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*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 999)**

## **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2015**

### **FINANCIAL 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 index<sup>1</sup>. 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 million<sup>2</sup> 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.

The board of directors (the “Board”) of I.T Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 August 2015, prepared on the basis set out in Note 1, together with the comparative figures for the corresponding period, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		<b>Six months ended 31 August</b>	
		<b>2015</b>	<b>2014</b>
	<i>Note</i>	<b>(Unaudited) HK\$'000</b>	<b>(Unaudited) HK\$'000</b>
Turnover	2	<b>3,392,452</b>	3,227,586
Cost of sales	4	<b>(1,366,399)</b>	(1,229,308)
Gross profit		<b>2,026,053</b>	1,998,278
Other (losses)/gains, net	3	<b>(63,540)</b>	12,716
Operating expenses	4	<b>(1,917,871)</b>	(1,877,563)
Operating profit		<b>44,642</b>	133,431
Finance income	5	<b>32,221</b>	29,458
Finance costs	5	<b>(40,938)</b>	(44,260)
Share of loss of joint ventures		<b>(13,862)</b>	(20,021)
Profit before income tax		<b>22,063</b>	98,608
Income tax expense	6	<b>(53,076)</b>	(49,189)
(Loss)/profit for the period		<b>(31,013)</b>	49,419
<b>Other comprehensive (loss)/income:</b>			
Items that may be reclassified to profit or loss			
Currency translation differences		<b>(44,795)</b>	(10,549)
Cash flow hedge recognised as finance costs		<b>31,568</b>	3,371
Fair value changes on cash flow hedge, net of tax		<b>15,766</b>	(30,886)
Total other comprehensive income/(loss) for the period		<b>2,539</b>	(38,064)
Total comprehensive (loss)/income for the period		<b>(28,474)</b>	11,355
(Loss)/profit attributable to:			
– Equity holders of the Company		<b>(31,252)</b>	49,245
– Non-controlling interests		<b>239</b>	174
		<b>(31,013)</b>	49,419
Total comprehensive (loss)/income attributable to:			
– Equity holders of the Company		<b>(28,709)</b>	11,202
– Non-controlling interests		<b>235</b>	153
		<b>(28,474)</b>	11,355
(Loss)/earnings per share attributable to equity holders of the Company for the period (expressed in HK cent per share)			
– basic	7	<b>(2.6)</b>	4.0
– diluted	7	<b>(2.5)</b>	3.9

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 August 2015 (Unaudited) HK\$'000	As at 28 February 2015 (Audited) HK\$'000
<b>ASSETS</b>			
Non-current assets			
Property, furniture and equipment		796,054	836,410
Intangible assets		353,766	322,404
Investments in and loans to joint ventures		147,426	166,828
Rental deposits		320,331	316,835
Prepayments for non-current assets		8,862	41,765
Deferred income tax assets		158,808	132,427
		<b>1,785,247</b>	<b>1,816,669</b>
Current assets			
Inventories		1,237,708	1,260,598
Trade, bills and other receivables	9	180,659	243,926
Amounts due from joint ventures		46,358	50,086
Prepayments and other deposits		328,702	285,613
Current income tax recoverable		3,656	21,714
Cash and cash equivalents		1,957,683	2,294,103
		<b>3,754,766</b>	<b>4,156,040</b>
<b>LIABILITIES</b>			
Current liabilities			
Borrowings	11	(193,176)	(267,431)
Trade and bill payables	10	(393,523)	(385,280)
Accruals and other payables		(606,335)	(707,859)
Derivative financial instruments		(17,162)	(30)
Amounts due to joint ventures		(40,945)	(33,693)
Current income tax liabilities		(85,409)	(100,949)
		<b>(1,336,550)</b>	<b>(1,495,242)</b>
Net current assets		<b>2,418,216</b>	<b>2,660,798</b>
Total assets less current liabilities		<b>4,203,463</b>	<b>4,477,467</b>
Non-current liabilities			
Borrowings	11	(1,356,945)	(1,468,808)
Accruals		(9,835)	(12,017)
Derivative financial instruments		(105,623)	(122,378)
Deferred income tax liabilities		(49,479)	(34,145)
		<b>(1,521,882)</b>	<b>(1,637,348)</b>
Net assets		<b>2,681,581</b>	<b>2,840,119</b>
<b>EQUITY</b>			
Capital and reserves			
Share capital		122,464	122,760
Reserves		2,557,944	2,716,421
Non-controlling interests		1,173	938
Total equity		<b>2,681,581</b>	<b>2,840,119</b>

## NOTES

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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”).

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)	Employee benefits: defined benefit plans – employee contributions
Annual Improvements Project	Annual improvements 2010-2012 cycle
Annual Improvements Project	Annual improvements 2011-2013 cycle

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

## 2. TURNOVER AND SEGMENT INFORMATION

	Six months ended 31 August	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	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.

The segment information provided to the CODM for the reportable segments is as follows:

	(Unaudited)											
	Hong Kong		Mainland China		Japan		Macau		Other		Total	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	31 August		31 August		31 August		31 August		31 August		31 August	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Turnover	1,585,955	1,656,342	1,426,259	1,219,707	237,697	219,492	100,983	95,134	41,558	36,911	3,392,452	3,227,586
EBITDA	(31,689)	72,691	149,208	96,771	99,004	71,060	35,867	34,831	1,568	(2,734)	253,958	272,619
Depreciation, amortisation and impairment	(59,686)	(69,454)	(70,992)	(66,797)	(4,280)	(9,818)	(4,116)	(3,710)	(3,426)	(4,676)	(142,500)	(154,455)
Segment (loss)/profit	(91,375)	3,237	78,216	29,974	94,724	61,242	31,751	31,121	(1,858)	(7,410)	111,458	118,164
Net gains on buy-back of Senior Notes											-	15,267
Loss arising from conversion of Renminbi fixed deposit into Hong Kong dollar											(66,816)	-
Operating profit											44,642	133,431
Finance income											32,221	29,458
Finance cost											(40,938)	(44,260)
Share of loss of joint ventures											(13,862)	(20,021)
Profit before income tax											22,063	98,608
Total segment assets As at 31 August 2015		2,715,130		2,040,418		299,234		80,945		48,038		5,183,765
As at 28 February 2015		3,010,315		2,124,597		296,970		111,357		58,415		5,601,654

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

	As at 31 August 2015 (Unaudited) HK\$'000	As at 28 February 2015 (Audited) HK\$'000
Segment assets for reportable segments	5,135,727	5,543,239
Other segments assets	48,038	58,415
	<b>5,183,765</b>	5,601,654
Unallocated:		
Deferred income tax assets and current income tax recoverable	162,464	154,141
Investments in and amounts due from joint ventures	193,784	216,914
	<b>5,540,013</b>	5,972,709

### 3. OTHER (LOSSES)/GAINS, NET

	<b>Six months ended 31 August</b>	
	<b>2015</b>	2014
	<b>(Unaudited)</b> <b>HK\$'000</b>	(Unaudited) HK\$'000
Fair value gains/(losses) from derivative financial instruments		
– forward foreign exchange contracts	–	57
– currency swap contract	<b>30</b>	(1,165)
– interest rate swap contract	<b>548</b>	431
Net gains on buy-back of Senior Notes ( <i>Note 11</i> )	–	15,267
Net exchange gains/(losses)	<b>2,698</b>	(1,874)
Loss arising from conversion of Renminbi fixed deposit into Hong Kong dollar ( <i>a</i> )		
– fair value losses from forward exchange contracts	<b>(18,131)</b>	–
– exchange losses	<b>(48,685)</b>	–
	<u><b>(63,540)</b></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.

#### 4. EXPENSES BY NATURE

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

	Six months ended 31 August	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income from		
– bank deposits	31,399	28,787
– amounts due from joint ventures	427	417
– others (i)	395	254
	<hr/>	<hr/>
Finance income	32,221	29,458
	<hr/>	<hr/>
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)
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Finance costs	(40,938)	(44,260)
	<hr/>	<hr/>
Net finance costs	(8,717)	(14,802)
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*Note:*

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

## 6. 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%).

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

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

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.

## 7. (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.

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

### *Diluted*

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

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

## 8. 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).

## 9. 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)
	<hr/>	<hr/>
Trade and bills receivables – net	175,293	236,050
Interest receivables	2,924	5,339
Other receivables	2,442	2,537
	<hr/>	<hr/>
Trade, bills and other receivables	<b>180,659</b>	243,926
	<hr/> <hr/>	<hr/> <hr/>

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

The ageing analysis of the trade 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
	<hr/>	<hr/>
	<b>178,663</b>	239,440
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The carrying amounts of trade and other receivables approximate their fair values.

## 10. TRADE AND BILLS 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>

## 11. 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>

Movements in borrowings are analysed as follows:

	(Unaudited) HK\$'000
<b>Six months ended 31 August 2015</b>	
As at 1 March 2015	1,736,239
Proceeds from borrowings	360,048
Repayments of borrowings	(512,529)
Exchange differences	(33,637)
	<hr/>
<b>As at 31 August 2015</b>	<b>1,550,121</b>
	<hr/> <hr/>
<b>Six months ended 31 August 2014</b>	
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 ( <i>Note 3</i> )	(15,267)
Exchange differences	85
	<hr/>
<b>As at 31 August 2014</b>	<b>1,903,420</b>
	<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).

*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 of Hong Kong Limited (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.

## **INTERIM DIVIDEND**

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

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



### *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		Change	% of Retail Sales	
	Six months ended			Six months ended	
	31 August			31 August	
	2015	2014		2015	2014
	HK\$ million	HK\$ million			
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.

## **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 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**

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.

## **REVIEW OF FINANCIAL INFORMATION**

The interim financial report for the six months ended 31 August 2015 has been reviewed by PricewaterhouseCoopers, the Company’s independent auditor, whose review report will be included in the interim report to be sent to shareholders.

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 the interim report for the six months ended 31 August 2015.

## 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 Senior 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 <sup>*1</sup>	2.16	2.14	2,726,520
9 March 2015	260,000 <sup>*1</sup>	2.27	2.25	588,240
10 March 2015	220,000 <sup>*1</sup>	2.30	2.26	504,360
11 March 2015	552,000 <sup>*1</sup>	2.33	2.30	1,280,560
24 March 2015	90,000 <sup>*2</sup>	2.58	2.55	231,060
25 March 2015	20,000 <sup>*2</sup>	2.59	2.59	51,800
17 July 2015	80,000 <sup>*3</sup>	2.62	2.57	207,400
27 July 2015	30,000 <sup>*3</sup>	2.65	2.60	79,360
30 July 2015	440,000 <sup>*3</sup>	2.60	2.52	1,122,360
28 August 2015	2,432,000 <sup>*4</sup>	2.01	1.92	4,843,120
31 August 2015	96,000 <sup>*4</sup>	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* <sup>4</sup>	2.04	1.99	821,980
4 September 2015	186,000* <sup>4</sup>	2.06	2.03	381,180
7 September 2015	762,000* <sup>4</sup>	2.10	2.05	1,584,300
9 September 2015	116,000* <sup>4</sup>	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.

By Order of the Board  
**Sham Kar Wai**  
*Chairman*

Hong Kong, 28 October 2015

*As at the date of this announcement, the Board comprises Mr. SHAM Kar Wai and Mr. SHAM Kin Wai as Executive Directors and Mr. Francis GOUTENMACHER, Dr. WONG Tin Yau, Kelvin, JP and Mr. MAK Wing Sum, Alvin as Independent Non-executive Directors.*