

**l.t**

**INTERIM REPORT**

**14/15**

**STOCK CODE: 999**





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**R**

**U**

**T**

**I**

**S**

**a fashion icon**

**TREND SETTING**

**inspiration**

**a lifestyle**

**MOVING FORWARD**

**CORPORATE PROFILE**

### **Executive Directors**

Mr. SHAM Kar Wai  
Mr. SHAM Kin Wai

# DIRECTORS

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

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

### **Company Secretary**

Miss HO Suk Han Sophia

### **Registered Office**

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

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

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

### **Auditor**

PricewaterhouseCoopers,  
Certified Public Accountants

### **Principal Bankers**

Hang Seng Bank  
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  
Wanchai  
Hong Kong  
Tel: 2862-8555

### **IR Contact**

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

### **Corporate Website**

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

### **Stock Code**

Shares: 00999  
Senior Notes due 2018: 85923 (I.T N1805-R)



# HIGHLIGHTS

- Total turnover of the Group increased by 9.8% to HK\$3,227.6 million.
- Total retail sales in Hong Kong increased by 3.8% to HK\$1,630.9 million whereas comparable store sales growth rate was 3.5%. Total floor area of retail stores in Hong Kong decreased by 1.4% to 617,355 square feet compared to 626,258 square feet as at 28 February 2014.
- Total retail sales in Mainland China increased by 20.2% to HK\$1,122.4 million whereas comparable store sales growth rate was 4.3% (FY13/14: -1.9%). Total floor area of retail stores in Mainland China increased by 1.7% to 886,344 square feet compared to 871,518 square feet as at 28 February 2014.
- Japan landed at total retail sales of HK\$208.0 million or JPY 2,741.5 million, representing an 11.2% increase in Hong Kong Dollar or a 16.1% increase in base currency from last year.
- Total retail sales in Macau increased by 5.1% to HK\$95.1 million.
- Gross profit of the Group increased by 14.9% to HK\$1,998.3 million at gross profit margin of 61.9% (FY13/14: 59.2%).
- Net profit of the Group increased by 75.6% to HK\$49.4 million. Excluding a non-recurring gain of HK\$15.3 million from the repurchases of the Group's Senior Notes in March and June 2014 and the related tax provision, net profit of the Group increased by 30.3% to HK\$36.6 million.
- Basic earnings per share increased by 73.9% to 4.0 HK cents. Diluted earnings per share increased by 77.3% to 3.9 HK cents.
- Interim cash dividend of 1.0 HK cent (FY13/14: Nil) per share is declared, representing a total payout of HK\$12.3 million.

Per share data	31 August 2014	31 August 2013	Change
EPS-basic (HK\$)	0.040	0.023	73.9%
EPS-diluted (HK\$)	0.039	0.022	77.3%
Book value (HK\$) <sup>(1)</sup>	2.20	2.05	7.3%

Key statistics	31 August 2014	31 August 2013	Change
Inventory turnover (Days) <sup>(2)</sup>	176.8	181.0	-2.3%
Cash and cash equivalent (HK\$ million)	2,229.9	2,100.6	6.2%
Net cash/(debt) (HK\$ million) <sup>(3)</sup>	326.5	(1.5)	21,866.7%
Debt to equity ratio (%) <sup>(4)</sup>	70.6	83.6	-15.6%
Return on equity ratio (%) <sup>(5)</sup>	1.8	1.1	63.6%

Notes:

- <sup>(1)</sup> Net asset value per share as at the end of the period.
- <sup>(2)</sup> Average of the inventory at the beginning and at the end of the period divided by cost of sales times number of days during the period.
- <sup>(3)</sup> Cash and cash equivalents less borrowings.
- <sup>(4)</sup> Borrowings divided by total equity at the end of the period.
- <sup>(5)</sup> Profit attributable to equity holders of the Company for the period divided by average of the total equity at the beginning and at the end of the period.

## Store Coverage

	A. No. of stores			
	Self-managed		Franchised	
	31 August 2014	28 February 2014	31 August 2014	28 February 2014
<b>Greater China:</b>				
Hong Kong				
I.T	261	275	–	–
FCUK IT <sup>(1)</sup>	5	5	–	–
ZIT H.K. <sup>(1)</sup>	3	3	–	–
Mainland China				
I.T	246	253	126	113
FCIT China <sup>(1)</sup>	18	20	–	–
Camper I.T China <sup>(1)</sup>	10	10	–	–
Taiwan	25	26	–	2
Macau				
I.T	10	10	–	–
FCIT Macau <sup>(1)</sup>	1	1	–	–
<b>Overseas:</b>				
Japan	22	24	–	–
USA	1	1	–	–
Thailand	–	–	8	15
Europe <sup>(2)</sup>	–	–	7	4
The Philippines	–	–	–	1
Singapore	–	–	4	3
South Korea	–	–	4	4
Canada	–	–	1	1

	B. Sales footage <sup>(3)</sup>			
	Self-managed		Franchised	
	31 August 2014	28 February 2014	31 August 2014	28 February 2014
<b>Greater China:</b>				
Hong Kong				
I.T	617,355	626,258	–	–
FCUK IT <sup>(1)</sup>	6,196	6,196	–	–
ZIT H.K. <sup>(1)</sup>	3,597	3,597	–	–
Mainland China				
I.T	886,343	871,518	154,137	137,653
FCIT China <sup>(1)</sup>	26,893	29,450	–	–
Camper I.T China <sup>(1)</sup>	6,506	6,939	–	–
Taiwan	42,696	46,066	–	7,372
Macau				
I.T	31,985	31,985	–	–
FCIT Macau <sup>(1)</sup>	3,330	3,330	–	–
<b>Overseas:</b>				
Japan	50,846	52,685	–	–
USA	3,313	3,313	–	–
Thailand	–	–	9,463	15,504
Europe <sup>(2)</sup>	–	–	2,335	2,650
The Philippines	–	–	–	573
Singapore	–	–	25,869	17,016
South Korea	–	–	2,778	2,778
Canada	–	–	3,165	3,615

Notes:

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

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

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

# INDEPENDENT REVIEW REPORT



羅兵咸永道

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

## INTRODUCTION

We have reviewed the interim financial information set out on pages 13 to 34, 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 2014 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

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

A large, stylized handwritten signature in black ink, which appears to read "PricewaterhouseCoopers".

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 27 October 2014

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

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 August 2014

		<b>Six months ended 31 August</b>	
		<b>2014</b>	2013
		<b>(Unaudited)</b>	(Unaudited)
	Note	<b>HK\$'000</b>	HK\$'000
Turnover	5	<b>3,227,586</b>	2,939,608
Cost of sales	7	<b>(1,229,308)</b>	(1,199,906)
Gross profit		<b>1,998,278</b>	1,739,702
Other gains, net	6	<b>14,590</b>	5,859
Operating expenses	7	<b>(1,879,437)</b>	(1,684,793)
Operating profit		<b>133,431</b>	60,768
Finance income	8	<b>29,458</b>	16,602
Finance costs	8	<b>(44,260)</b>	(31,245)
Share of loss of joint ventures		<b>(20,021)</b>	(10,653)
Profit before income tax		<b>98,608</b>	35,472
Income tax expense	9	<b>(49,189)</b>	(7,324)
Profit for the period		<b>49,419</b>	28,148
<b>Other comprehensive income:</b>			
Items that may be reclassified to profit or loss			
Currency translation differences		<b>(10,549)</b>	(4,036)
Cash flow hedges recognised as finance costs		<b>3,371</b>	703
Fair value changes on cash flow hedge, net of tax		<b>(30,886)</b>	(29,424)
Total other comprehensive loss for the period		<b>(38,064)</b>	(32,757)
Total comprehensive income/(loss) for the period		<b>11,355</b>	(4,609)
Profit attributable to:			
– Equity holders of the Company		<b>49,245</b>	28,062
– Non-controlling interests		<b>174</b>	86
		<b>49,419</b>	28,148
Total comprehensive income/(loss) attributable to:			
– Equity holders of the Company		<b>11,202</b>	(4,695)
– Non-controlling interests		<b>153</b>	86
		<b>11,355</b>	(4,609)
Earnings per share attributable to equity holders of the Company for the period (expressed in HK cent)			
– basic	11	<b>4.0</b>	2.3
– diluted	11	<b>3.9</b>	2.2
Dividends	10	<b>12,276</b>	–

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

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 August 2014

	Note	As at 31 August 2014 (Unaudited) HK\$'000	As at 28 February 2014 (Audited) HK\$'000
<b>ASSETS</b>			
Non-current assets			
Property, furniture and equipment	12	854,441	913,145
Intangible assets	12	337,632	343,043
Investments in and amounts due from joint ventures	13	180,145	220,396
Rental deposits	15	315,378	307,028
Prepayments for non-current assets	15	21,171	14,862
Derivative financial instruments	16	–	2,622
Deferred income tax assets	20	142,681	135,722
		<b>1,851,448</b>	1,936,818
Current assets			
Inventories		1,246,219	1,116,693
Trade, bills and other receivables	14	219,547	181,242
Amounts due from joint ventures	13	55,607	36,449
Prepayments and other deposits	15	319,271	250,611
Derivative financial instruments	16	1,508	–
Cash and cash equivalents		2,229,900	2,315,498
		<b>4,072,052</b>	3,900,493
<b>LIABILITIES</b>			
Current liabilities			
Borrowings	19	(634,679)	(496,385)
Trade and bill payables	17	(496,444)	(357,924)
Accruals and other payables	18	(625,572)	(573,909)
Amounts due to joint ventures	13	(28,948)	(24,022)
Current income tax liabilities		(73,008)	(32,373)
		<b>(1,858,651)</b>	(1,484,613)
Net current assets		<b>2,213,401</b>	2,415,880
Total assets less current liabilities		<b>4,064,849</b>	4,352,698
Non-current liabilities			
Borrowings	19	(1,268,741)	(1,494,642)
Accruals	18	(7,698)	(9,893)
Derivative financial instruments	16	(37,145)	(6,691)
Deferred income tax liabilities	20	(54,277)	(45,155)
		<b>(1,367,861)</b>	(1,556,381)
Net assets		<b>2,696,988</b>	2,796,317
<b>EQUITY</b>			
Capital and reserves			
Share capital	21	122,760	122,876
Reserves	22	2,573,390	2,672,756
Non-controlling interests		838	685
Total equity		<b>2,696,988</b>	2,796,317



**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 2014

	Share capital (Unaudited) HK\$'000	Reserves (Unaudited) HK\$'000	Non- controlling interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
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 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
Balance at 1 March 2013	122,818	2,430,553	–	2,553,371
Profit for the period	–	28,062	86	28,148
Other comprehensive income:				
– currency translation differences	–	(4,036)	–	(4,036)
– cash flow hedge recognised as finance costs	–	703	–	703
– fair value changes on cash flow hedge, net of tax	–	(29,424)	–	(29,424)
Total comprehensive (loss)/income for the six months ended 31 August 2013	–	(4,695)	86	(4,609)
Transaction with owners:				
Final dividends for the year ended 28 February 2013	–	(36,863)	–	(36,863)
Exercise of share options	58	1,216	–	1,274
Reversal of tax credit from exercise of share options	–	(11,464)	–	(11,464)
Share option scheme				
– value of employment services	–	13,712	130	13,842
Change in ownership interest in a subsidiary without change of control	–	(178)	178	–
Total transaction with owners	58	(33,577)	308	(33,211)
Balance at 31 August 2013	122,876	2,392,281	394	2,515,551

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 2014

	<b>Six months ended 31 August</b>	
	<b>2014</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2013 (Unaudited) HK\$'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	<b>226,518</b>	301,159
Interest paid	<b>(44,260)</b>	(31,245)
Hong Kong profits tax refunded/(paid)	<b>473</b>	(12,330)
Overseas income tax paid	<b>(3,355)</b>	(13,242)
	<hr/>	<hr/>
Net cash generated from operating activities	<b>179,376</b>	244,342
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Cash flows from investing activities</b>		
Purchase of property, furniture and equipment	<b>(97,654)</b>	(92,633)
Increase in intangible assets	<b>(2,604)</b>	(1,674)
Proceeds from disposal of property, furniture and equipment	<b>499</b>	–
Capital injection in a joint venture	<b>–</b>	(56,774)
Dividend received from a joint venture	<b>2,500</b>	–
Interest received	<b>28,787</b>	15,592
	<hr/>	<hr/>
Net cash used in investing activities	<b>(68,472)</b>	(135,489)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Cash flows from financing activities</b>		
Proceeds from exercise of share options	<b>–</b>	1,274
Proceeds from borrowings	<b>251,692</b>	1,320,276
Repayments of borrowings	<b>(204,519)</b>	(248,229)
Buy-back of Senior Notes	<b>(119,598)</b>	–
Repurchases of shares	<b>(3,082)</b>	–
Acquisition of non-controlling interest	<b>–</b>	(105)
Dividends paid	<b>(122,760)</b>	(36,863)
	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	<b>(198,267)</b>	1,036,353
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net (decrease)/increase in cash and cash equivalents	<b>(87,363)</b>	1,145,206
Currency translation differences	<b>1,765</b>	(5,738)
Cash and cash equivalents, at 1 March	<b>2,315,498</b>	961,158
	<hr/>	<hr/>
Cash and cash equivalents, at 31 August	<b>2,229,900</b>	2,100,626
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
<b>Analysis of cash and cash equivalents:</b>		
Cash and bank deposits	<b>2,229,900</b>	2,100,626
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

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 27 October 2014.

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 2014 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

This condensed consolidated interim financial information should be read in conjunction with the Group's annual financial statements for the year ended 28 February 2014, 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 2014, except for the adoption of the new and revised standards, amendments and interpretations issued by the HKICPA that are mandatory for annual accounting periods beginning 28 February 2014.

The following new standards, amendments and interpretations are mandatory for the financial year beginning 28 February 2014 and have no material impact to the Group.

HKAS 32 (Amendment)	Financial instruments: presentation – offsetting financial assets and financial liabilities
HKAS 39 (Amendment)	Novation of derivatives and continuation of hedge accounting
HKFRS 10, 12 and HKAS 27 (Amendment)	Consolidation for investment entities
HK(IFRIC) 21	Levies

The following new standards, amendments and interpretations have been issued but are not effective for the financial year beginning 28 February 2014 and have not been early adopted:

HKAS 19 (Amendment)	Employee benefits: defined benefit plans – employee contributions
HKAS 16 and 38 (Amendment)	Classification of acceptable methods of depreciation and amortisation
HKFRS 9	Financial instruments
HKFRS 11 (Amendment)	Accounting for acquisition of interest in joint operations
HKFRS 14	Regulatory deferral accounts
HKFRS 15	Revenue from contracts with customers
Annual Improvements Project	Annual improvements 2010–2012 cycle
Annual Improvements Project	Annual improvements 2011–2013 cycle



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 4 FINANCIAL RISK MANAGEMENT

### 4.1 Fair value estimation

The Group measures its fair value of the financial instruments carried at fair value as at 31 August 2014 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 2014:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>As at 31 August 2014</b>				
<b>Assets</b>				
Currency swap contract – not qualified for hedge accounting	–	1,451	–	1,451
Foreign exchange forward contract – not qualified for hedge accounting	–	57	–	57
	–	1,508	–	1,508
<b>Liabilities</b>				
Currency and interest rate swap contracts – cash flow hedges	–	(35,694)	–	(35,694)
Interest rate swap contract – not qualified for hedge accounting	–	(1,451)	–	(1,451)
	–	(37,145)	–	(37,145)
<b>As at 28 February 2014</b>				
<b>Assets</b>				
Currency swap contract – not qualified for hedge accounting	–	2,622	–	2,622
<b>Liabilities</b>				
Currency and interest rate swap contracts – cash flow hedges	–	(4,808)	–	(4,808)
Interest rate swap contract – not qualified for hedge accounting	–	(1,883)	–	(1,883)
	–	(6,691)	–	(6,691)

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 5 TURNOVER AND SEGMENT INFORMATION

	<b>Six months ended 31 August</b>	<b>2014</b>	<b>2013</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	
	<b>HK\$'000</b>	<b>HK\$'000</b>	
Turnover			
– Sales of fashion wears and accessories	<b>3,227,586</b>	<b>2,939,608</b>	

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 and net gains on buy-back of Senior Notes are not allocated to segments, as these types of activity are 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 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:

	<b>(Unaudited)</b>											
	<b>Hong Kong</b>		<b>Mainland China</b>		<b>Japan</b>		<b>Macau</b>		<b>Other</b>		<b>Total</b>	
	<b>Six months ended</b>		<b>Six months ended</b>		<b>Six months ended</b>		<b>Six months ended</b>		<b>Six months ended</b>		<b>Six months ended</b>	
	<b>31 August</b>		<b>31 August</b>		<b>31 August</b>		<b>31 August</b>		<b>31 August</b>		<b>31 August</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	<b>1,656,342</b>	1,594,250	<b>1,219,707</b>	1,018,923	<b>219,492</b>	204,215	<b>95,134</b>	90,530	<b>36,911</b>	31,690	<b>3,227,586</b>	2,939,608
EBITDA	<b>72,691</b>	93,791	<b>96,771</b>	34,033	<b>71,060</b>	46,218	<b>34,831</b>	32,184	<b>(2,734)</b>	(5,984)	<b>272,619</b>	200,242
Depreciation, amortisation and impairment	<b>(69,454)</b>	(71,038)	<b>(66,797)</b>	(48,075)	<b>(9,818)</b>	(12,543)	<b>(3,710)</b>	(3,663)	<b>(4,676)</b>	(4,155)	<b>(154,455)</b>	(139,474)
Segment profit/(loss)	<b>3,237</b>	22,753	<b>29,974</b>	(14,042)	<b>61,242</b>	33,675	<b>31,121</b>	28,521	<b>(7,410)</b>	(10,139)	<b>118,164</b>	60,768
Net gains on buy-back of Senior Notes											<b>15,267</b>	–
Operating profit											<b>133,431</b>	60,768
Finance income											<b>29,458</b>	16,602
Finance cost											<b>(44,260)</b>	(31,245)
Share of loss of joint ventures											<b>(20,021)</b>	(10,653)
Profit before income tax											<b>98,608</b>	35,472
	<b>Hong Kong</b>	<b>Mainland China</b>	<b>Japan</b>	<b>Macau</b>	<b>Other</b>	<b>Total</b>						
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>						
Total segment assets												
As at 31 August 2014	<b>3,148,528</b>	<b>1,924,258</b>	<b>344,022</b>	<b>89,478</b>	<b>38,781</b>	<b>5,545,067</b>						
As at 28 February 2014	3,032,831	1,909,826	340,787	109,452	51,848	5,444,744						

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 5 TURNOVER AND SEGMENT INFORMATION (Continued)

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

	<b>As at 31 August 2014 (Unaudited) HK\$'000</b>	As at 28 February 2014 (Audited) HK\$'000
Segment assets for reportable segments	<b>5,506,286</b>	5,392,896
Other segments assets	<b>38,781</b>	51,848
	<b>5,545,067</b>	5,444,744
Unallocated:		
Deferred income tax assets	<b>142,681</b>	135,722
Investments in and amounts due from joint ventures	<b>235,752</b>	256,845
	<b>5,923,500</b>	5,837,311

## 6 OTHER GAINS, NET

	<b>Six months ended 31 August 2014 (Unaudited) HK\$'000</b>	2013 (Unaudited) HK\$'000
Fair value gains/(losses) from derivative financial instruments		
– forward foreign exchange contracts	<b>57</b>	815
– currency swap contract	<b>(1,165)</b>	3,009
– interest rate swap contract	<b>431</b>	2,035
Net gains on buy-back of Senior Notes (Note 19)	<b>15,267</b>	–
	<b>14,590</b>	5,859

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 7 EXPENSES BY NATURE

	<b>Six months ended 31 August</b>	
	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Cost of inventories sold	<b>1,207,336</b>	1,196,444
Write-down/(reversal of write-down) of inventories to net realisable value	<b>14,772</b>	(11,015)
Employment costs (including directors' emoluments)	<b>580,974</b>	506,209
Operating lease rentals of premises		
– minimum lease payments	<b>668,329</b>	615,686
– contingent rents	<b>70,181</b>	64,277
Advertising and promotion costs	<b>42,366</b>	34,552
Depreciation of furniture and equipment	<b>146,479</b>	133,866
Impairment of furniture and equipment	<b>3,003</b>	–
Loss on disposals of furniture and equipment	<b>4,516</b>	3,264
Licence fees (included in operating expenses)		
– amortisation of licence rights	<b>1,470</b>	1,766
– contingent licence fees	<b>6,647</b>	4,594
Amortisation of intangible assets (included in operating expenses)	<b>3,503</b>	3,842
Provision for/(reversal of) impairment of amount due from a joint venture	<b>132</b>	(651)
Net exchange gains	<b>(9,137)</b>	(14,014)
Other expenses	<b>368,174</b>	345,879
	<hr/>	<hr/>
Total	<b>3,108,745</b>	2,884,699
	<hr/> <hr/>	<hr/> <hr/>
Representing:		
Cost of sales	<b>1,229,308</b>	1,199,906
Operating expenses	<b>1,879,437</b>	1,684,793
	<hr/> <hr/>	<hr/> <hr/>
	<b>3,108,745</b>	2,884,699

## 8 FINANCE COST, NET

	<b>Six months ended 31 August</b>	
	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest income from		
– bank deposits	<b>28,787</b>	15,592
– amounts due from joint ventures	<b>417</b>	407
– others (Note i)	<b>254</b>	603
	<hr/>	<hr/>
Finance income	<b>29,458</b>	16,602
	<hr/>	<hr/>
Interest expense on borrowings		
– wholly repayable within five years	<b>(44,313)</b>	(34,968)
– not wholly repayable within five years	<b>(599)</b>	(618)
Net foreign exchange transaction gain	<b>4,023</b>	5,044
Transfer from hedging reserve		
– interest rate and currency swaps: cash flow hedge	<b>(3,371)</b>	(703)
	<hr/>	<hr/>
Finance cost	<b>(44,260)</b>	(31,245)
	<hr/> <hr/>	<hr/> <hr/>
Net finance cost	<b>(14,802)</b>	(14,643)

Note:

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 9 INCOME TAX EXPENSE

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

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 31 August 2013: 16.5%) and overseas profits tax has been provided at the rates of taxation prevailing in the countries in which the Group operates.

During the period, subsidiaries established in Mainland China are subject to China corporate income tax at the rate of 25% (six months ended 31 August 2013: 25%).

Japan Corporate Income Tax has been provided at the applicable rate of 38% on the estimated assessable profits of the Group's operations in Japan. According to the "Amendment to the 2011 Tax Reform Bill ("2011 Reform Amendment Law") and "Special Measures to Secure the Financial Resources to Implement the Restoration from the Tohoku Earthquake" ("Special Restoration Tax Law"), the Corporate income tax rates are gradually reduced from 42% to 35.64%, effective for tax years beginning on or after 1 April 2012 (for corporations with capital exceeding JPY 100 million in the Tokyo Metropolitan Area). The effective applicable tax rate is gradually decreased to 40.69% for 2012, 38.01% for 2013 to 2015, 35.64% for tax years beginning on or after 1 April 2015, according to Restoration surtax stipulated in the Special Restoration Tax Law and related circular.

Macau Complementary (Corporate) Tax has been provided at the applicable rates ranging from 9% to 12% (six months ended 31 August 2013: 9% to 12%) on the estimated assessable profit in excess of HK\$196,000 (approximately MOP200,000) and below HK\$295,000 (approximately MOP300,000) and a fixed rate of 12% on assessable profit in excess of HK\$295,000 (approximately MOP300,000).

Taiwan profits tax has been provided at the rate of 17% (six months ended 31 August 2013: 17%) on the estimated assessable profits of the Group's operations in Taiwan.

The amounts of taxation charged/(credited) to the condensed consolidated interim statement of comprehensive income represent:

	<b>Six months ended 31 August</b>	
	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current income tax		
– Hong Kong profits tax	<b>13,981</b>	16,931
– Mainland China enterprise income tax	<b>10,130</b>	9,301
– Overseas income tax	<b>19,407</b>	3,287
Deferred income tax	<b>5,671</b>	(22,195)
	<b>49,189</b>	7,324

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 2014 is 29.9% (six months ended 31 August 2013: 26.7%). The increase is mainly caused by a change of the distribution of profits of the Group's entities operating in different locations.

## 10 DIVIDENDS

A final dividend relating to the year ended 28 February 2014 amounting to HK\$122,760,000 was fully paid in July 2014.

The Board declared an interim dividend of 1.0 HK cent per share for the six months ended 31 August 2014 on 27 October 2014 (six months ended 31 August 2013: Nil). This declared interim dividend is not reflected as a dividend payable as of 31 August 2014, but will be recorded as a distribution of retained earnings for the year ending 28 February 2015. The declared interim dividend of HK\$12,276,000 for the six months ended 31 August 2014 is calculated based on 1,227,603,307 shares of the Company in issue.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 11 EARNINGS PER SHARE

### Basic

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

	<b>Six months ended 31 August</b>	
	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	<b>49,245</b>	28,062
Weighted average number of ordinary shares in issue ('000)	<b>1,228,240</b>	1,228,564
Basic earnings per share (HK cent)	<b>4.0</b>	2.3

### Diluted

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

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

	<b>Six months ended 31 August</b>	
	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	<b>49,245</b>	28,062
Weighted average number of ordinary shares in issue ('000)	<b>1,228,240</b>	1,228,564
Adjustments for share options ('000)	<b>26,224</b>	31,447
Weighted average number of ordinary shares for diluted earnings per share ('000)	<b>1,254,464</b>	1,260,011
Diluted earnings per share (HK cent)	<b>3.9</b>	2.2

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 12 PROPERTY, FURNITURE AND EQUIPMENT AND INTANGIBLE ASSETS

	<b>Property, furniture and equipment (Unaudited) HK\$'000</b>	<b>Intangible assets (Unaudited) HK\$'000</b>
<b>Six months ended 31 August 2014</b>		
Opening net book amount as at 1 March 2014	<b>913,145</b>	<b>343,043</b>
Additions	<b>97,654</b>	<b>2,604</b>
Disposals	<b>(5,015)</b>	–
Depreciation and amortisation	<b>(146,479)</b>	<b>(4,973)</b>
Impairment	<b>(3,003)</b>	–
Exchange differences	<b>(1,861)</b>	<b>(3,042)</b>
	<b>854,441</b>	<b>337,632</b>
<b>Six months ended 31 August 2013</b>		
Opening net book amount as at 1 March 2013	934,128	359,338
Additions	92,633	1,674
Disposals	(3,207)	–
Depreciation and amortisation	(133,866)	(5,608)
Exchange differences	(3,073)	(2,800)
	886,615	352,604

## 13 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES

	<b>As at 31 August 2014 (Unaudited) HK\$'000</b>	As at 28 February 2014 (Audited) HK\$'000
Share of net assets	<b>161,832</b>	184,237
Amounts due from joint ventures	<b>74,052</b>	72,608
Less: provision for impairment of amount due from a joint venture	<b>(132)</b>	–
	<b>73,920</b>	72,608
Less: current portion of amounts due from joint ventures	<b>235,752</b>	256,845
	<b>(55,607)</b>	(36,449)
	<b>180,145</b>	220,396
Amounts due to joint ventures	<b>(28,948)</b>	(24,022)

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 13 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES (Continued)

### (a) Balances with joint ventures

	<b>As at 31 August 2014 (Unaudited) HK\$'000</b>	As at 28 February 2014 (Audited) HK\$'000
<b>Due from joint ventures</b>		
ZIT H.K. Limited (Notes i)	<b>11,255</b>	11,152
FCIT China Limited (Note ii)	<b>30,255</b>	29,123
Glory Premium Limited (Note iii)	<b>1,765</b>	1,691
Galleries Lafayette (China) Limited (Note iii)	<b>1,362</b>	1,148
Galleries Lafayette (Beijing) Limited (Note iii)	<b>13,309</b>	11,973
Camper (Shanghai) Limited (Note iii)	<b>15,974</b>	17,521
	<b>73,920</b>	72,608
<b>Due to joint ventures</b>		
Kenchart Apparel (Shanghai) Limited (Note iii)	<b>(27,182)</b>	(22,567)
FCUK IT Company (Note iii)	<b>(1,535)</b>	(1,289)
ZIT H.K. Limited (Note iii)	<b>(231)</b>	(166)
	<b>(28,948)</b>	(24,022)

Notes:

- (i) The amount due from ZIT H.K. Limited of approximately HK\$11,255,000 (28 February 2014: HK\$11,152,000) is unsecured, interest bearing at 5% per annum (28 February 2014: 5% per annum) and fully repayable at the termination of the joint venture.
- (ii) The amount due from FCIT China Limited of approximately HK\$7,058,000 (28 February 2014: HK\$6,853,000) 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 2014: 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)

## 13 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	MOP\$1,030,000	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) Food 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 footwears

## 14 TRADE, BILLS AND OTHER RECEIVABLES

	<b>As at 31 August 2014 (Unaudited) HK\$'000</b>	As at 28 February 2014 (Audited) HK\$'000
Trade receivables	<b>120,175</b>	134,671
Credit card receivables	<b>88,510</b>	31,727
Bills receivables	<b>3,312</b>	4,671
Less: provision for impairment of trade receivables	<b>(1,614)</b>	(1,060)
Trade and bills receivables – net	<b>210,383</b>	170,009
Interest receivables	<b>8,894</b>	9,482
Other receivables	<b>270</b>	1,751
Trade, bills and other receivables	<b>219,547</b>	181,242

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)

## 14 TRADE, BILLS AND OTHER RECEIVABLES (Continued)

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

	<b>As at 31 August 2014 (Unaudited) HK\$'000</b>	As at 28 February 2014 (Audited) HK\$'000
0 to 30 days	<b>206,367</b>	163,083
31 to 60 days	<b>3,409</b>	2,949
61 to 90 days	<b>11</b>	1,275
Over 90 days	<b>2,210</b>	3,762
	<b>211,997</b>	171,069

## 15 PREPAYMENTS AND OTHER DEPOSITS

	<b>As at 31 August 2014 (Unaudited) HK\$'000</b>	As at 28 February 2014 (Audited) HK\$'000
Rental deposits	<b>445,402</b>	405,231
Prepayments	<b>193,414</b>	148,080
Utilities and other deposits	<b>17,004</b>	19,190
	<b>655,820</b>	572,501
Less: non-current portion:		
Rental deposits	<b>(315,378)</b>	(307,028)
Prepayments for non-current assets	<b>(21,171)</b>	(14,862)
	<b>319,271</b>	250,611

## 16 DERIVATIVE FINANCIAL INSTRUMENTS

	<b>As at 31 August 2014</b>		As at 28 February 2014	
	<b>Assets (Unaudited) HK\$'000</b>	<b>Liabilities (Unaudited) HK\$'000</b>	Assets (Audited) HK\$'000	Liabilities (Audited) HK\$'000
Current portion:				
Foreign exchange forward contracts, at market value (a)	<b>57</b>	-	-	-
Foreign currency swap contract, at market value (b)	<b>1,451</b>	-	-	-
	<b>1,508</b>	-	-	-
Non-current portion:				
Foreign currency swap contract, at market value (b)	-	-	2,622	-
Foreign currency and interest rate swap contract – cash flow hedges, at market value (c)	-	<b>(35,694)</b>	-	(4,808)
Interest rate swap contract, at market value (d)	-	<b>(1,451)</b>	-	(1,883)
	-	<b>(37,145)</b>	2,622	(6,691)

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 16 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Notes:

- (a) As at 31 August 2014, the notional principal amounts of the outstanding forward foreign exchange contracts to buy Euro for economic hedging against foreign exchange risk exposures relating to certain outstanding payables denominated in Euro, was HK\$10,265,000 (as at 28 February 2014: Nil). The maturities of these contracts are within three months.
- (b) As at 31 August 2014, the notional principal amount of the outstanding foreign currency swap contract to buy Chinese Renminbi for economic hedge against foreign exchange risk exposures relating to liabilities denominated in Chinese Renminbi was HK\$132,300,000 (as at 28 February 2014: HK\$132,615,000). The contract will be matured in March 2015.
- (c) The notional principal amounts of the outstanding foreign currency and currency swap contracts as at 31 August 2014 were RMB894,000,000 (as at 28 February 2014: RMB1,000,000,000). As at 31 August 2014, the fixed interest rate for the Senior Notes was 6.25% (as at 28 February 2014: 6.25%) per annum. The contract reference exchange rate for the Senior Notes is 1.2645 HK\$ per one RMB (as at 28 February 2014: 1.2645) whereas the swap interest rate is 5.75% (as at 28 February 2014: 5.75%). Gains and losses recognised in the hedging reserve in equity (Note 22) on interest rate and currency swap as of 31 August 2014 will be continuously released to the statement of comprehensive income until the repayment of the Senior Notes (Note 19).
- (d) As at 31 August 2014, the notional principal amounts of the outstanding interest rate swap contracts for economic hedge against interest rate risk exposures relating to liabilities with floating interest rate was HK\$275,000,000 (as at 28 February 2014: HK\$275,000,000). The contracts will be matured in March 2016.

## 17 TRADE AND BILL PAYABLES

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

	<b>As at 31 August 2014 (Unaudited) HK\$'000</b>	As at 28 February 2014 (Audited) HK\$'000
0 to 30 days	<b>337,776</b>	204,086
31 to 60 days	<b>92,370</b>	89,352
61 to 90 days	<b>31,783</b>	31,945
91 to 180 days	<b>18,723</b>	22,470
181 to 365 days	<b>7,722</b>	3,834
Over 365 days	<b>8,070</b>	6,237
	<b>496,444</b>	357,924

## 18 ACCRUALS AND OTHER PAYABLES

	<b>As at 31 August 2014 (Unaudited) HK\$'000</b>	As at 28 February 2014 (Audited) HK\$'000
Unutilised coupon	<b>2,720</b>	5,595
Accruals		
– Rented premises	<b>261,443</b>	244,282
– Employment costs	<b>87,203</b>	56,597
– Others	<b>94,732</b>	97,216
Other payables	<b>187,172</b>	180,112
	<b>633,270</b>	583,802
Less: Non-current portion		
Accruals – Rented premises	<b>(7,698)</b>	(9,893)
	<b>625,572</b>	573,909

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 19 BORROWINGS

	<b>As at 31 August 2014 (Unaudited) HK\$'000</b>	As at 28 February 2014 (Audited) HK\$'000
Current borrowings		
– Portion of bank borrowings due for repayment within one year	<b>525,029</b>	381,435
– Portion of bank borrowings due for repayment after one year which contain a repayment on demand clause	<b>109,650</b>	114,950
	<b>634,679</b>	496,385
Non-current borrowings		
– Borrowing	<b>154,065</b>	245,122
– Senior Notes	<b>1,114,676</b>	1,249,520
	<b>1,268,741</b>	1,494,642
	<b>1,903,420</b>	1,991,027

Movements in borrowings are analysed as follows:

	<b>(Unaudited) HK\$'000</b>
<b>Six months ended 31 August 2014</b>	
As at 1 March 2014	<b>1,991,027</b>
Proceeds from borrowings	<b>251,692</b>
Repayments of borrowings	<b>(324,117)</b>
Net gains on buy-back of Senior Notes (Note 6)	<b>(15,267)</b>
Exchange differences	<b>85</b>
As at 31 August 2014	<b>1,903,420</b>
<b>Six months ended 31 August 2013</b>	
As at 1 March 2013	1,034,123
Proceeds from borrowings	1,320,276
Repayments of borrowings	(248,229)
Exchange differences	(4,047)
As at 31 August 2013	2,102,123

The fair values of current borrowings approximate their carrying amounts, as the impact of discounting is not significant. The effective borrowing cost was 4.5% (as at 28 February 2014: 4.9%) per annum.

Interest expense on borrowings for the six months ended 31 August 2014 is approximately HK\$44,912,000 (six months ended 31 August 2013: HK\$35,586,000).

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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 19 BORROWINGS (Continued)

During the period ended 31 August 2014, the Group 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. This RMB106,000,000 purchased Senior Notes was then duly cancelled pursuant to the terms and conditions of the Senior Notes. As at the date of this report, 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.

The Group also terminated 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.

## 20 DEFERRED INCOME TAX ASSETS AND LIABILITIES

	<b>Deferred income tax assets (Unaudited) HK\$'000</b>	<b>Deferred income tax liabilities (Unaudited) HK\$'000</b>
<b>Six months ended 31 August 2014</b>		
Opening net book amount as at 1 March 2014	135,722	(45,155)
Recognised in the consolidated statement of comprehensive income	4,140	(9,811)
Recognised directly in equity	3,161	–
Exchange differences	(342)	689
	<u>142,681</u>	<u>(54,277)</u>
Closing net book amount as at 31 August 2014		
<b>Six months ended 31 August 2013</b>		
Opening net book amount as at 1 March 2013	116,154	(32,984)
Recognised in the consolidated statement of comprehensive income	23,027	(832)
Recognised directly in equity	(11,464)	–
Exchange differences	(119)	423
	<u>127,598</u>	<u>(33,393)</u>
Closing net book amount as at 31 August 2013		

## 21 SHARE CAPITAL

The total number of authorised ordinary shares is 3,000,000,000 (28 February 2014: 3,000,000,000) shares with a par value of HK\$0.1 per share (28 February 2014: HK\$0.1 per share).

	<b>Number of ordinary shares (thousands)</b>	<b>Nominal Value HK\$'000</b>
Issued and fully paid:		
At 1 March 2014 (Audited)	1,228,763	122,876
Repurchase of share (Note)	(1,160)	(116)
	<u>1,227,603</u>	<u>122,760</u>
At 31 August 2014 (Unaudited)		
At 1 March 2013 (Audited)	1,228,184	122,818
Exercise of share options	579	58
	<u>1,228,763</u>	<u>122,876</u>
At 31 August 2013 (Unaudited)		

Note:

The Group acquired 1,160,000 of its shares through purchases on the Stock Exchange on 5 and 6 June 2014. The total amount paid to acquire the shares was HK\$3,082,000 (31 August 2013: Nil) and has been deducted from shareholders' equity.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 21 SHARE CAPITAL (Continued)

### Share options

Details of the Share Option Schemes are set out in the annual report for the year ended 28 February 2014. Movements in the number of share options outstanding and the exercise prices are as follows:

	Six months ended 31 August			
	2014		2013	
	Weighted-average exercise price per share HK\$	Options (thousands)	Weighted-average exercise price per share HK\$	Options (thousands)
Beginning of the period	2.95	121,152	2.92	128,552
Exercised	-	-	2.2	(579)
Lapsed	-	-	2.41	(6,821)
End of the period	2.95	121,152	2.95	121,152

The weighted average closing price was HK\$Nil (2013: HK\$2.91) per share at the dates immediately before the dates on which the options were exercised.

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

Expiry date	Exercise price after issue of scrip shares HK\$	Share options (thousands)	
		As at 31 August 2014	As at 31 August 2013
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
		121,152	121,152

# 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)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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)
<b>Balance at 31 August 2014</b>	<b>891,538</b>	<b>109,187</b>	<b>52,986</b>	<b>66,714</b>	<b>42,280</b>	<b>(32,615)</b>	<b>1,443,300</b>	<b>2,573,390</b>
Representing:								
Declared interim dividends							12,276	
Others							1,431,024	
							<b>1,443,300</b>	
Balance at 1 March 2013	892,962	72,003	60,545	88,439	37,312	–	1,279,292	2,430,553
Share option scheme								
– value of employment services	–	13,712	–	–	–	–	–	13,712
Profit for the period	–	–	–	–	–	–	28,062	28,062
Final dividends for the year ended								
28 February 2013	–	–	–	–	–	–	(36,863)	(36,863)
Exercise of share options	1,542	(326)	–	–	–	–	–	1,216
Reversal of tax credit from exercise of share options	–	–	(11,464)	–	–	–	–	(11,464)
Transactions with non-controlling interests	–	–	–	105	–	–	(283)	(178)
Currency translation differences								
– Group	–	–	–	(5,107)	–	–	–	(5,107)
– Joint ventures	–	–	–	1,071	–	–	–	1,071
Cash flow hedge recognised as finance costs	–	–	–	–	–	703	–	703
Fair value changes on cash flow hedge, net of tax	–	–	–	–	–	(29,424)	–	(29,424)
<b>Balance at 31 August 2013</b>	<b>894,504</b>	<b>85,389</b>	<b>49,081</b>	<b>84,508</b>	<b>37,312</b>	<b>(28,721)</b>	<b>1,270,208</b>	<b>2,392,281</b>
Representing:								
Declared interim dividends							–	
Others							1,270,208	
							<b>1,270,208</b>	

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 23 BANKING FACILITIES AND PLEDGE OF ASSETS

As at 31 August 2014, the Group had aggregate banking facilities of approximately HK\$1,714,235,000 (28 February 2014: approximately HK\$2,045,305,000) for overdrafts, bank loans and trade financing, of which approximately HK\$792,108,000 (28 February 2014: approximately HK\$1,187,884,000) 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

	<b>As at 31 August 2014 (Unaudited) HK\$'000</b>	As at 28 February 2014 (Audited) HK\$'000
Authorised but not contracted for – capital expenditure	<b>45,204</b>	44,456
Contracted but not provided for – capital expenditure	<b>6,046</b>	2,708
	<b>51,250</b>	47,164

### (b) Lease commitments

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

	<b>As at 31 August 2014 (Unaudited) HK\$'000</b>	As at 28 February 2014 (Audited) HK\$'000
Not later than one year	<b>1,046,686</b>	1,148,004
Later than one year and not later than five years	<b>1,397,495</b>	1,626,382
Later than five years	<b>49,754</b>	91,805
	<b>2,493,935</b>	2,866,191

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.

## 25 RELATED PARTY TRANSACTIONS

- (a) As at 31 August 2014, the Group was controlled by Effective Convey Limited (incorporated in the British Virgin Islands), which is indirectly wholly-owned by a discretionary trust for the benefit of, amongst others, Mr. Sham Kar Wai and Mr. Sham Kin Wai.
- (b) Details of significant transactions with related parties:

	<b>Six months ended 31 August</b>	
	<b>2014 (Unaudited) HK\$'000</b>	2013 (Unaudited) HK\$'000
Purchases from joint ventures	<b>1,380</b>	2,392
Commission income from joint ventures	<b>481</b>	678
Interest income from joint ventures	<b>417</b>	407
Reimbursement of operating expenses by joint ventures	<b>3,582</b>	2,138
Reimbursement of operating expenses to a joint venture	<b>8,295</b>	–



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 25 RELATED PARTY TRANSACTIONS (Continued)

### (c) Key management compensation

	Six months ended 31 August	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Salaries and allowances	7,586	7,430
Discretionary bonus	27,500	–
Pension costs – employer's contributions to a defined contribution plan	17	15
Share options granted	8,172	8,136
	<u>43,275</u>	<u>15,581</u>

## 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Business Review**

### **(a) Group**

Irrespective of economies of developed countries having shown a level of stabilization towards mid-2014, a sign of global economic recovery has yet to be seen. Mainland China has been impacted by the depressed external export demand and the prolonged volatile domestic consumption patterns whereas in Hong Kong, the consumer retail market continued to be undermined by the general contraction in spending momentum. Amidst the global economic turmoil and political conflicts, any recovery of the macroeconomic environment has become fragile. Thus, the global consumer retail markets continue to be undermined by a weakening sentiment. Whilst the situation does not seem to have deteriorated further compared to a year ago, general consumers still remain very cautious and continue to place emphasis on discounts and promotions due to the uncertain macroeconomic conditions.

The consumer retail sector across the Group's principal operating regions, namely Hong Kong and Mainland China, have as well been adversely impacted by a lack of momentum in sales growth. And the prevailing weakening consumer appetite alongside the upsurge in operating costs of running retail channels has continued to put downward pressure on the operating profits of retail operators. In face of these challenges, the Group strives to deliver the latest fashion products to customers through active reviews of consumer preferences and fashion trends. Moreover, on the back of a solid financial position, the Group has been able to enhance the quality of its products and services, including effective marketing strategies, and has persisted with its long-term strategic expansion into Mainland China by growing its retail network. As a result, the Group managed to deliver a turnover growth of 9.8% over last year to HK\$3,227.6 million, with net profit increasing by 75.6% to HK\$49.4 million (or by 30.3% to HK\$36.6 million if a non-recurring gain of HK\$15.3 million from repurchases of the Group's Senior Notes and its related tax effect are excluded) for the six months ended 31 August 2014.

### **Turnover by Markets**

Hong Kong, as the hometown of the Group, continued to be the largest revenue contributor. Turnover in Hong Kong amounted to HK\$1,656.3 million as at 31 August 2014, representing a 3.9% increase over last year, accounting for 51.3% of total Group turnover.

Total turnover of our Mainland China operations achieved another year of noticeable performance on the back of double-digit growth in its retail network and positive comparable store sales growth recorded for the period under review, increasing 19.7% over last year to HK\$1,219.7 million. It contributed 37.8% to total Group turnover and remained the second largest contributor.

Turnover of our Japan businesses increased by 12.2% in base currency, landing at JPY2,891.9 million. However, owing to the weakening of the Japanese Yen, the turnover in HK\$ increased only by 7.5% to HK\$219.5 million compared to last year, contributing 6.8% of total Group turnover 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	
	2014 HK\$ million	2013 HK\$ million		2014	2013
Hong Kong	<b>1,656.3</b>	1,594.3	<b>+3.9%</b>	<b>51.3%</b>	54.2%
<i>Retail sales only</i>	<b>1,630.9</b>	1,570.7	<b>+3.8%</b>		
Mainland China	<b>1,219.7</b>	1,018.9	<b>+19.7%</b>	<b>37.8%</b>	34.6%
<i>Retail sales only</i>	<b>1,122.4</b>	933.4	<b>+20.2%</b>		
Japan	<b>219.5</b>	204.2	<b>+7.5%</b>	<b>6.8%</b>	6.9%
<i>Retail sales only</i>	<b>208.0</b>	187.1	<b>+11.2%</b>		
Macau	<b>95.1</b>	90.5	<b>+5.1%</b>	<b>2.9%</b>	3.1%
Other	<b>37.0</b>	31.7	<b>+16.7%</b>	<b>1.2%</b>	1.2%
Total	<b><u>3,227.6</u></b>	<u>2,939.6</u>	<b>+9.8%</b>	<b><u>100.0%</u></b>	<u>100.0%</u>

**Brand Mix**

It is the Group's strategy to build on the solid foundation of its unique multi-brand and multi-layer fashion platform fuelled by a wide range of the latest renowned international brands and a number of innovative in-house and licensed brands. The Group monitors changes in fashion trends around the World and actively reviews the assortments of its international-brand portfolio and the design of its in-house brands' collections with an aim to cater for the rapid changing consumer markets. For the period under review, our in-house brands segment continued to represent the largest revenue contributor, landing at 56.1%.

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

	Retail Sales Six months ended 31 August		Change	% of Retail Sales Six months ended 31 August	
	2014 HK\$ million	2013 HK\$ million		2014	2013
In-house brands	1,734.2	1,615.7	+7.3%	56.1%	57.2%
International brands	1,327.2	1,169.7	+13.5%	42.9%	41.4%
Licensed brands	31.9	40.5	-21.2%	1.0%	1.4%
	<b>3,093.3</b>	<b>2,825.9</b>	<b>+9.5%</b>	<b>100.0%</b>	<b>100.0%</b>

**Dynamics in Margin and Cost**

Gross profit of the Group recorded an increase of 14.9% over the same period last year in view of the 9.8% increase in turnover, with gross margin advancing by 2.7 percentage points to 61.9%. The increase in gross margin was mainly achieved by less promotional discount offered during the period.

The upsurge in operating costs of running existing and new retail channels was substantially attributed to high rental expenses and staff costs, which continued to dilute profitability of the Group. Rent (including rental charges and building management fees) continued to represent a considerably significant portion of total operating expenses of the Group, remaining somewhat flattish at 25.9% of total turnover (2013: 26.0%), while staff costs (excluding share option expenses) increased to 17.6% of total turnover (2013: 16.8%). At this juncture, total operating cost ratio inevitably increased, landing at 58.2% of total turnover (2013: 57.3%).

On a positive note, the enhancement achieved in gross profit was able to offset the additional cost of operations. As a result, the operating profit of the Group increased by 119.6% to HK\$133.4 million at an operating profit margin of 4.1% (2013: 2.1%).

**(b) Hong Kong**

Economic growth in Hong Kong remained moderate throughout the period. General consumers continued to be conservative when it came to purchasing decisions, reflecting their concerns about the slow economic recovery of the region under the difficult global economic and political landscape. Spending momentum and store traffic among local consumers and in-bound visitors grew in a diminishing manner. For the period under review, our Hong Kong businesses recorded a 3.9% increase in turnover to HK\$1,656.3 million and a 3.8% increase in retail sales to HK\$1,630.9 million, with comparable store sales growth registered at 3.5%.

With regard to store network expansion, the Group remains prudent in the light of the current difficult business environment but has a positive view on the fashion business in the long run. For instance, an over 15,000 square feet in size, new multi-brand concept of *i.t* store fuelled by a wide range of inspiring fashion products and new collections including kids' wear was opened in Cityplaza, Taikoo Shing in Hong Kong East in July 2014. The total trading area in Hong Kong ended with a slight net decrease of 1.4% to 617,355 square feet in August 2014 compared to 626,258 square feet as at 28 February 2014.

Gross margin increased by 1.5 percentage points to 60.6%. This enhancement was mainly achieved through a general contraction in discounting campaigns offered during the period. However, the increase in turnover and gross profit were not sufficient to fully offset the increase in operating costs, hence operating cost to sales ratio (which is defined as operating expenses divided by turnover) increased by 2.4 percentage points to 60.4%. Consequently, operating profit declined by 85.8% to HK\$3.2 million at a 0.2% margin (2013: 1.4%).

**(c) Mainland China**

The performance of the Group's Mainland China operations was a reflection of the volatile and sluggish domestic consumption patterns for the period under review. Although some of our long-term investments made in recent years with an aim to broaden market presence and to strengthen brand awareness have started to generate revenue, the business environment across Mainland China remained very challenging. Despite this, the Group achieved a noticeable growth of 19.7% in turnover over the same period last year, landing at HK\$1,219.7 million. Total retail sales generated HK\$1,122.4 million, representing a growth of 20.2%. Comparable store sales achieved a 4.3% growth (2013: -1.9%). The Group believes that the accelerating industrialization and urbanization process in Mainland China, and the rapidly growing low-tier cities alongside the growing interest in lifestyle enhancement among the middle-income class in particular, will provide a favorable business environment for premium distinctive brands in the long run. At this juncture, the Group responded by increasing its retail network by 1.7% to 886,344 square feet as at 31 August 2014, compared to 871,518 square feet as at 28 February 2014. It is expected that the retail network will be further expanded in the remaining period of the year.

Operating profit landed at HK\$30.0 million, compared to an operating loss of HK\$14.0 million for the same period last year. The increase was primarily a result of the increase in gross margin to 60.4% (2013: 55.8%) which was mainly attributed to the less proactive discounts offered during the period. Operating cost to sales ratio remained somewhat flattish at 57.9% (2013: 57.2%).

**(d) Japan**

Our Japan businesses continued to outperform mainly attributed to the further improvement in gross margin to 73.9% (2013: 70.2%) and an increased incidence of operating efficiency, measured by cost to sales ratio. Sales in the Japanese Yen grew by 12.2% to JPY2,891.9 million, while sales in the Hong Kong dollar so translated grew by 7.5% to HK\$219.5 million. As a consequence of the above, operating profit increased by 81.9% to HK\$61.2 million.

**(e) Macau**

Total retail sales in Macau increased by 5.1% to HK\$95.1 million with an operating profit amounting to HK\$31.1 million, representing a growth of 9.1% over the same period last year. The Group will continue to seek growth opportunities in this region.

**Share of Results of Joint Ventures**

A share of loss of joint ventures amounting to HK\$20.0 million (2013: HK\$10.7 million) was recorded for the six months ended 31 August 2014. The increase was mainly due to the loss incurred by our joint venture business with Galeries Lafayette which commenced operation in mid-October 2013. The business will need more time to develop into a profitable operation under the current difficult trading environment.

**Inventory**

The inventory turnover cycle of the Group reduced to 177 days, representing a reduction of 4 days over last year. This inventory turnover enhancement was achieved through multiple effective promotional campaigns alongside strategic management of discounting policies.

**Cash Flows and Financial Position**

The Group's cash and bank balances as at 31 August 2014 were HK\$2,229.9 million, compared to HK\$2,315.5 million as at 28 February 2014 and its net cash balance amounted to HK\$326.5 million (net cash is defined as cash and cash equivalents of HK\$2,229.9 million less bank borrowing of HK\$788.7 million and RMB Senior Notes of HK\$1,114.7 million) versus HK\$324.5 million as at 28 February 2014.

Cash inflow from operating activities for the six months ended 31 August 2014 amounted to HK\$179.4 million (2013: HK\$244.3 million).

**Liquidity and Banking Facilities**

As at 31 August 2014, the Group had aggregate banking facilities of approximately HK\$1,714.2 million (28 February 2014: approximately HK\$2,045.3 million) for overdrafts, bank loans and trade financing, of which approximately HK\$792.1 million (28 February 2014: approximately HK\$1,187.9 million) was unutilized 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 2014, bank borrowing was secured on land and buildings with a carrying amount of HK\$212.9 million (28 February 2014: HK\$216.1 million).

**Contingent Liabilities**

As at 31 August 2014, the Group did not have significant contingent liabilities.

### **Foreign Exchange**

The Group is exposed to foreign exchange risk arising from the exposure in the Japanese Yen, Macau Pataca, Pound Sterling, Euro, United States Dollar, New Taiwan Dollar and Chinese Renminbi against the Hong Kong Dollar. 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.

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

The Group had a total of 6,013 (2013: 6,047) employees as at 31 August 2014. 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**

Consumer spending momentum tends to reflect economic and political conditions around the World, fashion business in particular. Although further deterioration in the macroeconomic environment is not generally expected, any form of improvement in consumer spending does not seem to be imminent as well. As a result, the volatile consumer appetite in the retailing markets in many of the countries around the World seems to be persisting in the near term. And the already dampened Asian consumer markets may inevitably be further suppressed by the fragile global economic conditions and the increased incidence of political disturbances in different parts of the World.

In particular, the recent political demonstration has adversely affected the Group's retail sales in Hong Kong, resulting in weak performance during the "Golden Week" period in the first week of October 2014. If this campaign was to persist, it would further drag on the recovery of the local consumer retail market and to create more uncertainty to our businesses in the region. In addition, the possibility of Ebola spreading may inevitably impact the global economy and suppress the global retail market.

Despite these challenges, the Group remains positive regarding the prospect of the economic outlook of its key operating regions, namely Hong Kong and Mainland China, in the long run. We are also confident that the solid foundation and the competitive edge of our unique fashion platform will enable us to forge through the current turmoil and to reinforce our leadership role in the fashion industry.

With regard to our growth plan, the Group remains prudent while being open to new ideas and opportunities. The Group will continue to place emphasis on different aspects including product assortment, store design, customer services, discounting strategies, etc. to enhance the performance of individual stores. For Mainland China, we are pleased that our retail exposures in first and second-tier cities are broadening further. We will continue to look into possible opportunities to further grow the businesses in the region with a view to expand our market presence and brand awareness.

# 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 2014, 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 follow:

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

Director	Beneficiary of trust (Note 1)	No. of shares held		Total	Percentage of issued share capital
		Interest in underlying shares/equity derivatives (Note 2)	Direct interest		
Sham Kar Wai (Note 3)	698,564,441	35,048,379	6,834,000	740,446,820	60.31%
Sham Kin Wai (Note 3)	698,564,441	35,048,379	6,834,000	740,446,820	60.31%

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.

### (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 1)
	Elite Core Limited	Beneficial owner	100%
	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%
	Tai Hang Heritage Conservation 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
Income Team Limited		Interests in controlled company	100%
Online Profit Limited		Interests in controlled company	100%
Popbest Limited		Interests in controlled company	100%
Shine Team Development Limited		Interests in controlled company	100%
Veston Limited		Interests in controlled company	100%
Young Ranger Investment Limited		Interests in controlled company	100%
Sure Elite Limited		Beneficiary of a trust	100%
Fresh Start Holdings Limited		Beneficiary of a trust	100%
Fortune Symbol Limited		Beneficiary of a trust	100%
Fine Honour Limited		Beneficiary of a trust	100%
Effective Convey Limited		Beneficiary of a trust	100%
Dynamic Vitality Limited		Beneficiary of a trust	100%

Note:

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

Save as disclosed above, none of the Directors or their associates had any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations as at 31 August 2014.



## 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 2014 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 is 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 4.50% of the issued share capital of the Company.

No share option was granted, exercised or lapsed during the period ended 31 August 2014. The outstanding options granted under the Scheme and yet to be exercised are set out below:

	<b>Date of grant</b>	<b>Exercise period</b>	<b>Exercise price per share HK\$</b>	<b>Number of Share Options as at 1 March 2014 and 31 August 2014</b>
<b>Director</b>				
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
<b>Continuous contract employees</b>	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/>
				<b>121,151,895</b>

## DISCLOSURE OF INTEREST (Continued)

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

As at 31 August 2014, the register kept by the Company under Section 336 of the SFO showed that the following shareholders (other than Directors of the Company) had disclosed to the Company pursuant to Division 2 and 3 of Part XV of the SFO an interest or a short position in the shares or underlying shares of the Company:

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

Name	Capacity	Number of shares held	Percentage of issued share capital	Long/short positions
Yau Shuk Ching Chingmy (Note 1)	Beneficiary of a trust/Interest of spouse	743,856,800	60.56%	Long
Wong Choi Shan (Note 2)	Beneficiary of a trust/Interest of spouse	743,856,800	60.56%	Long
Effective Convey Limited (Note 3)	Beneficial owner/Interest in corporation	698,564,441	56.87%	Long
Dynamic Vitality Limited (Note 4)	Interest in corporation	698,564,441	56.87%	Long
HSBC International Trustee Limited (Note 4)	Interest in corporation	698,564,441	56.87%	Long
Fine Honour Limited (Note 3)	Beneficial owner	169,197,830	13.98%	Long
Yeung Chun Kam (Note 5)	Interest in controlled company/Joint interest	68,827,473	5.60%	Long
Yeung Chun Fan (Note 5)	Interest in controlled company/Joint interest	68,827,473	5.60%	Long
Cheung Wai Yee (Note 6)	Interest of spouse	68,827,473	5.60%	Long
The Capital Group Companies, Inc.(Note 7)	Interest in corporation	61,568,000	5.02%	Long

Notes:

- Spouse of Mr. Sham Kar Wai (Director of the Company). Out of the 743,856,800 Shares, Ms. Yau held 45,292,359 Shares in the capacity of interest of spouse and the balance being 698,564,441 Shares, in the capacity of beneficiary of a trust.
- Spouse of Mr. Sham Kin Wai (Director of the Company). Out of the 743,856,800 Shares, Ms. Wong held 45,292,359 Shares in the capacity of interest of spouse and the balance being 698,564,441 Shares, in the capacity of beneficiary of a trust.
- Fine Honour Limited, Fortune Symbol Limited, Fresh Start Holdings Limited and Sure Elite Limited (collectively the "Companies") are wholly-owned subsidiaries of Effective Convey Limited. Effective Convey Limited is therefore deemed interested in the Shares held by the Companies. Fortune Symbol Limited, Fresh Start Holdings Limited and Sure Elite Limited each held 60,028,130 Shares as at 31 August 2014.
- Effective Convey Limited is a wholly-owned subsidiary of Dynamic Vitality Limited, which is wholly-owned by The ABS 2000 Trust. The ABS 2000 Trust was established on 14 September 2000 as an irrevocable discretionary trust for the benefit of Mr. Sham Kar Wai and Mr. Sham Kin Wai, and their respective family members. HSBC International Trustee Limited is the trustee of The ABS 2000 Trust. Each of Dynamic Vitality Limited and HSBC International Trustee Limited is therefore deemed interested in the Shares held by Effective Convey Limited.
- Out of the 68,827,473 Shares, 38,570,000 Shares are held by Dr. Yeung Chun Kam and Mr. Yeung Chun Fan jointly and the balance, being 30,257,473 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 30,257,473 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 39.16% 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.
- The shares are held by Capital Research and Management Company, a wholly-owned subsidiary of The Capital Group Companies, Inc..

## OTHER INFORMATION

### INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 1.0 HK cent per share for the six months ended 31 August 2014 (six months ended 31 August 2013: Nil), amounting to approximately HK\$12.3 million.

### 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 Listing Rules throughout the six months ended 31 August 2014, 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 as set out in Appendix 10 of the Listing Rules for securities transactions by Directors. Upon enquiry by the Company, all Directors have confirmed that, for the six months ended 31 August 2014, 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 2014 are set out below:

<b>Name of Director</b>	<b>Details of changes</b>
<i>Independent Non-executive Directors</i>	
Mr. Francis Goutenmacher	– The director's fee was revised to HK\$260,100 per annum with effect from 1 April 2014.
Dr. Wong Tin Yau, Kelvin, JP	– The director's fee was revised to HK\$260,100 per annum with effect from 1 April 2014. – Retired as the chairman of The Hong Kong Institute of Director with effect from 9 July 2014.
Mr. Mak Wing Sum, Alvin	– The director's fee was revised to HK\$260,100 per annum with effect from 1 April 2014.

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 2014.

#### (a) The Facilities

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

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

Details of the Facilities are set out below:

Facility Agreement:	The facility agreement dated 24 February 2012 and executed by i.t apparels Limited, the Guarantors, the Facility Agent and the Lenders;
Borrower:	i.t apparels Limited, an indirectly wholly-owned subsidiary of the Company;
Guarantors:	the Company and 12 direct and indirect subsidiaries of the Company;
Lenders:	Hang Seng Bank Limited and The Hongkong and Shanghai Banking Corporation Limited;
Facility Agent:	Hang Seng Bank Limited;
Facilities:	Facility A, Facility B and Facility C; Facility A: a HK\$ term loan of HK\$275,000,000, which is repayable over a period of 48 months from the date of the Facility Agreement Facility B: a HK\$ revolving loan of HK\$100,000,000, the termination date of which is the date falling 47 months from the date of the Facility Agreement <i>(Upon the Company's application, Facility B was cancelled effective 28 June 2013)</i> Facility C: a RMB term loan of RMB105,000,000, the repayment date of which is the date falling 36 months from the date of the Facility Agreement

## OTHER INFORMATION (Continued)

### CONTINUING DISCLOSURE REQUIREMENTS (Continued)

#### (b) 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.

During the six months ended 31 August 2014, the Company purchased the Notes on the Stock Exchange as follows:

	<b>Amount of Notes purchased CNY</b>	<b>Percentage of the Notes purchased compared to the principal amount of CNY1,000,000,000 when issued</b>
March 2014	99,000,000	9.9%
June 2014	7,000,000	0.7%
Total	<u>106,000,000*</u>	<u>10.6%</u>

\*Note: After the purchases, the Notes were cancelled pursuant to the terms of the indenture governing the Notes.

After cancellation of the Notes with an amount of CNY106,000,000, the aggregate principal amount of the Notes which remains outstanding and subject to the terms of indenture governing the Notes is CNY894,000,000.

### 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 2014.

## OTHER INFORMATION (Continued)

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

During the six months ended 31 August 2014, the Company purchased its listed shares and the Notes on the Stock Exchange as follows:-

#### Shares purchased

Date of purchase	Number of shares purchased	Percentage of the then issued shares*2	Purchase price per share		Total paid HK\$
			Highest HK\$	Lowest HK\$	
5 June 2014	614,000	0.05%	2.65	2.59	1,623,980
6 June 2014	546,000	0.04%	2.69	2.65	1,458,140
Total	<u>1,160,000*1</u>	<u>0.09%</u>			<u>3,082,120</u>

\*Notes:

- 1,160,000 shares were cancelled on 23 June 2014.
- The closing balance of the issued shares as at 5 and 6 June 2014 was 1,228,763,307 shares.

#### Notes purchased

	Amount of the Notes purchased CNY	Percentage of the Notes purchased compared to the principal amount of CNY1,000,000,000 when issued
March 2014	99,000,000	9.9%
June 2014	7,000,000	0.7%
Total	<u>106,000,000*1</u>	<u>10.6%</u>

\*Note:

- After the purchases, the Notes were cancelled pursuant to the terms of the indenture governing the Notes.

During the six months ended 31 August 2014, none of the Company's subsidiaries has purchased, sold or redeemed any of the Company's listed shares or the Notes.

On behalf of the Board



**Sham Kar Wai**  
Chairman

Hong Kong, 27 October 2014

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