limited is a wholly-owned subsidiary of Dynamic Vitality Limited, which is wholly-owned by 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 68,827,473 shares, 55,970,000 shares are held by Dr. Yeung Chun Kam and Mr. Yeung Chun Fan jointly and the balance, being 12,857,473 shares, in the capacity of interest in controlled company. Dr. Yeung Chun Kam and Mr. Yeung Chun Fan held the shares through their controlled corporations. Glorious Sun Trading (HK) Limited held 12,857,473 shares and 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 40.25% 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.
- According to the notice filed by Greenwoods Asset Management Limited, out of the 61,878,000 shares, 14,128,000 shares are held by Greenwoods Asset Management Limited and 6,528,000 shares and 41,222,000 shares held by its controlled corporation, Golden China Master Fund and Greenwoods China Alpha Master Fund respectively.
- According to the notice filed by Greenwoods Asset Management Holdings Limited, Greenwoods Asset Management Holdings Limited held the shares through its controlled corporations, Greenwoods Asset Management Limited, Golden China Master Fund and Greenwoods China Alpha Master Fund.
- According to the notice filed by Unique Element Corp., Unique Element Corp. held the shares through its controlled corporations, Greenwoods Asset Management Holdings Limited, Greenwoods Asset Management Limited, Golden China Master Fund and Greenwoods China Alpha Master Fund.
- According to the notice filed by Jiang Jinzhi, Jiang Jinzhi held the shares through its controlled corporations, Unique Element Corp., Greenwoods Asset Management Holdings Limited, Greenwoods Asset Management Limited, Golden China Master Fund and Greenwoods China Alpha Master Fund.
- The shares are held by Capital Research and Management Company, a wholly-owned subsidiary of The Capital Group Companies, Inc..
- The issued shares of the Company was 1,224,645,307 shares as at 31 August 2015.

OTHER INFORMATION

INTERIM DIVIDEND

The business environment would likely continue to be a difficult one, the board of directors of the Company (the "Board") does not declare the payment of an interim dividend for the six months ended 31 August 2015 (six months ended 31 August 2014: 1.0 HK cent per share).

CORPORATE GOVERNANCE

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 Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the six months ended 31 August 2015, except for the deviation 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 of 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 2015, they have complied with the required standard set out in the Model Code regarding securities transactions by Directors.

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

The changes in the information of the Directors of the Company since the publication of the annual report of the Company for the year ended 28 February 2015 are set out below:

Name of Director	Details of changes
<i>Independent Non-executive Directors</i> Dr. Wong Tin Yau, Kelvin, JP	<ul style="list-style-type: none">- Appointed as an independent non-executive director, the chairman of audit committee and a member of nomination committee of AAG Energy Holdings Limited, a company listed on the Stock Exchange, with effect from 5 June 2015.- Appointed as an independent non-executive director of Shanghai Fosun Pharmaceutical (Group) Co., Ltd., a company listed on the Stock Exchange, with effect from 29 June 2015.- Resigned as an independent non-executive director, the chairman of nomination committee and a member of audit committee and remuneration committee of CIG Yangtze Ports PLC, a company listed on the Stock Exchange, with effect from 12 October 2015.- Appointed as an independent non-executive director, a member of remuneration committee and the chairman of audit committee and nomination & corporate governance committee of Simsen International Corporation Limited, a company listed on the Stock Exchange, with effect from 23 October 2015.
Mr. Mak Wing Sum, Alvin	<ul style="list-style-type: none">- Appointed as the chairman of the nomination committee of Luk Fook Holdings (International) Limited, a company listed on the Stock Exchange, with effect from 22 June 2015.- Appointed as a member of the Hong Kong Housing Society on 28 May 2015 and as a member of its audit committee and special committee on investment on 8 September 2015 and 17 September 2015 respectively.

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

The following circumstances giving rise to the obligations of disclosure pursuant to Rule 13.18 of the Listing Rules continue to exist after the period ended 31 August 2015.

(a) The Notes

Terms used herein have the same meaning as those defined in the announcement made by the Company on 8 May 2013 (the "Notes Announcement").

On 8 May 2013, the Company made the Notes Announcement that the Company has entered into the Subscription Agreement with the Joint Lead Managers in relation to the issue of the Notes. Pursuant to the terms and conditions of the Notes, if (among other matters), the Permitted Holders (as explained hereinafter) collectively do not or cease to (i) maintain management control over the management and business of the Group; or (ii) own, directly or indirectly, at least 40% of the beneficial shareholding, carrying at least 40% of the Voting Stock in the Company, free from Security, each holder of the Notes will have the right to require the Company to redeem the Notes at 101% of their principal amount, together with accrued interest. Permitted Holders means any or all of the following: (1) Mr. Sham Kar Wai and Mr. Sham Kin Wai; (2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate in the Notes Announcement) of the Person specified in (1) hereof; and (3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% by Persons specified in (1) and (2) hereof.

Principal terms of the Notes are set out below:-

Notes:	principal amount of CNY1,000,000,000 to be matured on 15 May 2018;
Issue Date:	15 May 2013;
Issue Price:	100%;
Interest:	the Notes will bear interest from and including 15 May 2013 at the rate of 6.25% per annum, payable semi-annually in arrears on 15 May and 15 November in each year commencing on 15 November 2013.

Up to the date of this report, the aggregate principal amount of the Notes which remains outstanding and subject to the terms of indenture governing the Notes is CNY894,000,000.

(b) The New Facilities

Reference is made to the announcements made by the Company on 24 February 2012 and 1 December 2014 pursuant to Rule 13.18 of the Listing Rules. Terms used herein have the same meaning as those defined in the announcement dated 1 December 2014 (the "New Facilities Announcement").

On 1 December 2014, the Company made the New Facilities Announcement that I.T Finance Limited, an indirectly wholly-owned subsidiary of the Company, as the borrower has entered into the New Facility Agreement for the purpose of refinancing in full the facilities under the facility agreement dated 24 February 2012. Pursuant to the New 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 New 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 New Facility are set out below:-

New Facility Agreement:	The facility agreement dated 1 December 2014 and executed by I.T Finance Limited, the Guarantors, the Facility Agent and the Lenders;
Borrower:	I.T Finance Limited;
Guarantors:	the Company and four indirectly wholly-owned subsidiaries of the Company;
Lenders:	Hang Seng Bank Limited and The Hongkong and Shanghai Banking Corporation Limited;
Facility Agent:	Hang Seng Bank Limited;
Facilities:	a term loan of HK\$380,352,500 repayable over a period of 39 months from the date of signing of the New Facility Agreement.

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 2015.

OTHER INFORMATION (Continued)

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

Save as disclosed below, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares or the Notes during the six months ended 31 August 2015.

During the six months ended 31 August 2015, the Company purchased its listed shares on the Stock Exchange as follows:-

Date of purchase	Number of shares purchased	Purchase price per share		Total paid HK\$
		Highest HK\$	Lowest HK\$	
4 March 2015	1,266,000 ¹	2.16	2.14	2,726,520
9 March 2015	260,000 ¹	2.27	2.25	588,240
10 March 2015	220,000 ¹	2.30	2.26	504,360
11 March 2015	552,000 ¹	2.33	2.30	1,280,560
24 March 2015	90,000 ²	2.58	2.55	231,060
25 March 2015	20,000 ²	2.59	2.59	51,800
17 July 2015	80,000 ³	2.62	2.57	207,400
27 July 2015	30,000 ³	2.65	2.60	79,360
30 July 2015	440,000 ³	2.60	2.52	1,122,360
28 August 2015	2,432,000 ⁴	2.01	1.92	4,843,120
31 August 2015	96,000 ⁴	2.04	2.02	194,920
Total	<u>5,486,000</u>			<u>11,829,700</u>

As at 31 August 2015, the total number of issued shares of the Company was 1,224,645,307.

In September 2015, the Company purchased its listed shares on the Stock Exchange as follows:

Date of purchase	Number of shares purchased	Purchase price per share		Total paid HK\$
		Highest HK\$	Lowest HK\$	
2 September 2015	408,000 ⁴	2.04	1.99	821,980
4 September 2015	186,000 ⁴	2.06	2.03	381,180
7 September 2015	762,000 ⁴	2.10	2.05	1,584,300
9 September 2015	116,000 ⁴	2.16	2.15	250,400
Total	<u>1,472,000</u>			<u>3,037,860</u>

* Notes:

1. Shares were cancelled on 23 March 2015.
2. Shares were cancelled on 17 April 2015.
3. Shares were cancelled on 5 August 2015.
4. Shares were cancelled on 16 September 2015.

On behalf of the Board



Sham Kar Wai
Chairman

Hong Kong, 28 October 2015

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**I.T LIMITED INTERIM REPORT
2015/2016**