I.T LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 999)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2019

FINANCIAL HIGHLIGHTS

- Total turnover of the Group increased by 5.4% to HK$8,832.2 million.
- Total retail sales in Hong Kong and Macau increased by 2.5% to HK$3,363.6 million. Comparable store sales growth rate registered at 2.4% (FY17/18: -0.9%). Total trading area is reduced by 3.0%.
- Total retail sales in Mainland China increased by 6.4% to HK$4,082.7 million on the back of growth in trading area of 8.3% and positive comparable store sales growth rate at 1.7% (FY17/18: 0.2%).
- Total retail sales in Japan and the USA landed at HK$1,054.5 million, representing 11.5% increase from FY17/18.
- Gross profit of the Group increased by 5.9% to HK$5,639.7 million at gross profit margin of 63.9% (FY17/18: 63.5%).
- Net profit of the Group increased by 2.8% to HK$444.1 million.
- Basic earnings per share increased by 2.8% to 37.0 HK cents.
- Proposed final dividend of 18.0 HK cents (FY17/18: 17.8 HK cents) per ordinary share amounting to HK$215.2 million (FY17/18: HK$212.9 million).

The board of directors (the "Board") of I.T Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 28 February 2019, prepared on the basis set out in Note 2, together with the comparative figures for the year ended 28 February 2018, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 28 February 2019

	Note	**2019**	2018
		HK$'000	HK$'000
Turnover	4	**8,832,157**	8,383,043
Cost of sales	6	**(3,192,446)**	(3,059,224)
Gross profit		**5,639,711**	5,323,819
Other (losses)/gains, net	5	**(13,532)**	13,604
Operating expenses	6	**(4,927,676)**	(4,610,139)
Other income	7	**55,111**	30,473
Operating profit		**753,614**	757,757
Finance income	8	**24,946**	22,457
Finance costs	8	**(42,922)**	(71,352)
Share of (losses)/gains of joint ventures		**(27,846)**	13,996
Profit before income tax		**707,792**	722,858
Income tax expense	9	**(263,647)**	(290,932)
Profit for the year		**444,145**	431,926
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss			
Currency translation differences		**(115,727)**	188,329
Cash flow hedge recognised as finance costs		**(33,047)**	(88,733)
Fair value changes on cash flow hedge, net of tax		**18,209**	129,264
Total other comprehensive (loss)/income for the year		**(130,565)**	228,860
Total comprehensive income for the year		**313,580**	660,786

	Note	2019 HK$'000	2018 HK$'000
Profit attributable to:			
– Equity holders of the Company		**442,599**	430,556
– Non-controlling interests		**1,546**	1,370
		444,145	431,926
Total comprehensive income attributable to:			
– Equity holders of the Company		**312,427**	658,932
– Non-controlling interests		**1,153**	1,854
		313,580	660,786
Earnings per share attributable to equity holders of the Company for the year (expressed in HK cent per share)			
– basic	10	**37.0**	36.0
– diluted	10	**35.7**	34.9
Dividends	11	**215,243**	212,852

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 28 February 2019

	Note	**28 February 2019 HK$'000**	28 February 2018 HK$'000
ASSETS			
Non-current assets			
Land use rights		**38,631**	–
Property, furniture and equipment		**954,964**	859,433
Intangible assets		**321,948**	331,952
Investments in and loans to joint ventures		**167,879**	159,050
Rental deposits		**346,422**	313,012
Prepayments for non-current assets		**52,672**	59,558
Deferred income tax assets		**110,327**	117,233
		1,992,843	1,840,238
Current assets			
Inventories		**1,538,037**	1,404,759
Trade and other receivables	12	**300,171**	331,426
Amounts due from joint ventures		**132,311**	65,080
Prepayments and other deposits		**379,256**	380,071
Current income tax recoverable		**1,989**	1,930
Cash and cash equivalents		**1,771,957**	2,315,333
		4,123,721	4,498,599
LIABILITIES			
Current liabilities			
Borrowings	13	**(505,995)**	(1,254,016)
Trade payables	14	**(414,120)**	(470,964)
Accruals and other payables		**(680,339)**	(724,891)
Contract liabilities		**(21,922)**	–
Derivative financial instruments	15	**(11,003)**	(29,212)
Amounts due to joint ventures		**(24,165)**	(19,009)
Current income tax liabilities		**(78,327)**	(108,984)
		(1,735,871)	(2,607,076)
Net current assets		**2,387,850**	1,891,523
Non-current liabilities			
Borrowings	13	**(653,981)**	(123,355)
Accruals		**(6,125)**	(7,169)
Derivative financial instruments	15	**(1,773)**	(4,749)
Deferred income tax liabilities		**(67,294)**	(47,826)
		(729,173)	(183,099)
Net assets		**3,651,520**	3,548,662
EQUITY			
Capital and reserves			
Share capital		**119,580**	119,580
Reserves		**3,528,701**	3,425,755
Non-controlling interests		**3,239**	3,327
Total equity		**3,651,520**	3,548,662

NOTES

1 GENERAL INFORMATION

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 has its listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in Hong Kong Dollar ("HK$"), unless otherwise stated.

2 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention, as modified by financial liabilities at fair value through profit or loss (including derivative instruments), which are carried at fair value.

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments which are effective for the Group's financial year beginning 1 March 2018 but did not result in any significant impact on the results and financial position of the Group:

Annual Improvements Projects HKFRS 1 and HKAS 28 (Amendments)	Annual improvements to HKFRSs 2014-2016 cycle
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15
HKAS 28 (Amendments)	Investments in Associates and Joint Ventures
HKAS 40	Transfers to Investment Property
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

The Group had to change its accounting policies following the adoption of HKFRS 9 and HKFRS 15 as disclosed in Note 3. Most of the other amendments to standards and interpretation listed above are not expected to significantly affect the current or future periods.

(b) New standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group

The following new standards and amendments to existing standards have been published and are mandatory for accounting periods beginning on or after 28 February 2019 or later periods and have not been early adopted by the Group:

Amendments to Annual Improvement Project	Annual Improvements 2015-2017 cycle [1]
Amendments to HKFRS 9	Prepayment Features with negative compensation [1]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement [1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures [1]
HKFRS 16	Leases [1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments [1]
Amendments to HKFRS 3 (Revised)	Definition of a Business [2]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting [2]
HKFRS 17	Insurance Contracts [3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]

1 Effective for the Group for annual periods beginning on or after 1 March 2019

2 Effective for the Group for annual periods beginning on or after 1 March 2020

3 Effective for the Group for annual periods beginning on or after 1 March 2021

4 Effective date to be determined

The Group will apply the above new standards and amendments to existing standards when they become effective. The Group anticipates that the application of the above new standards and amendments to existing standards have no material impact on the results and the financial position of the Group, except for HKFRS 16 "Leases" as explained below:

HKFRS 16 "Leases"

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The Group expects to adopt the standard using the modified retrospective approach where the cumulative effects of initially applying HKFRS 16 is recognised as an adjustment to the opening balance of retained profits and comparative figures are not restated.

The Group will recognise a right-of-use ("ROU") asset and a financial liability on the consolidated statement of financial position. The asset will be depreciated over the terms of the leases, and the financial liability will be measured at amortised costs.

Lease expenses in the consolidated statement of comprehensive income are replaced by depreciation and interest expenses. Adoption of the new standard will have effects to the financial performance of the Group by increasing EBITDA and EBIT, while, when comparing to the accounting treatment under HKAS 17, higher expenses will be incurred in the early years of lease terms, diminishing over the lease terms and will result in lower expenses in the latter part of the lease terms.

As at the reporting date, the Group has non-cancellable operating lease commitments of approximately HK$3.1 billion. Of these commitments, approximately HK$41 million relate to short-term leases which will be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments, the Group expects to recognise right-of-use assets of approximately HK$2.8 billion and a corresponding liability of HK$2.9 billion. The overall net assets will be approximately HK$100 million lower. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Date of adoption by the Group

It is mandatory for financial years commencing on or after 1 March 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

3 CHANGE IN PRINCIPAL ACCOUNTING POLICIES

The Group has adopted the following new accounting standards from 1 March 2018.

(a) HKFRS 9 "Financial Instruments"

HKFRS 9 replaces the provision for HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 "Financial Instruments" from 1 March 2018 resulted in changes in accounting policies are set out in (i) and (ii) below. In accordance with the transitional provision in HKFRS 9, comparative figures have not been restated.

(i) Classification and measurement

On 1 March 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. Based on the assessment, there is no significant impact to the classification and measurement of the financial instruments under the adoption of HKFRS 9.

(ii) ***Impairment of financial assets***

The Group was required to revise its impairment methodology under HKFRS 9 for the Group's financial assets, including trade and other receivables, loans and amounts due from joint ventures.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables. However, there is no significant impact on the Group's accounting with respect to impairment of trade receivables. Accordingly, opening balance of retained profits as at 1 March 2018 are not adjusted in respect to the adoption of the simplified approach to measuring expected credit losses.

Other financial assets (including other receivables, loans and amounts due from joint ventures)

For the other financial assets (including other receivables, loans and amounts due from joint ventures), expected credit losses are assessed according to change in credit quality since initial recognition. However, there is no significant impact on the Group's accounting with respect to impairment of other financial assets. Accordingly, opening balance of retained profits as at 1 March 2018 are not adjusted in respect to the adoption of the new impairment methodology to measuring expected credit losses.

Financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

(iii) ***Derivatives and hedging activities***

Impact from the adoption of HKFRS 9 on prior periods

The foreign exchange and interest rate swaps in place as at 28 February 2018 qualified as cash flow hedges under HKFRS 9. The Group's risk management strategies and hedge documentation are aligned with the requirements of HKFRS 9 and these relationships are therefore treated as continuing hedges and there is no impact from the adoption of HKFRS 9 on prior periods.

(b) HKFRS 15 "Revenue from contracts with customers"

The Group has adopted HKFRS 15 from 1 March 2018 which resulted in changes in accounting policies. The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative effect of the adoption (if any) will be recognised in retained profits as of 1 March 2018 and that comparative figures will not be restated.

However, there is no significant impact on the Group's accounting with respect to the timing of revenue recognition and allocation of the transaction price to performance obligations identified. Accordingly, opening balance of retained profits at 1 March 2018 are not adjusted in respect to the adoption of HKFRS 15.

Reclassifications were made as at 1 March 2018 to be consistent with the terminology used under HKFRS 15. In summary, the following adjustments were made to the amounts recognised in the consolidated statement of financial position at the date of initial application on 1 March 2018.

	Audited	
	Contract liabilities HK$'000	**Receipt in advance HK$'000**
Consolidated statement of financial position (extract)		
Closing balance as at 28 February 2018	–	21,469
Reclassify receipt in advance to contract liabilities	21,469	(21,469)
Opening balance as at 1 March 2018	21,469	–

4 TURNOVER AND SEGMENT INFORMATION

(a) Turnover

	2019 HK$'000	2018 HK$'000
Turnover – sales of fashion wears and accessories	**8,832,157**	8,383,043

The Group's turnover is recognised at a point in time.

(b) Segment information

The chief operating decision maker ("CODM") has been identified as the executive directors that make 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 both profit before income tax, share of (losses)/profits of joint ventures, finance income and finance costs ("segment profit/(loss)"), impairment of goodwill and property, furniture and equipment, depreciation of property, furniture and equipment and amortisation of intangible assets ("EBITDA"). Finance income and finance costs are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group. The information provided to the CODM is measured in a manner consistent with that in the financial statements.

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

The segment information provided to the CODM for the reportable segments for the years ended 28 February 2019 and 2018 are as follows:

	Hong Kong and Macau		Mainland China		Japan and the USA		Other		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Turnover	**3,424,832**	3,323,821	**4,122,541**	3,919,577	**1,152,738**	1,005,944	**132,046**	133,701	**8,832,157**	8,383,043
EBITDA	**102,348**	73,651	**411,043**	529,616	**494,639**	436,492	**40,792**	39,302	**1,048,822**	1,079,061
Depreciation and amortisation	**(93,063)**	(110,704)	**(182,598)**	(182,224)	**(19,781)**	(9,266)	**(3,750)**	(3,380)	**(299,192)**	(305,574)
Reversal of/(provision for) impairment of property, furniture and equipment	**3,324**	(2,677)	**660**	(13,053)	**–**	–	**–**	–	**3,984**	(15,730)
Segment profit/(loss)	**12,609**	(39,730)	**229,105**	334,339	**474,858**	427,226	**37,042**	35,922	**753,614**	757,757
Finance income									**24,946**	22,457
Finance costs									**(42,922)**	(71,352)
Share of (losses)/profits of joint ventures									**(27,846)**	13,996
Profit before income tax									**707,792**	722,858
Total segment non-current assets	**558,100**	499,488	**980,078**	896,987	**171,216**	162,951	**5,243**	4,529	**1,714,637**	1,563,955
Total segment assets	**2,215,679**	2,506,324	**2,733,039**	2,767,862	**693,045**	658,868	**62,295**	62,490	**5,704,058**	5,995,544

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

	28 February 2019 HK$'000	28 February 2018 HK$'000
Segment assets for reportable segments	**5,641,763**	5,933,054
Other segment assets	**62,295**	62,490
	5,704,058	5,995,544
Unallocated:		
Deferred income tax assets and current income tax recoverable	**112,316**	119,163
Investments in and amounts due from joint ventures	**300,190**	224,130
	6,116,564	6,338,837

5 OTHER (LOSSES)/GAINS, NET

	2019 HK$'000	2018 HK$'000
Fair value gains/(losses) on derivative financial instruments – foreign currency swap contracts	**2,976**	(4,749)
Net exchange (losses)/gains	**(16,508)**	18,353
	(13,532)	13,604

6 EXPENSES BY NATURE

	2019	2018
	HK$'000	HK$'000
Cost of inventories sold	**3,127,159**	3,067,026
Provision for/(reversal of) write-downs of inventories to net realisable value	**14,532**	(6,135)
Employment costs (including directors' emoluments)	**1,531,325**	1,371,786
Operating lease rentals of premises		
– minimum lease payments	**1,481,877**	1,488,879
– contingent rents	**284,380**	283,725
Building management fee	**268,869**	252,362
Advertising and promotion costs	**237,176**	156,994
Commission expenses	**116,198**	99,799
Bank charges	**86,430**	82,983
Utilities expenses	**55,767**	57,320
Freight charges	**43,483**	35,619
Depreciation of property, furniture and equipment	**287,064**	292,343
(Reversal of)/impairment of property, furniture and equipment	**(3,984)**	15,730
Loss on disposal of property, furniture and equipment	**12,131**	7,245
Licence fees	**28,870**	18,450
Amortisation of intangible assets	**12,128**	13,231
Provision for impairment of amounts due from joint ventures	**–**	13,348
Auditors' remuneration		
– audit services	**2,802**	2,600
– non-audit services	**550**	550
Other expenses	**533,365**	415,508
Total	**8,120,122**	7,669,363
Representing:		
Cost of sales	**3,192,446**	3,059,224
Operating expenses	**4,927,676**	4,610,139
	8,120,122	7,669,363

7 OTHER INCOME

	2019	2018
	HK$'000	HK$'000
Government grants	**37,034**	21,379
Commission income	**1,970**	1,853
Service fees	**16,107**	7,241
	55,111	30,473

8 FINANCE INCOME AND COSTS

	2019	2018
	HK$'000	HK$'000
Interest income from		
– bank deposits	**20,487**	18,504
– amounts due from joint ventures	**455**	455
– others *(i)*	**4,004**	3,498
Finance income	**24,946**	22,457
Interest expense on borrowings wholly repayable within five years	**(41,908)**	(72,920)
Net foreign exchange transaction loss	**(34,061)**	(87,165)
Transfer from hedging reserve		
– interest rate and currency swaps: cash flow hedge	**33,047**	88,733
Finance costs	**(42,922)**	(71,352)
Net finance costs	**(17,976)**	(48,895)

Note:

(i) These represent interest arising from the interest accretion on financial assets recognised at amortised cost.

9 INCOME TAX EXPENSE

The Company is exempted from income taxes in Bermuda until March 2035. The Company's subsidiaries established in the British Virgin Islands are incorporated under the BVI Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income taxes.

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits of the Group's operations in Hong Kong.

Mainland China enterprise income tax has been provided at the applicable rate of 25% (2018: 25%) on the estimated assessable profits of the Group's operations in Mainland China.

Taiwan profits tax has been provided at the rate of 20% (2018: 17%) on the estimated assessable profits of the Group's operations in Taiwan.

Macau Complementary (Corporate) Tax has been provided at the applicable rate of 12% (2018: 12%) on the estimated assessable profit in excess of HK$582,000 (approximately MOP600,000) of the Group's operations in Macau.

Japan Corporate Income Tax has been provided at the applicable rate of 34.59% (2018: 34.81%) on the estimated assessable profits of the Group's operations in Japan.

On 22 December 2017, the 2017 Tax Cuts and Jobs Act ("Tax Act") was enacted into law making significant changes to the Internal Revenue Code. Changes include, but not limited to, a decrease in the federal income tax rate for tax years beginning after 31 December 2017. Upon the completion of the Tax Act, the applicable US enterprise income tax rate for the subsidiary operating in the United States of America is 21% for the year ended 28 February 2019 and 2018.

The amounts of income tax charged to the consolidated statement of comprehensive income represent:

	2019 **HK$'000**	2018 HK$'000
Current income tax		
– Hong Kong profits tax	**4,342**	5,216
– Mainland China enterprise income tax	**46,893**	65,696
– Overseas income tax	**185,272**	185,697
– Under/(over)-provision in prior year	**342**	(3,558)
	236,849	253,051
Deferred income tax	**26,798**	37,881
	263,647	290,932

10 EARNINGS PER SHARE

Basic

The calculation of basic earnings per share for the year 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 year.

	2019	2018
Profit attributable to equity holders of the Company (HK$'000)	**442,599**	430,556
Weighted average number of ordinary shares in issue ('000)	**1,195,797**	1,195,797
Basic earnings per share (HK cent)	**37.0**	36.0

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Shares issuable under the share option schemes are the only dilutive potential ordinary shares. A calculation is made in order 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 compared with the number of shares that would have been issued assuming the exercise of the share options.

	2019	2018
Profit attributable to equity holders of the Company (HK$'000)	**442,599**	430,556
Weighted average number of ordinary shares in issue ('000)	**1,195,797**	1,195,797
Adjustments for share options ('000)	**44,346**	36,308
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,240,143**	1,232,105
Diluted earnings per share (HK cent)	**35.7**	34.9

11 DIVIDENDS

	2019 HK$'000	2018 HK$'000
Final dividend, proposed, 18.0 HK cents (2018: 17.8 HK cents) per ordinary share	**215,243**	212,852

The dividends paid during the years ended 28 February 2019 and 2018 were HK$212,852,000 (17.8 HK cents per share) and HK$155,454,000 (13.0 HK cents per share) respectively.

A final dividend of 18.0 HK cents (2018: 17.8 HK cents) per ordinary share for the year ended 28 February 2019 is to be proposed at the annual general meeting.

12 TRADE AND OTHER RECEIVABLES

	28 February 2019 HK$'000	28 February 2018 HK$'000
Trade receivables	**281,769**	316,659
Less: provision for impairment of trade receivables	**(1,253)**	(2,726)
Trade receivables – net	**280,516**	313,933
Interest receivables	**249**	2,020
Other receivables	**19,406**	15,473
Trade and other receivables	**300,171**	331,426

Movements on the provision for impairment of trade receivables are as follows:

	28 February 2019 HK$'000	28 February 2018 HK$'000
Beginning of the year	**2,726**	1,218
(Reversal of)/provision for impairment of trade receivables	**(1,374)**	1,436
Currency translation differences	**(99)**	72
End of the year	**1,253**	2,726

As of 28 February 2019, trade receivables of HK$1,253,000 (28 February 2018: HK$2,726,000) were impaired. The ageing of these receivables is as follows:

	28 February 2019 HK$'000	28 February 2018 HK$'000
Over 90 days	**1,253**	2,726

The ageing analysis of trade receivables is as follows:

	28 February 2019 HK$'000	28 February 2018 HK$'000
0 to 30 days	**210,961**	259,944
31 to 60 days	**55,224**	48,057
61 to 90 days	**7,912**	4,295
Over 90 days	**7,672**	4,363
	281,769	316,659

13 BORROWINGS

	28 February 2019 HK$'000	28 February 2018 HK$'000
Non-current borrowings		
– Bank borrowings	**653,981**	123,355
	653,981	123,355
Current borrowings		
– Portion of bank borrowings due for repayment within one year	**444,045**	85,600
– Portion of bank borrowings due for repayment after one year which contain a repayable on demand clause	**61,950**	72,550
– Senior Notes *(Note a)*	**–**	1,095,866
	505,995	1,254,016
	1,159,976	1,377,371

The fair values of current borrowings approximate their carrying amounts, as the impact of discounting is not significant. As at 28 February 2019, the effective borrowing cost was 2.9% (28 February 2018: 5.4%) per annum. Except for the Senior Notes, the bank borrowings bear interest at floating rates that are market dependent.

As at 28 February 2019, bank borrowings of HK$72,550,000 (28 February 2018: HK$83,150,000) were secured by the Group's certain land and buildings with carrying amounts of HK$183,694,000 (28 February 2018: HK$190,177,000).

Note a:

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

During the year ended 28 February 2015, 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 28 February 2018, 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 outstanding Senior Notes were fully repaid on 15 May 2018.

The maturity of borrowings is as follows:

	28 February 2019 HK$'000	28 February 2018 HK$'000
Within 1 year	**505,995**	1,254,016
Between 1 and 2 years	**176,918**	98,545
Between 2 and 5 years	**477,063**	24,810
	1,159,976	1,377,371

14 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	28 February 2019 HK$'000	28 February 2018 HK$'000
0 to 30 days	**148,260**	209,079
31 to 60 days	**154,392**	144,124
61 to 90 days	**58,107**	55,962
91 to 180 days	**23,458**	29,064
181 to 365 days	**6,952**	9,541
Over 365 days	**22,951**	23,194
	414,120	470,964

The carrying amounts of the trade payables approximate their fair values.

15 DERIVATIVE FINANCIAL INSTRUMENTS

	28 February 2019 Liabilities HK$'000	28 February 2018 Liabilities HK$'000
Qualified for hedge accounting – cash flow hedge:		
Foreign currency and interest rate swap contract, at market value *(Note a)*	**–**	(29,212)
Currency swap contract, at market value *(Note b)*	**(11,003)**	–
Not qualified for hedge accounting:		
Currency swap contracts, at market value *(Note c)*	**(1,773)**	(4,749)
	(12,776)	(33,961)
Less: current portion		
Foreign currency and interest rate swap contract, at market value *(Note a)*	**–**	29,212
Currency swap contract, at market value	**11,003**	–
	(1,773)	(4,749)

Notes:

(a) As at 28 February 2018, the notional principal amounts of the outstanding foreign currency and interest rate swap contract were RMB894,000,000, which has been designated as the hedging instrument for the Senior Note. As at 28 February 2018, the fixed interest rate for the Senior Notes was 6.25% per annum. The swap exchange rate is 1.2645 HK$ per one RMB whereas the swap interest rate is 5.75% per annum. Gains and losses recognised in the hedging reserve in equity on foreign currency and interest rate swap contract as of 28 February 2018 have been continuously released to the consolidated statement of comprehensive income until the repayment of the Senior Notes. The foreign currency and interest rate swap contract matured upon the repayment of Senior Notes on 15 May 2018.

(b) As at 28 February 2019, the notional principal amounts of the outstanding foreign currency swap contract were Swedish Krona ("SEK") 486,341,168, which has been designated as the hedging instrument for the committed payment of consideration under a Share Purchase Agreement with Acne Studios Holding AB ("Acne Studios") for purchase of 10.9% issued share capital of Acne Studios Holding AB and its subsidiaries (the "Acne Studios Group") entered on 22 December 2018. The swap exchange rate is SEK 1.145 per HK$1. Gains and losses recognised in the hedging reserve in equity on foreign currency swap contract as of 28 February 2019 have been continuously released to the consolidated statement of comprehensive income until the settlement of the consideration. Subsequent to the year end on 10 May 2019, the foreign currency swap contract was matured upon the completion of the acquisition upon settlement of the consideration on the same date.

(c) As at 28 February 2019, the notional principal amount of the outstanding currency swap contracts to buy United States Dollar for economic hedge against foreign exchange risk exposures relating to liabilities denominated in United States Dollar was USD8,000,000 (2018: USD11,000,000).

16 SUBSEQUENT EVENT

On 22 December 2018, the Group entered into a share purchase agreement with sellers as listed in the agreement to acquire 10.9% of the issued share capital of Acne Studios Group at an estimated consideration of SEK486,341,000 (approximately HK$423,117,000). The transaction was completed on 10 May 2019 and Acne Studios Group will be accounted for an associate of the Group.

Acne Studios Group is principally engaged in the men's and women's ready-to-wear fashion, footwear, accessories and denim retail and wholesale business under the brand name of Acne Studios in various countries. The Group is in the progress of assessing the financial impact to the Group's financial statements as a result of this acquisition and the above transaction had no financial impact to the consolidated financial statements for the year ended 28 February 2019 since the completion of the transaction was subsequent to the year end.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of 18.0 HK cents per share (FY17/18: 17.8 HK cents per share) for the year ended 28 February 2019. The final dividend amounts to approximately HK$215.2 million, if approved by the shareholders at the forthcoming annual general meeting.

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

(a) Group

After a strong start in FY18/19 with all operating regions recording noticeable sales growth, the Group had to navigate heightened geopolitical and macroeconomic uncertainties such as US-China trade tensions and devaluation of the Renminbi. These adversely impacted spending enthusiasm in several of our operating markets during the second half of the financial year. Although our operating regions achieved different levels of performance amidst the complex macroeconomic conditions and retail landscape, overall it was another year of continued progress with record revenues and all principal operating regions delivering sales growth. Turnover of the Group rose by 5.4% over last year to HK$8,832.2 million. This increase in turnover was primarily fuelled by positive comparable store sales growth and store network expansions. Gross margin also continued to progress, predominantly due to controlled discount discipline. Net profit came in at HK$444.1 million, representing an increase of 2.8% over last year.

The results in our Hong Kong and Macau segment are particularly noteworthy. While delivering revenue growth, we also drove noticeable expansion in gross margin amid an uncertain macroeconomic environment and weather-related disturbances. This expansion, along with improved operating efficiency, resulted in operating performance of the Group's Hong Kong and Macau business entering positive territory for the full year.

Sales in Mainland China continued to grow on the back of a further increase in total trading area. Multiple investments were made during the financial year, such as extra digital investments, with the objective of enhancing our competitiveness in the e-commerce segment. We recorded with satisfaction that sales contribution from e-commerce to our Mainland China business continued to rise. Extra staff expenditures in the form of merchandising talents were made during the year. These were aimed at developing new in-house brand products and enhancing the management of existing products. Although these initiatives may inevitably cause a short-term negative impact on margin, we believe that they are necessary for our long-term sustainable growth.

We are especially gratified by the performance of our Japan and the USA operations. This has been another year of resilient underlying growth in the results of these businesses, ranging from sales revenue to profit.

The year 2018 was a very special and memorable year for I.T, as it marked the 30th anniversary of the founding of the company. Numerous celebrations and marketing events took place with great success. Moreover, a number of new brands were recruited during the financial year. The Group believes that these latest additions have further enhanced and diversified our already comprehensive brand portfolio.

Turnover by Market

Turnover in our Hong Kong and Macau segment increased by 3.0% to HK$3,424.8 million despite a reduction in the store distribution network in Hong Kong. The increase in turnover was mainly attributable to positive comparable store sales growth that we achieved throughout the financial year. The Hong Kong and Macau segment contributed 38.8% towards the Group's total turnover (FY17/18: 39.6%).

One of our ongoing endeavors on the Mainland is to further increase our footprint, both online and offline, with the objective of extending the reach of our brands. Progress in this direction was reflected by a further noticeable increase in total trading area over the previous year. As a result, turnover of our Mainland China operations also increased, by 5.2% to HK$4,122.6 million, contributing 46.7% towards the Group's total turnover (FY17/18: 46.8%).

Our Japan and the USA segment, which accounted for 13.0% of total Group turnover (FY17/18: 12.0%), continued to deliver sustainable and marked growth. Turnover of our Japan and the USA business rose by 14.6% to HK$1,152.7 million. This positive development was predominantly the result of our ongoing efforts to optimise our product design and innovate our marketing initiatives to support collaborative campaigns with various fashion units around the world. We are particularly gratified by the overwhelmingly positive response to our brand collections, namely A Bathing Ape, during the year of 2018, which marked the 25th anniversary of the founding of the brand.

Breakdown of turnover by region of operations:

	Turnover			% of Turnover	
	FY18/19	FY17/18		**FY18/19**	FY17/18
	HK$ million	HK$ million	Change		
Hong Kong and Macau	**3,424.8**	3,323.8	+3.0%	**38.8%**	39.6%
Retail sales only	***3,363.6***	*3,282.3*	*+2.5%*		
Mainland China	**4,122.6**	3,919.6	+5.2%	**46.7%**	46.8%
Retail sales only	***4,082.7***	*3,837.3*	*+6.4%*		
Japan and the USA	**1,152.7**	1,005.9	+14.6%	**13.0%**	12.0%
Retail sales only	***1,054.5***	*945.8*	*+11.5%*		
Other	**132.1**	133.7	-1.2%	**1.5%**	1.6%
Total	**8,832.2**	8,383.0	+5.4%	**100.0%**	100.0%

Brand Mix

An important part of the Group's ongoing commitment to deliver sustainable growth is our focus on optimising the range of our brand portfolio – both through introduction of collections from the latest fashion ideas and by upgrading the design and quality of our in-house brand products. We are especially delighted by the number of new and exciting brands we introduced during the financial year. We believe that these additions have further enhanced and diversified our already comprehensive brand portfolio. For the year ended 28 February 2019, our in-house brands segment continued to provide us with the largest revenue contribution, amounting to 60.5% (FY17/18: 60.2%).

Breakdown of retail sales by brand categories:

	Retail Sales			% of Retail Sales	
	FY18/19	FY17/18		**FY18/19**	FY17/18
	HK$ million	HK$ million	Change		
In-house brands	**5,219.2**	4,936.3	+5.7%	**60.5%**	60.2%
International brands	**3,332.7**	3,202.2	+4.1%	**38.6%**	39.1%
Licensed brands	**81.0**	60.6	+33.7%	**0.9%**	0.7%
	8,632.9	8,199.1	+5.3%	**100.0%**	100.0%

Margin and Cost Dynamics

The Group continued to deliver sustainable growth in turnover at 5.4% with gross profit also rising by 5.9% over the last year. Gross margin increased to 63.9% (FY17/18: 63.5%) as compared to the previous year amid a competitive retail landscape and an unfavorable market situation in regard to the depreciation of currencies in some of the Group's operating regions, such as Mainland China.

Rent-to-sales ratio (including rental charges and building management fees) of the Group decreased to 23.0% (FY17/18: 24.2%) whereas the staff cost-to-sales ratio (excluding share option expenses) increased to 17.3% (FY17/18: 16.3%). Such increase in the staff cost-to-sales ratio was largely due to the extra workforce expenditures that we made during the financial year in relation to e-commerce and merchandising talents. Total operating costs as a percentage of sales rose to 55.8% (FY17/18: 55.0%).

Nevertheless, the increase in the Group's gross profit was mostly offset by the increase in operating costs and consequently, the operating profit of the Group decreased slightly by 0.5% to HK$753.6 million.

(b) Hong Kong and Macau

The Group continued to rationalise the store distribution network in Hong Kong during the financial year with the objective of mitigating cost pressures and enhancing operational excellence. As a result, total trading area in Hong Kong decreased by 3.4% over last year. Irrespective of our total trading area in Hong Kong being strategically adjusted, turnover in our Hong Kong and Macau segment increased by 3.0% over the previous year to HK$3,424.8 million, and retail sales also increased by 2.5% to HK$3,363.6 million. Comparable store sales growth registered at +2.4% (FY17/18: -0.9%).

Gross margin increased to 62.5% (FY17/18: 60.7%). Such expansion in gross margin was primarily a result of the controlled discount activities. Consequently, operating profit of HK$12.6 million was recorded for the full year as compared to an operating loss of HK$39.7 million in the previous year.

This positive development was attributable to multiple factors, but we believe that it was mainly due to our ongoing efforts to improve the brand range of our portfolios and to introduce fresh shopping excitements to our customers through new store concepts. To take just an example, during the year a new multi-faceted shopping concept combining fashion, food & beverage, beauty, footwear, eyewear, sportwear and lifestyle products was introduced. We are pleased to note that this new retail concept has continued to perform well and has elicited an overwhelmingly positive response.

(c) Mainland China

In regard to Mainland China, our store distribution network was further developed, as reflected by the increase in total trading area of 8.3% over last year. Turnover attributable to our Mainland China business amounted to HK$4,122.6 million, which marks another year of sustainable turnover growth of 5.2%. Total retail sales also increased by 6.4%, to HK$4,082.7 million, with comparable store sales growth registering 1.7% (FY17/18: 0.2%). It should be noted that in November 2018, we further enhanced our partnership with the brand KENZO (which we have managed exclusively in Mainland China for several years) through the establishment of a joint venture to strengthen the development of the brand's business in Mainland China. As a result, since November 2018 the sales and profit of this brand were no longer consolidated in our Mainland China business but were recorded as a share of result of the joint ventures in the Group's income statement.

For purchases made during the financial year, the market environment in regard to external factors was considered generally negative – mostly due to the Renminbi weakening against other currencies as compared with the previous year. As a result, the enhancement in gross margin gained from holding back price discount activities in order to strengthen brand integrity was outweighed by the negative impact from the depreciation of the Renminbi. Gross margin in Mainland China decreased by 1.1 percentage points to 62.1%.

Operating costs rose as a percentage of sales, which was attributable to multiple factors including extra workforce expenditures on digital and merchandising talents. These were aimed at enhancing our competitiveness in the e-commerce segment and merchandising capability for the development of new in-house brand products. We also made extra expenditures on marketing for both online and offline initiatives to coincide with this special year of our 30th anniversary. These extra expenditures may inevitably cause a negative impact on margins in the short-term, but we believe that they will generate a positive effect on long-term sustainable growth.

As a result of the above, operating profit of our Mainland China segment decreased by 31.5% to HK$229.1 million.

(d) Japan and the USA

Our Japan and the USA segment experienced another year of resilient underlying growth in business results while sales increased by 14.6% to HK$1,152.7 million. In regard to profitability, gross margin improved to 71.2% (FY17/18: 71.0%) while operating profit also rose by 11.1% to HK$474.9 million. We are particularly encouraged by the results especially after many consecutive years of strong growth.

There is even more to look forward to our A Bathing Ape brand in the coming years. Our ambitious plans include new collections, new and innovative collaborations with more renowned fashion names and business units around the world, and even developing new locations in different countries with the aim of extending our reach to fashion enthusiasts.

Share of Results of Joint Ventures

Share of losses of joint ventures amounting to HK$27.8 million was recorded for the year ended 28 February 2019 (FY17/18: share of profits of joint ventures of HK$14.0 million). The decline in share of earnings of joint ventures was primarily due to the pre-opening expenses associated with our second Galeries Lafayette store, which was recently launched in Shanghai, Mainland China, and the start-up expenses associated with a joint venture with the KENZO brand.

Inventory

Average inventory turnover cycle of the Group decreased by 7 days to 168 days as compared to that in the previous year.

Cash Flows and Financial Position

The Group's cash and bank balances as at 28 February 2019 were HK$1,772.0 million compared to HK$2,315.3 million as at 28 February 2018 and its net cash balance amounted to HK$612.0 million (net cash is defined as cash and cash equivalents of HK$1,772.0 million less bank borrowings of HK$1,160.0 million) versus HK$937.9 million as at 28 February 2018.

Cash inflow from operating activities for the year ended 28 February 2019 amounted to HK$439.1 million (FY17/18: HK$993.4 million).

Liquidity and Banking Facilities

As at 28 February 2019, the Group had aggregate banking facilities of approximately HK$2,162.6 million (28 February 2018: HK$1,433.2 million) for overdrafts, bank loans and trade financing, of which approximately HK$854.3 million (28 February 2018: HK$1,035.4 million) was unutilised at the same date. These facilities are mainly secured by corporate guarantees provided by the Company and certain subsidiaries.

Charges of Assets

As at 28 February 2019, a bank borrowing was secured on land and buildings with a carrying amount of HK$183.7 million (28 February 2018: HK$190.2 million).

Contingent Liabilities

As at 28 February 2019, the Group did not have any significant contingent liabilities (28 February 2018: Nil).

Foreign Exchange

The Group is exposed to foreign exchange risk arising from exposure in the Japanese Yen, Macau Pataca, Pound Sterling, Euro, United States Dollar, New Taiwan Dollar and Chinese Renminbi against the Hong Kong Dollar. The fluctuations in the value of the Hong Kong Dollar against other currencies could affect our margins and profitability. Nevertheless, management will continue to monitor 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

Human resources are our greatest assets, and we regard the personal development of our employees as highly important. As of 28 February 2019, the Group had a total of 7,760 (FY17/18: 6,793) full time employees. The Group invests in regular training and other development courses for employees to enhance their technical and product knowledge as well as management skills. The Group offers competitive remuneration packages to its employees, including basic salary, allowances, insurance, and commission/bonuses.

Outlook

As we continue into 2019, the global economic environment has become more uncertain, with signs of economic growth slowing in different parts of the world and a general increase in political volatility along with economic uncertainty impacting consumer enthusiasm. However, the Group remains very flexible in regard to new ideas and growth opportunities for our store distribution networks in Hong Kong. We also remain determined to continue our expansion in Mainland China and other overseas markets. As always, the Group continues to be vigilant to identify strategic investment or lucrative business opportunities that enable us to sustain long-term profitability.

CORPORATE GOVERNANCE

The Company is committed to implementing good corporate governance practices and emphasising on transparency and accountability to its shareholders and stakeholders. In the opinion of the Board, the Company has applied and complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 28 February 2019, 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. In addition, under the supervision by the Board which half of the members are independent non-executive Directors, the interests of the shareholders will be adequately and fairly represented.

Detailed information of the Company's corporate governance practices will be disclosed in the Corporate Governance Report contained in the Company's 2018/19 Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by Directors. Upon enquiry by the Company, all Directors have confirmed that, for the year ended 28 February 2019, they have complied with the required standards as set out in the Model Code regarding securities transactions by the Directors.

REVIEW OF FINANCIAL INFORMATION

The figures in respect of the Group's consolidated statement of comprehensive income, the consolidated statement of financial position and the related notes thereto for the year ended 28 February 2019 as set out in the preliminary announcement have been reviewed and agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

The Audit Committee has reviewed with the Management the accounting principles and practices adopted by the Company and discussed auditing, risk management and internal control systems and financial reporting matters including the review of the consolidated financial statements of the Group and the annual report for the year ended 28 February 2019.

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

The Company redeemed an aggregate principal amount of RMB894,000,000, representing all its outstanding 6.25 per cent Senior Notes due 2018 (the "Senior Notes") at the redemption price equal to 100% of the principal amount together with interest accrued upon its maturity on 15 May 2018.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares or the Senior Notes during the year ended 28 February 2019.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Unit B, Ground Floor, Vita Tower, 29 Wong Chuk Hang Road, Hong Kong on Wednesday, 21 August 2019 at 3:00 p.m. (the "2019 AGM"). Notice of the 2019 AGM will be published and sent to shareholders in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed as follows:

1. For the purpose of ascertaining shareholders who are entitled to attend and vote at the 2019 AGM to be held on Wednesday, 21 August 2019 (or any adjournment thereof), the register of members of the Company will be closed from Thursday, 15 August 2019 to Wednesday, 21 August 2019, both days inclusive. In order to qualify for the right to attend and vote at the 2019 AGM (or any adjournment thereof), all transfers accompanied by the relevant share certificates should be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited (the "Share Registrar"), no later than 4:30 p.m. on Wednesday, 14 August 2019.

2. Upon the shareholders' approval of the payment of the final dividend, for the purpose of ascertaining shareholders who qualify for the final dividend, the register of members of the Company will be closed on Tuesday, 27 August 2019. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates should be lodged with the Share Registrar no later than 4:30 p.m. on Monday, 26 August 2019. The expected dispatch date of the dividend warrant and the expected payment date of the final dividend is on or around Tuesday, 10 September 2019.

The address of the Share Registrar is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

By Order of the Board
Sham Kar Wai
Chairman

Hong Kong, 24 May 2019

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