

I.T
INTERIM
REPORT
18/19

STOCK CODE: 999

I.T LIMITED INTERIM REPORT

18/19

TABLE OF CONTENTS

CORPORATE PROFILE	8
HIGHLIGHTS	10
INDEPENDENT REVIEW REPORT	12
FINANCIAL INFORMATION	13
MANAGEMENT DISCUSSION AND ANALYSIS	36
DISCLOSURE OF INTERESTS	44
OTHER INFORMATION	48

IT

IS



a fashion icon
TREND SETTING

inspiration
a lifestyle

MOVING FORWARD

Executive Directors

Mr. SHAM Kar Wai

Mr. SHAM Kin Wai

Mr. CHAN Wai Kwan

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

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Hong Kong

Auditor

PricewaterhouseCoopers,
Certified Public Accountants

Principal Bankers

Hang Seng Bank

Hongkong and Shanghai Banking Corporation

Standard Chartered Bank

Principal Share Registrar

Conyers Corporate Services (Bermuda) Limited

Hong Kong Branch Share Registrar

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Stock Code

999

HIGHLIGHTS

- Total turnover of the Group increased by 11.3% to HK\$4,064.1 million.
- Total retail sales in Hong Kong and Macau increased by 7.6% to HK\$1,559.6 million. Same-store-sales-growth rate registered at +8.0% (FY17/18: -6.9%). Total trading area reduced by 6.3%.
- Total retail sales in Mainland China increased by 12.0% to HK\$1,831.6 million. Same-store-sales-growth rate registered at -2.5% (FY17/18: +0.9%). Total trading area increased by 9.9%.
- Total retail sales in Japan and the USA recorded HK\$525.6 million or JPY7,333.6 million representing 24.8% increase in Hong Kong Dollar or 22.2% increase in local currency from FY17/18.
- Gross profit of the Group increased by 13.9% to HK\$2,600.7 million with a gross profit margin of 64.0% (FY17/18: 62.5%).
- Net profit of the Group increased by 87.8% to HK\$113.4 million.
- Basic earnings per share increased by 88.0% to 9.4 HK cents.

Per share data	31 August 2018	31 August 2017	Change
EPS-basic (HK\$)	0.094	0.050	+88.0%
EPS-diluted (HK\$)	0.091	0.049	+85.7%
Book value (HK\$) ⁽¹⁾	2.76	2.55	+8.2%

Key statistics	31 August 2018	31 August 2017	Change
Inventory turnover (Days) ⁽²⁾	183.3	200.4	-8.5%
Cash and cash equivalent (HK\$ million)	1,857.9	1,956.8	-5.1%
Net cash (HK\$ million) ⁽³⁾	818.0	625.7	+30.7%
Debt to equity ratio (%) ⁽⁴⁾	31.5	43.6	-27.8%
Return on equity ratio (%) ⁽⁵⁾	3.3	2.0	+65.0%

Notes:

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

Store Coverage

	A. No. of stores			
	Self-managed		Franchised	
	31 August 2018	28 February 2018	31 August 2018	28 February 2018
Greater China:				
Hong Kong				
I.T	211	222	-	-
FCUK IT ⁽¹⁾	3	3	-	-
ZIT H.K. ⁽¹⁾	3	3	-	-
Mainland China				
I.T	498	492	30	38
FCIT China ⁽¹⁾	10	10	-	-
Camper I.T China ⁽¹⁾	8	9	-	-
Taiwan	20	21	-	-
Macau				
I.T	13	13	-	-
ZIT H.K. ⁽¹⁾	1	1	-	-
Overseas:				
Japan	21	21	-	-
USA	3	3	-	-
France	-	-	1	1
Thailand	-	-	1	1
England	-	-	8	8
Singapore	-	-	7	7
Indonesia	-	-	1	1
South Korea	-	-	1	1
Canada	-	-	3	3
Dubai	-	-	2	2
Saudi Arabia	-	-	1	-

	B. Sales footage ⁽²⁾			
	Self-managed		Franchised	
	31 August 2018	28 February 2018	31 August 2018	28 February 2018
Greater China:				
Hong Kong				
I.T	511,286	553,867	-	-
FCUK IT ⁽¹⁾	3,483	3,483	-	-
ZIT H.K. ⁽¹⁾	2,797	2,797	-	-
Mainland China				
I.T	1,553,281	1,568,147	40,113	54,564
FCIT China ⁽¹⁾	14,729	14,729	-	-
Camper I.T China ⁽¹⁾	6,125	6,425	-	-
Taiwan	31,027	32,179	-	-
Macau				
I.T	38,241	36,702	-	-
ZIT H.K. ⁽¹⁾	1,998	1,998	-	-
Overseas:				
Japan	44,728	44,905	-	-
USA	10,595	10,595	-	-
France	-	-	1,510	1,510
Thailand	-	-	2,000	2,000
England	-	-	1,864	1,864
Singapore	-	-	12,690	12,954
Indonesia	-	-	3,160	3,160
South Korea	-	-	1,552	1,552
Canada	-	-	7,880	7,880
Dubai	-	-	588	607
Saudi Arabia	-	-	247	-

Notes:

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

(2) represents gross area.

INDEPENDENT REVIEW REPORT



羅兵咸永道

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 13 to 35, 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 2018 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

A handwritten signature in black ink, appearing to be 'W T', with a long vertical line extending downwards from the 'T'.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 October 2018

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 August 2018

	Note	Six months ended 31 August	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Turnover	6	4,064,081	3,652,005
Cost of sales	8	(1,463,397)	(1,368,645)
Gross profit		2,600,684	2,283,360
Other (losses)/gains, net	7	(19,680)	3,644
Operating expenses	8	(2,381,351)	(2,123,108)
Other income	9	41,580	23,857
Operating profit		241,233	187,753
Finance income	10	14,945	9,993
Finance costs	10	(24,821)	(35,834)
Share of (losses)/profits of joint ventures		(105)	4,112
Profit before income tax		231,252	166,024
Income tax expense	11	(117,887)	(105,659)
Profit for the period		113,365	60,365
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss			
Currency translation differences		(148,370)	77,343
Cash flow hedge recognised as finance costs		(33,047)	(38,318)
Fair value changes on cash flow hedge, net of tax		29,212	67,157
Total other comprehensive (loss)/income for the period		(152,205)	106,182
Total comprehensive (loss)/income for the period		(38,840)	166,547
Profit attributable to:			
– Equity holders of the Company		112,511	59,754
– Non-controlling interests		854	611
		113,365	60,365
Total comprehensive (loss)/income attributable to:			
– Equity holders of the Company		(39,297)	165,859
– Non-controlling interests		457	688
		(38,840)	166,547
Earnings per share attributable to equity holders of the Company for the period (expressed in HK cent per share)			
– basic	13	9.4	5.0
– diluted	13	9.1	4.9

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 August 2018

	Note	As at 31 August 2018 (Unaudited) HK\$'000	As at 28 February 2018 (Audited) HK\$'000
ASSETS			
Non-current assets			
Property, furniture and equipment	14	799,050	859,433
Intangible assets	14	308,237	331,952
Investments in and loans to joint ventures	15	171,258	159,050
Rental deposits	17	277,650	313,012
Prepayments for non-current assets	17	72,618	59,558
Deferred income tax assets		126,366	117,233
		<u>1,755,179</u>	<u>1,840,238</u>
Current assets			
Inventories		1,511,107	1,404,759
Trade and other receivables	16	235,238	331,426
Amounts due from joint ventures	15	57,752	65,080
Prepayments and other deposits	17	431,488	380,071
Current income tax recoverable		1,993	1,930
Cash and cash equivalents		1,857,917	2,315,333
		<u>4,095,495</u>	<u>4,498,599</u>
LIABILITIES			
Current liabilities			
Borrowings	21	(257,850)	(1,254,016)
Trade payables	19	(424,588)	(470,964)
Accruals and other payables	20	(893,024)	(724,891)
Derivative financial instruments	18	-	(29,212)
Amounts due to joint ventures	15	(20,419)	(19,009)
Current income tax liabilities		(124,545)	(108,984)
		<u>(1,720,426)</u>	<u>(2,607,076)</u>
Net current assets		<u>2,375,069</u>	<u>1,891,523</u>
Non-current liabilities			
Borrowings	21	(782,002)	(123,355)
Accruals	20	(6,134)	(7,169)
Derivative financial instruments	18	(527)	(4,749)
Deferred income tax liabilities		(42,245)	(47,826)
		<u>(830,908)</u>	<u>(183,099)</u>
Net assets		<u>3,299,340</u>	<u>3,548,662</u>
EQUITY			
Capital and reserves			
Share capital	22	119,580	119,580
Reserves	23	3,176,693	3,425,755
Non-controlling interests		3,067	3,327
Total equity		<u>3,299,340</u>	<u>3,548,662</u>



SHAM KAR WAI
Chairman



SHAM KIN WAI
Director

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 August 2018

	Share capital (Unaudited) HK\$'000	Reserves (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 March 2018	119,580	3,425,755	3,327	3,548,662
Profit for the period	-	112,511	854	113,365
Other comprehensive (loss)/income:				
- currency translation differences	-	(147,973)	(397)	(148,370)
- cash flow hedge recognised as finance costs	-	(33,047)	-	(33,047)
- fair value changes on cash flow hedge, net of tax	-	29,212	-	29,212
Total comprehensive (loss)/income for the six months ended 31 August 2018	-	(39,297)	457	(38,840)
Transaction with owners:				
Final dividends for the year ended 28 February 2018	-	(212,852)	-	(212,852)
Final dividends to non-controlling interests for the year ended 28 February 2018	-	-	(717)	(717)
Share option scheme				
- value of employment services	-	3,087	-	3,087
Total transaction with owners	-	(209,765)	(717)	(210,482)
Balance at 31 August 2018	119,580	3,176,693	3,067	3,299,340
Balance at 1 March 2017	119,580	2,915,373	2,753	3,037,706
Profit for the period	-	59,754	611	60,365
Other comprehensive income:				
- currency translation differences	-	77,266	77	77,343
- cash flow hedge recognised as finance costs	-	(38,318)	-	(38,318)
- fair value changes on cash flow hedge, net of tax	-	67,157	-	67,157
Total comprehensive income for the six months ended 31 August 2017	-	165,859	688	166,547
Transaction with owners:				
Final dividends for the year ended 28 February 2017	-	(155,454)	-	(155,454)
Final dividends to non-controlling interests for the year ended 28 February 2017	-	-	(752)	(752)
Share option scheme				
- value of employment services	-	3,894	-	3,894
Total transaction with owners	-	(151,560)	(752)	(152,312)
Balance at 31 August 2017	119,580	2,929,672	2,689	3,051,941

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 2018

	Six months ended 31 August	
	2018	2017
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Cash flows from operating activities		
Cash generated from operations	262,373	436,938
Interest paid	(24,821)	(35,475)
Hong Kong profits tax paid	(3,265)	(2,094)
Overseas income tax paid	(110,026)	(78,637)
	<u>124,261</u>	<u>320,732</u>
Net cash generated from operating activities	<u>124,261</u>	<u>320,732</u>
Cash flows from investing activities		
Purchase of property, furniture and equipment	(148,575)	(198,730)
Capital injection to joint ventures	(22,630)	(3,000)
Interest received	13,267	7,934
	<u>(157,938)</u>	<u>(193,796)</u>
Net cash used in investing activities	<u>(157,938)</u>	<u>(193,796)</u>
Cash flows from financing activities		
Proceeds from borrowings	787,200	197,723
Repayments of borrowings	(1,158,780)	(212,861)
Dividends paid to non-controlling interests	(717)	(752)
	<u>(372,297)</u>	<u>(15,890)</u>
Net cash used in financing activities	<u>(372,297)</u>	<u>(15,890)</u>
Net (decrease)/increase in cash and cash equivalents	(405,974)	111,046
Currency translation differences	(51,442)	27,926
Cash and cash equivalents, at 1 March	2,315,333	1,817,804
	<u>2,315,333</u>	<u>1,817,804</u>
Cash and cash equivalents, at 31 August	<u>1,857,917</u>	<u>1,956,776</u>

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 Dollar ("HK\$"), unless otherwise stated.

This condensed consolidated interim financial information was approved for issue by the board of directors on 24 October 2018.

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 2018 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 2018, 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 2018, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of the revised standards and amendments issued by the HKICPA.

(a) Impact of new and amended standards

The Group has applied the following standards and amendments which are effective for the Group's financial year beginning on or after 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 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 (Amendments)	Transfers of Investment Property
HK(IFRIC) 22	Foreign Currency Transactions and Advance Consideration

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.

The Group's financial assets, including trade receivables, other receivables and loans and amounts due from joint ventures that are subject to the new expected credit loss model of the new HKFRSs.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables based on credit risk characteristics and the days past due. For the other financial assets, expected credit losses are assessed according to change in credit quality since initial recognition. 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.

The Group has assessed the expected credit loss model applied as at 1 March 2018 and the change in impairment methodologies has no significant impact of the Group's condensed consolidated interim financial information and the opening allowance is not restated in this respect.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

3 ACCOUNTING POLICIES (Continued)

(a) Impact of new and amended standards (Continued)

HKFRS 15 "Revenue from contracts with customers"

The Group has first time adopted HKFRS 15 from 1 March 2018 which resulted in changes in accounting policies. In accordance with the transition provisions of HKFRS 15, the Group has adopted the modified retrospective application and no comparative figures are restated.

HKFRS 15 establishes a new framework for revenue recognition. This replaces HKAS 18 which cover contracts for goods and services and HKAS 11 which cover construction contracts. The new standard introduces a five-step model to determine when to recognise revenue and at what amount. Under the five-step model, revenue is recognised when control of goods or services is transferred to a customer and at the amount to which the entity expects to be entitled. Depending on the nature of the contracts, revenue is either recognised over time or at a point in time.

The adoption of HKFRS 15 has no impact on the Group's financial position and results of operations based on the current business model, other than presenting additional disclosures.

(b) New and revised HKFRSs issued but not yet effective

The following new standards and amendments have been issued but are not effective for the financial year beginning 1 March 2018 and have not been early adopted:

HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC) 23	Uncertainty over Income Tax Treatments
HKFRS 17	Insurance Contracts
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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 balance sheet, 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 standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$2,912,343,000 (Note 25(b)).

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Date of adoption by 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

4 ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 28 February 2018.

5 FINANCIAL RISK MANAGEMENT

5.1 Fair value estimation

The Group measures its fair value of the financial instruments carried at fair value as at 31 August 2018 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 2018:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 August 2018				
Liabilities				
Currency swap contract not qualified for hedge accounting	-	(527)	-	(527)
	-	(527)	-	(527)
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 28 February 2018				
Liabilities				
Currency and interest rate swap contracts – cash flow hedges	-	(29,212)	-	(29,212)
Currency swap contracts not qualified for hedge accounting	-	(4,749)	-	(4,749)
	-	(33,961)	-	(33,961)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

6 TURNOVER AND SEGMENT INFORMATION

	Six months ended 31 August	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover		
– Sales of fashion wears and accessories	<u>4,064,081</u>	<u>3,652,005</u>

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

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 (loss)/profit"), 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 and investments in and loans to joint ventures and amounts due from joint ventures which are managed centrally.

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

	Hong Kong and Macau		Mainland China		(Unaudited) Japan and the USA		Other		Total	
	Six months ended 31 August		Six months ended 31 August		Six months ended 31 August		Six months ended 31 August		Six months ended 31 August	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>1,580,300</u>	<u>1,466,640</u>	<u>1,854,599</u>	<u>1,674,125</u>	<u>574,652</u>	<u>456,768</u>	<u>54,530</u>	<u>54,472</u>	<u>4,064,081</u>	<u>3,652,005</u>
EBITDA	(4,116)	(49,934)	119,694	185,876	268,850	197,402	14,564	12,633	398,992	345,977
Depreciation and amortisation	(44,772)	(56,800)	(96,040)	(84,338)	(9,519)	(3,846)	(941)	(1,815)	(151,272)	(146,799)
(Provision for) reversal of impairment of property, furniture and equipment	623	(5,188)	(7,110)	(6,237)	-	-	-	-	(6,487)	(11,425)
Segment (loss)/profit	<u>(48,265)</u>	<u>(111,922)</u>	<u>16,544</u>	<u>95,301</u>	<u>259,331</u>	<u>193,556</u>	<u>13,623</u>	<u>10,818</u>	<u>241,233</u>	<u>187,753</u>
Finance income									14,945	9,993
Finance costs									(24,821)	(35,834)
Share of (losses)/profits of joint ventures									(105)	4,112
Profit before income tax									<u>231,252</u>	<u>166,024</u>
	Hong Kong and Macau		Mainland China		Japan and the USA		Other		Total	
	HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000	
Total segment assets										
As at 31 August 2018	<u>2,083,327</u>		<u>2,700,781</u>		<u>654,637</u>		<u>54,560</u>		<u>5,493,305</u>	
As at 28 February 2018	<u>2,506,324</u>		<u>2,767,862</u>		<u>658,868</u>		<u>62,490</u>		<u>5,995,544</u>	

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

6 TURNOVER AND SEGMENT INFORMATION (Continued)

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

	As at 31 August 2018 (Unaudited) HK\$'000	As at 28 February 2018 (Audited) HK\$'000
Segment assets for reportable segments	5,438,745	5,933,054
Other segment assets	54,560	62,490
	<u>5,493,305</u>	<u>5,995,544</u>
Unallocated:		
Deferred income tax assets and current income tax recoverable	128,359	119,163
Investments in and loans to joint ventures and amounts due from joint ventures	229,010	224,130
	<u>5,850,674</u>	<u>6,338,837</u>

7 OTHER (LOSSES)/GAINS, NET

	Six months ended 31 August 2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Fair value gains/(losses) on derivative financial instruments		
– foreign currency swap contract	4,222	(1,281)
Net exchange (losses)/gains	(23,902)	4,925
	<u>(19,680)</u>	<u>3,644</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

8 EXPENSES BY NATURE

	Six months ended 31 August	
	2018	2017
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Cost of inventories sold	1,413,476	1,354,644
Provision for write-downs of inventories to net realisable value	4,934	17,642
Employment costs (including directors' emoluments)	753,705	627,653
Operating lease rentals of premises		
– minimum lease payments	743,012	735,872
– contingent rents	122,363	107,855
Building management fee	132,751	121,699
Advertising and promotion costs	107,887	62,225
Commission expenses	57,198	46,053
Bank charges	40,229	38,017
Utilities expenses	29,003	28,097
Freight charges	17,217	13,722
Depreciation of property, furniture and equipment	145,323	139,977
Impairment of property, furniture and equipment	6,487	11,425
Loss on disposals of property, furniture and equipment	10,980	777
Contingent licence fees	12,067	9,256
Amortisation of intangible assets	5,949	6,822
Provision for impairment of amount due from a joint venture	–	4,000
Other expenses	242,167	166,017
	<u>3,844,748</u>	<u>3,491,753</u>
Total		
	<u>3,844,748</u>	<u>3,491,753</u>
Representing:		
Cost of sales	1,463,397	1,368,645
Operating expenses	2,381,351	2,123,108
	<u>3,844,748</u>	<u>3,491,753</u>

9 OTHER INCOME

	Six months ended 31 August	
	2018	2017
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Government grants	37,871	19,958
Others	3,709	3,899
	<u>41,580</u>	<u>23,857</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

10 FINANCE INCOME AND COSTS

	Six months ended 31 August	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Interest income from		
– bank deposits	12,932	8,227
– amounts due from joint ventures	228	228
– others (i)	1,785	1,538
	<hr/>	<hr/>
Finance income	14,945	9,993
	<hr/>	<hr/>
Interest expense on borrowings wholly repayable within five years	(23,807)	(36,515)
Net foreign exchange transaction loss	(34,061)	(37,637)
Transfer from hedging reserve		
– interest rate and currency swaps: cash flow hedge	33,047	38,318
	<hr/>	<hr/>
Finance costs	(24,821)	(35,834)
	<hr/>	<hr/>
Net finance costs	<u>(9,876)</u>	<u>(25,841)</u>

Note:

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

11 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% (six months ended 31 August 2017: 16.5%) on the estimated assessable profits of the Group's operation in Hong Kong.

Mainland China enterprise income tax has been provided at the applicable rate of 25% (six months ended 31 August 2017: 25%) on the estimated assessable profits of the Group's operations in Mainland China.

Japan Corporate Income Tax has been provided at the applicable rate of 34.81% (six months ended 31 August 2017: 34.81%) on the estimated assessable profits of the Group's operations in Japan.

Macau Complementary (Corporate) tax has been provided at the applicable rate of 12% (six months ended 31 August 2017: 12%) on the estimated assessable profits in excess of HK\$582,000 (approximately MOP600,000) of the Group's operations in Macau.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

11 INCOME TAX EXPENSE (Continued)

Taiwan profits tax has been provided at the rate of 20% (six months ended 31 August 2017: 17%) on the estimated assessable profits of the Group's operations in Taiwan.

The applicable United States enterprise income tax rate for subsidiary operating in the United States of America is 45.03% for the six months ended 31 August 2017. 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 30%.

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

	Six months ended 31 August	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Current income tax		
– Hong Kong profits tax	4,587	2,618
– Mainland China enterprise income tax	28,066	31,641
– Overseas income tax	99,584	74,871
– Under-provision in prior year	168	2,042
Deferred income tax	(14,518)	(5,513)
	<u>117,887</u>	<u>105,659</u>

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 31 August 2018 is 36.4% (six months ended 31 August 2017: 43.7%). The decrease is mainly caused by a change of the distribution of profits of the Group's entities operating in different locations.

12 DIVIDENDS

A final dividend relating to the year ended 28 February 2018 amounting to HK\$212,852,000 is included in other payables and was paid in September 2018.

The Board does not declare the payment of an interim dividend for the six months ended 31 August 2018 (six months ended 31 August 2017: Nil).

13 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.

	Six months ended 31 August	
	2018 (Unaudited)	2017 (Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	<u>112,511</u>	<u>59,754</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,195,797</u>	<u>1,195,797</u>
Basic earnings per share (HK cent)	<u>9.4</u>	<u>5.0</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

13 EARNINGS PER SHARE (Continued)

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Shares issuable under the share option schemes are the only dilutive potential ordinary shares. A calculation is 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.

	Six months ended 31 August	
	2018 (Unaudited)	2017 (Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	<u>112,511</u>	<u>59,754</u>
Weighted average number of ordinary shares in issue ('000)	1,195,797	1,195,797
Adjustments for share options ('000)	<u>45,312</u>	<u>35,333</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>1,241,109</u>	<u>1,231,130</u>
Diluted earnings per share (HK cent)	<u>9.1</u>	<u>4.9</u>

14 PROPERTY, FURNITURE AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, furniture and equipment (Unaudited) HK\$'000	Intangible assets (Unaudited) HK\$'000
	Six months ended 31 August 2018	
Opening net book amount as at 1 March 2018	859,433	331,952
Additions	132,446	-
Disposals	(10,980)	-
Depreciation and amortisation	(145,323)	(5,949)
Impairment	(6,487)	-
Currency translation differences	<u>(30,039)</u>	<u>(17,766)</u>
Closing net book amount as at 31 August 2018	<u>799,050</u>	<u>308,237</u>
Six months ended 31 August 2017		
Opening net book amount as at 1 March 2017	796,046	321,197
Additions	184,565	-
Disposals	(777)	-
Depreciation and amortisation	(139,977)	(6,822)
Impairment	(11,425)	-
Currency translation differences	<u>16,416</u>	<u>10,640</u>
Closing net book amount as at 31 August 2017	<u>844,848</u>	<u>325,015</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

15 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES

	As at 31 August 2018 (Unaudited) HK\$'000	As at 28 February 2018 (Audited) HK\$'000
Share of net assets	150,051	138,071
Loans to joint ventures	21,207	20,979
	<u>171,258</u>	<u>159,050</u>
Amounts due from joint ventures	<u>57,752</u>	<u>65,080</u>
Amounts due to joint ventures	<u>(20,419)</u>	<u>(19,009)</u>
(a) Balances with joint ventures		

	As at 31 August 2018 (Unaudited) HK\$'000	As at 28 February 2018 (Audited) HK\$'000
Loans to and amounts due from joint ventures		
ZIT H.K. Limited (i)	18,348	16,134
FCIT China Limited (ii)	34,379	34,094
Glory Premium Limited (iv)	2,229	2,302
Galleries Lafayette (Beijing) Limited (iv)	12,818	21,231
Camper (Shanghai) Limited (iii)	34,583	35,376
FCUK IT Company (iv)	-	320
	<u>102,357</u>	<u>109,457</u>
Less: provision for impairment	<u>(23,398)</u>	<u>(23,398)</u>
Loans to and amounts due from joint ventures, net of provision	<u>78,959</u>	<u>86,059</u>
Amounts due to joint ventures		
Kenchart Apparel (Shanghai) Limited (iv)	(15,227)	(13,843)
Glory Premium Limited (iv)	-	(74)
FCUK IT Company (iv)	(295)	(50)
ZIT H.K. Limited (iv)	(4,773)	(4,918)
Camper I.T China Limited (iv)	(121)	(121)
FCIT China Limited (iv)	(3)	(3)
	<u>(20,419)</u>	<u>(19,009)</u>

Notes:

- (i) As at 31 August 2018, the loan to ZIT H.K. Limited of approximately HK\$9,100,000 (28 February 2018: HK\$9,100,000) is unsecured, interest bearing at 5% (28 February 2018: 5%) per annum and fully repayable at the termination of the joint venture. The remaining balance is unsecured, non-interest bearing and repayable on demand.
- (ii) As at 31 August 2018, the loan to FCIT China Limited of approximately HK\$8,000,000 (28 February 2018: HK\$8,000,000) is unsecured, non-interest bearing and has no fixed term of repayment. The remaining balance is unsecured, non-interest bearing and repayable on demand.
- (iii) As at 31 August 2018, the loan to Camper (Shanghai) Limited of approximately HK\$23,398,000 (28 February 2018: HK\$23,398,000) is unsecured, non-interest bearing and has no fixed term of repayment. The remaining balance is unsecured, non-interest bearing and repayable on demand.
- (iv) 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)

15 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\$18,000,002	50%	Retail of fashion wears and accessories
FCIT China Limited	Hong Kong	HK\$2	50%	Investment holding
ZIT H.K. Limited	Hong Kong	HK\$1,000,000	50%	Retail of fashion wears and accessories
Glory Premium Limited	Hong Kong	HK\$4,500,000	50%	Investment holding
Kenchart Apparel (Shanghai) Limited	Mainland China	US\$3,700,000	50%	Retail of fashion wears and accessories
FCIT (Macau), Limited	Macau	MOP1,030,000	50%	Retail of fashion wears and accessories
Galleries Lafayette (China) Limited	Hong Kong	HK\$425,485,166	50%	Investment holding
Galleries Lafayette (Beijing) Limited	Mainland China	US\$15,000,000	50%	Operation of a department store
Galleries Lafayette (Shanghai) Limited	Mainland China	RMB20,000,000	50%	Operation of a department store
Macaron (Beijing) Limited	Mainland China	US\$100,000	50%	Operation of a supermarket
Camper I.T China Limited	Hong Kong	HK\$6,000,000	50%	Investment holding
Camper (Shanghai) Limited	Mainland China	US\$3,500,000	50%	Retail of foot wears
Kenzo Asia Holding Co. Limited	Hong Kong	RMB40,100,000	49%	Investment holding
Kenzo (Shanghai) Commercial Co. Limited	Mainland China	RMB40,000,000	49%	Retail of fashion wears and accessories

16 TRADE AND OTHER RECEIVABLES

	As at 31 August 2018 (Unaudited) HK\$'000	As at 28 February 2018 (Audited) HK\$'000
Trade receivables	218,037	316,659
Less: provision for impairment of trade receivables	(2,598)	(2,726)
Trade receivables – net	<u>215,439</u>	<u>313,933</u>
Interest receivables	1,685	2,020
Other receivables	18,114	15,473
Trade and other receivables	<u><u>235,238</u></u>	<u><u>331,426</u></u>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

16 TRADE AND OTHER RECEIVABLES (Continued)

The ageing analysis of the trade receivables is as follows:

	As at 31 August 2018 (Unaudited) HK\$'000	As at 28 February 2018 (Audited) HK\$'000
0 to 30 days	175,091	259,944
31 to 60 days	29,238	48,057
61 to 90 days	5,747	4,295
Over 90 days	7,961	4,363
	<u>218,037</u>	<u>316,659</u>

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

17 RENTAL DEPOSITS, PREPAYMENTS AND OTHER DEPOSITS

	As at 31 August 2018 (Unaudited) HK\$'000	As at 28 February 2018 (Audited) HK\$'000
Rental deposits	493,988	486,445
Prepayments	263,265	241,879
Utilities and other deposits	24,503	24,317
	<u>781,756</u>	<u>752,641</u>
Less: non-current portion:		
Rental deposits	(277,650)	(313,012)
Prepayments for non-current assets	(72,618)	(59,558)
	<u>431,488</u>	<u>380,071</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

18 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 August 2018 Liabilities (Unaudited) HK\$'000	As at 28 February 2018 Liabilities (Audited) HK\$'000
Qualified for hedge accounting – cash flow hedge:		
Foreign currency and interest rate swap contract, at market value (a)	-	(29,212)
Not qualified for hedge accounting:		
Currency swap contract, at market value (b)	(527)	(4,749)
	(527)	(33,961)
Less: current portion:		
Foreign currency and interest rate swap contract, at market value (a)	-	29,212
	<u>(527)</u>	<u>(4,749)</u>

Notes:

- (a) As at 28 February 2018, the notional principal amounts of the outstanding foreign currency and interest rate swap contracts were RMB894,000,000, which has been designated as the hedging instrument for the Senior Notes (Note 21). The Senior Notes have been fully repaid on 15 May 2018.
- (b) As at 31 August 2018, 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 USD11,000,000.

19 TRADE PAYABLES

The ageing analysis of trade payables based on invoice date is as follows:

	As at 31 August 2018 (Unaudited) HK\$'000	As at 28 February 2018 (Audited) HK\$'000
0 to 30 days	265,795	209,079
31 to 60 days	97,091	144,124
61 to 90 days	24,247	55,962
91 to 180 days	11,088	29,064
181 to 365 days	3,421	9,541
Over 365 days	22,946	23,194
	<u>424,588</u>	<u>470,964</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

20 ACCRUALS AND OTHER PAYABLES

	As at 31 August 2018 (Unaudited) HK\$'000	As at 28 February 2018 (Audited) HK\$'000
Accruals		
– Rented premises	271,328	296,209
– Employment costs	105,608	134,362
– Others	147,718	152,874
Dividend payables	212,852	–
Other payables	161,652	148,615
	<u>899,158</u>	<u>732,060</u>
Less: non-current portion:		
Accruals – Rented premises	<u>(6,134)</u>	<u>(7,169)</u>
	<u>893,024</u>	<u>724,891</u>

21 BORROWINGS

	As at 31 August 2018 (Unaudited) HK\$'000	As at 28 February 2018 (Audited) HK\$'000
Non-current borrowings		
– Bank borrowings	782,002	123,355
	<u>782,002</u>	<u>123,355</u>
Current borrowings		
– Portion of bank borrowings due for repayment within one year	190,600	85,600
– Portion of bank borrowings due for repayment after one year which contain a repayable on demand clause	67,250	72,550
– Senior Notes (a)	–	1,095,866
	<u>257,850</u>	<u>1,254,016</u>
	<u>1,039,852</u>	<u>1,377,371</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

21 BORROWINGS (Continued)

Movements in borrowings are analysed as follows:

	(Unaudited) HK\$'000
Six months ended 31 August 2018	
As at 1 March 2018	1,377,371
Proceeds from borrowings	787,200
Repayments of borrowings	(1,158,780)
Currency translation differences	34,061
	<u>1,039,852</u>
Six months ended 31 August 2017	
As at 1 March 2017	1,308,657
Proceeds from borrowings	197,723
Repayments of borrowings	(212,861)
Currency translation differences	37,637
	<u>1,331,156</u>

The fair values of current borrowings approximate their carrying amounts, as the impact of discounting is not significant. As at 31 August 2018, the effective borrowing cost was 2.7% (as at 28 February 2018: 5.4%) per annum.

Interest expense on borrowings for the six months ended 31 August 2018 is approximately HK\$23,807,000 (six months ended 31 August 2017: HK\$36,515,000).

Details of the Group's banking facilities are set out in Note 24.

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 six months 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. The purchased Senior Notes amounting to RMB106,000,000 during the six months ended 31 August 2014 was then duly cancelled pursuant to the terms and conditions of the Senior Notes. As at 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

22 SHARE CAPITAL

Movements were:

	Number of ordinary shares '000	Share capital HK\$'000
Issued and fully paid:		
At 1 March 2017 (Audited), 28 February 2018 (Audited) and 31 August 2018 (Unaudited)	<u>1,195,797</u>	<u>119,580</u>

Share options

Details of the Share Option Schemes are set out in the annual report for the year ended 28 February 2018. Movements in the number of share options outstanding and the exercise prices are as follows:

	Six months ended 31 August			
	2018		2017	
	Weighted-average exercise price per share HK\$	Options (thousands)	Weighted-average exercise price per share HK\$	Options (thousands)
Beginning and end of the period	2.95	<u>121,152</u>	2.95	<u>121,152</u>

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

Expiry date	Exercise price after issue of scrip shares HK\$	Share options (thousands)	
		As at 31 August 2018	As at 31 August 2017
27 December 2019	1.23	33,805	33,805
11 February 2020	1.43	22,537	22,537
17 March 2021	4.96	40,250	40,250
16 September 2022	3.42	24,560	24,560
		<u>121,152</u>	<u>121,152</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

23 RESERVES

	Share premium (Unaudited) HK\$'000	Share-based payment reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Foreign exchange translation reserve (Unaudited) HK\$'000	Statutory reserve (Unaudited) HK\$'000	Hedging reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 March 2018	812,732	175,566	40,715	94,667	64,941	3,835	2,233,299	3,425,755
Share option scheme								
- value of employment services	-	3,087	-	-	-	-	-	3,087
Profit for the period	-	-	-	-	-	-	112,511	112,511
Final dividends for the year ended 28 February 2018	-	-	-	-	-	-	(212,852)	(212,852)
Currency translation differences								
- Group	-	-	-	(137,427)	-	-	-	(137,427)
- Joint ventures	-	-	-	(10,546)	-	-	-	(10,546)
Cash flow hedge recognised as finance costs	-	-	-	-	-	(33,047)	-	(33,047)
Fair value changes on cash flow hedge, net of tax	-	-	-	-	-	29,212	-	29,212
Balance at 31 August 2018	812,732	178,653	40,715	(53,306)	64,941	-	2,132,958	3,176,693
Balance at 1 March 2017	812,732	168,662	40,715	(93,178)	59,223	(36,696)	1,963,915	2,915,373
Share option scheme								
- value of employment services	-	3,894	-	-	-	-	-	3,894
Profit for the period	-	-	-	-	-	-	59,754	59,754
Final dividends for the year ended 28 February 2017	-	-	-	-	-	-	(155,454)	(155,454)
Currency translation differences								
- Group	-	-	-	72,028	-	-	-	72,028
- Joint ventures	-	-	-	5,238	-	-	-	5,238
Cash flow hedge recognised as finance costs	-	-	-	-	-	(38,318)	-	(38,318)
Fair value changes on cash flow hedge, net of tax	-	-	-	-	-	67,157	-	67,157
Balance at 31 August 2017	812,732	172,556	40,715	(15,912)	59,223	(7,857)	1,868,215	2,929,672

24 BANKING FACILITIES AND PLEDGE OF ASSETS

As at 31 August 2018, the Group had aggregate banking facilities of approximately HK\$2,253,450,000 (28 February 2018: approximately HK\$1,433,150,000) at floating rate for overdrafts, bank loans and trade financing, of which approximately HK\$1,044,484,000 (28 February 2018: approximately HK\$1,035,406,000) was unutilised as at the same date. These facilities are secured by corporate guarantees provided by the Company and certain subsidiaries as well as pledge of certain property, furniture and equipment.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

25 COMMITMENTS

(a) Capital commitments

	As at 31 August 2018 (Unaudited) HK\$'000	As at 28 February 2018 (Audited) HK\$'000
Contracted but not provided for – acquisition of fixture and furniture	<u>29,185</u>	<u>7,780</u>

(b) Lease commitments

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

	As at 31 August 2018 (Unaudited) HK\$'000	As at 28 February 2018 (Audited) HK\$'000
Not later than one year	1,232,718	1,249,262
Later than one year and not later than five years	1,618,516	1,510,925
Later than five years	<u>61,109</u>	<u>87,908</u>
	<u>2,912,343</u>	<u>2,848,095</u>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

26 RELATED PARTY TRANSACTIONS

(a) As at 31 August 2018, the Group was controlled by Effective Convey Limited (incorporated in the British Virgin Islands), which directly and indirectly owns a total of 61.92% of the Company's shares. Effective Convey Limited is indirectly wholly-owned by a discretionary trust for the benefit of, amongst others, Mr. Sham Kar Wai and Mr. Sham Kin Wai.

(b) Details of significant transactions with related parties:

	Six months ended 31 August	
	2018	2017
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest income from joint ventures	228	228
Service fees income from joint ventures	2,851	3,209
Commission fees payable to a joint venture	10,478	10,944
Purchases of goods from joint ventures	4,550	4,265
Commission income from joint ventures	858	690

(c) Key management compensation

	Six months ended 31 August	
	2018	2017
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Salaries and allowances	10,564	10,142
Pension costs - employer's contributions to a defined contribution plan	27	27
Share options granted	3,073	3,544
	<u>13,664</u>	<u>13,713</u>

27 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

Although our operating regions achieved varying levels of performance amidst complex macroeconomic conditions and retail landscape during the six months ended on 31 August 2018, the period again saw resilient underlying growth as reflected in the results of our different businesses. The Group's turnover continued its upward trend, fuelled by positive same-store-sales growth and additional revenue generated by store network expansion. Turnover of the Group rose 11.3% over last year to HK\$4,064.1 million. During the reporting period, gross margin continued to progress positively due to controlled discount discipline while operating profitability was upgraded. As a result, the net profit of the Group came in at HK\$113.4 million, representing an increase of 87.8% over last year.

In the Hong Kong and Macau segment, determined efforts were made to boost sales and to mitigate cost pressures. Notable progress was recorded in this direction with same-store-sales development continuing to show a positive upward trend. These factors, along with improved operating efficiency, resulted in the operating loss of the Group's Hong Kong and Macau business being considerably narrowed as compared to the corresponding period of the previous year.

Despite a decrease in same-store-sales development on the Mainland due to various reasons including stringent control on price discount campaigns, sales in this region continued to grow on the back of a further noticeable increase in total trading area. We note with satisfaction the increased sales contribution from e-commerce, which indicates that the extra digital investments we made in the second half of FY17/18 have started to generate revenue and to become an important complement to our Mainland China business. We have a long-term perspective regarding our retail development in both the physical and the digital world, and our improvement measures are as ever ongoing. We remain enthusiastic about the immense growth opportunities that we plan to capitalise on in this region.

Our business in Japan and the USA continued to deliver sustainable growth, from sales revenue to operating efficiency and to profit margins. We are also encouraged by the overwhelmingly positive response to our new shops that were opened earlier this year in Los Angeles.

Turnover by Market

For the reporting period, the geographical split of the Group's turnover was 38.9% Hong Kong and Macau (FY17/18: 40.2%), 45.6% Mainland China (FY17/18: 45.8%) and 14.1% Japan and the USA (FY17/18: 12.5%).

Turnover in our Hong Kong and Macau segment increased by 7.7% to HK\$1,580.3 million despite a reduction in store distribution network of 6.3%. The increase in turnover was mainly attributable to positive same-store-sales development throughout the reporting period. Such enhancement in same-store-sales development was a result of multiple factors which include a recovery in overall consumer appetite.

Turnover of our Mainland China operations increased by 10.8% to HK\$1,854.6 million while our total trading area further increased by a significant percentage as compared to the corresponding period of the previous year. As previously reported, one pillar of the Group's long-term strategies is to drive expansion in markets outside our home base of Hong Kong, while also extending our leadership role in the fashion retail communities across these regions.

Our Japan and the USA segment continued to deliver sustainable and marked growth. Turnover of our Japan and the USA business rose by 23.2% to JPY8,018.0 million, equating to an increase of 25.8% in Hong Kong Dollars to HK\$574.7 million, on the back of the overwhelmingly positive response to the collections of our "A Bathing Ape" brand. We are also particularly excited about the new product lines and innovative marketing campaigns we are going to launch throughout the second half of the financial year for the 25th anniversary of the founding of this brand, alongside collaborative activities with numerous renowned fashion names and business units.

Breakdown of turnover by region of operations:

	Turnover Six months ended 31 August			% of Turnover Six months ended 31 August	
	2018 HK\$ million	2017 HK\$ million	Change	2018	2017
Hong Kong and Macau	1,580.3	1,466.6	+7.7%	38.9%	40.2%
Retail sales only	1,559.6	1,449.2	+7.6%		
Mainland China	1,854.6	1,674.1	+10.8%	45.6%	45.8%
Retail sales only	1,831.6	1,635.7	+12.0%		
Japan and the USA	574.7	456.8	+25.8%	14.1%	12.5%
Retail sales only	525.6	421.1	+24.8%		
Other	54.5	54.5	0%	1.4%	1.5%
Total	4,064.1	3,652.0	+11.3%	100.0%	100.0%

Brand Mix

The Group continued to invest as an owner of our in-house brands as well as an operator or partner to the owner of our international brands through different aspects such as focused and innovative marketing initiatives to sustain, indeed enhance, the competitiveness of these brands in the rapidly changing fashion marketplace. For the reporting period, our in-house brands segment continued to provide us with the largest revenue contribution, equating to 58.3% (FY17/18: 58.0%).

Breakdown of retail sales by brand category:

	Retail Sales Six months ended 31 August			% of Retail Sales Six months ended 31 August	
	2018 HK\$ million	2017 HK\$ million	Change	2018	2017
In-house brands	2,314.8	2,065.3	+12.1%	58.3%	58.0%
International brands	1,625.7	1,475.1	+10.2%	40.9%	41.4%
Licensed brands	30.8	20.1	+53.2%	0.8%	0.6%
	3,971.3	3,560.5	+11.5%	100.0%	100.0%

Margin and Cost Dynamics

The Group continued to deliver sustainable growth in turnover at 11.3%, with gross profit also increasing by 13.9% with an enhancement in gross margin of 1.5 percentage points to 64.0% as compared to the corresponding period of the previous year. This positive development in gross margin was primarily attributable to a reduction in discount activities with the aim of securing brand integrity.

Rent-to-sales ratio (including rental charges and building management fees) of the Group decreased by 1.8 percentage points to 24.6%, whereas the staff cost-to-sales ratio (excluding share option expenses) increased from 17.1% to 18.5%. Such increase in the staff cost-to-sales ratio was primarily due to the extra workforce expenditures in relation to the digital investments we have made since the second half of FY17/18. We believe these investments are necessary for our long-term sustainable growth. Total operating costs as a percentage of sales increased to 58.6% (FY17/18: 58.1%).

On a positive note, the increase seen in the Group's gross profit was sufficient to offset the increase in operating costs and consequently, the operating profit of the Group rose by 28.5% to HK\$241.2 million.

(b) Hong Kong and Macau

Turnover in our Hong Kong and Macau segment increased by 7.7% compared to the corresponding period of the previous year to HK\$1,580.3 million. Retail sales also increased by 7.6% to HK\$1,559.6 million with same-store-sales growth registering at +8.0% (FY17/18: -6.9%). Throughout the six months ended on 31 August 2018, the Group continued to grow sales revenue while margins progressed on a positive trend, in line with our expectations. This positive development was attributable to multiple factors, but we believe that it was mainly due to our ongoing efforts to upgrade our highly distinctive brand portfolio and to introduce new shopping excitements through new store concepts. For instance, we further expanded our portfolio by exclusively launching three renowned fashion units namely WTAPS, Mastermind Japan vs A Bathing Ape and Undefeated, originating in Japan and the USA respectively, in brand new premises located in the centre of Causeway Bay in Hong Kong. The responses from our customers and the fashion communities to these new stores have been overwhelmingly positive.

Gross margin increased to 63.7% (FY17/18: 59.9%). Such expansion in gross margin was primarily a result of a decrease in markdowns in relation to sales.

Operating results improved significantly, not only because of the upturn in sales and gross margin, but also a result of enhanced operational excellence. Consequently, the operating loss of our Hong Kong and Macau segment reduced to HK\$48.3 million for the six months that ended on 31 August 2018 (FY17/18: operating loss of HK\$111.9 million).

(c) **Mainland China**

In regard to the Mainland, our store distribution network was further developed, as reflected by the increase in total trading area of 9.9% over the corresponding period of the previous year. Turnover attributable to our Mainland China business amounted to HK\$1,854.6 million, marking another year of sustainable turnover growth of 10.8%. Total retail sales increased by 12.0% to HK\$1,831.6 million, with same-store-sales growth registering -2.5% (FY17/18: +0.9%). The decline in same-store-sales growth was a result of multiple factors, but it principally reflected our strategic decision to hold back major end-of-season promotional activities such as the “Gig-on” sale in both March and August of this year. It also reflected an overall controlled discount discipline throughout the reporting period with the aim of strengthening brand integrity.

The enhancement in gross margin gained from the hold back of price discount activities was outweighed by the negative impact from the depreciation of the purchasing currency. As a result, gross margin decreased by 0.7 percentage point to 60.9%.

Operating costs rose as a percentage of sales, which was primarily due to higher overhead and staff costs in relation to the new digital investments that have been made since the second half of FY17/18. Another important factor was higher marketing expenses for both online and offline initiatives to support this special year of our 30th anniversary. We believe these investments are necessary today for our long-term sustainable growth. E-commerce, for example, offers good potential for future growth opportunities, and we continue to see increased sales contribution from this platform to our Mainland China business.

As a result, operating profit of our Mainland China segment decreased by 82.6% to HK\$16.5 million. It should be noted that if the aforementioned negative currency exchange effect from the depreciation of the Chinese Renminbi during the reporting period is excluded, operating profit of our Mainland China business decreased by 20.7%.

(d) Japan and the USA

Our Japan and USA segment experienced another period of resilient underlying growth in business results, with sales registering an increase of 23.2% to JPY8,018.0 million, while sales in Hong Kong Dollar terms also rose by 25.8% to HK\$574.7 million. This positive trend was mainly 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. In regard to profitability, gross margin improved by 0.9 percentage point to 72.8% while operating profit also increased by 34.0% to HK\$259.3 million. Such enhancements in operating profitability were achieved through increased efficiency as measured by operating costs on sales.

For the rest of the financial year, there is even more to look forward to from our A Bathing Ape brand which will join hands with numerous renowned fashion names and business units around the world for the celebration of the 25th anniversary of the founding of the brand. We are particularly excited about the series of innovative marketing events that are already in the pipeline.

Share of Results of Joint Ventures

Share of losses of joint ventures amounting to HK\$0.1 million was recorded for the reporting period (FY17/18: share of profits of joint ventures of HK\$4.1 million). The decline in share of earnings of joint ventures was principally due to the pre-opening expenses associated with our new Galeries Lafayette store to be opened in Shanghai, Mainland China.

Inventory

A level of increased incidence of inventory turnover efficiency (as measured by average inventory turnover days) was achieved. Average inventory turnover days of the Group decreased by 17 days to 183 days as compared to the corresponding period of the previous year.

Cash Flows and Financial Position

The Group's cash and bank balances as at 31 August 2018 were HK\$1,857.9 million compared to HK\$2,315.3 million as at 28 February 2018 and its net cash balance amounted to HK\$818.0 million (net cash is defined as cash and cash equivalents of HK\$1,857.9 million less bank borrowings of HK\$1,039.9 million) versus HK\$937.9 million as at 28 February 2018.

Cash inflow from operating activities for the reporting period amounted to HK\$124.3 million (FY17/18: HK\$320.7 million).

Liquidity and Banking Facilities

As at 31 August 2018, the Group had aggregate banking facilities of approximately HK\$2,253.5 million (28 February 2018: HK\$1,433.2 million) for overdrafts, bank loans and trade financing, of which approximately HK\$1,044.5 million (28 February 2018: approximately 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 31 August 2018, bank borrowing was secured on land and buildings with a carrying amount of HK\$186.9 million (28 February 2018: HK\$190.2 million).

Contingent Liabilities

As at 31 August 2018, the Group did not have significant contingent liabilities (FY17/18: 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, Chinese Renminbi and Korean Won against the Hong Kong Dollar. Although management monitors the foreign exchange risks of the Group on a regular basis and may enter into forward exchange contracts and foreign currency swap contracts with major and reputable financial institutions for foreign exchange risk hedging, fluctuations in the value of the Hong Kong Dollar against other currencies could affect our margins and profitability.

Employment, Training and Development

Human resources are our greatest assets, and we regard the personal development of our employees as highly important. As of 31 August 2018, the Group had a total of 7,074 (FY17/18: 6,536) 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

The Group has made a positive start to FY18/19, with all operating regions delivering sustainable sales growth during the reporting period, and we aim to sustain the momentum as we head into the rest of the financial year. Nonetheless, we are more cautious about the overall operating environment than we were a few months ago, since the global geopolitical and macroeconomic prospects are more uncertain today. The fallout from the trade war along with the trend of rising interest rates may weigh on consumer spending momentum across the various regions. With a well-diversified portfolio that covers a wide range of distinctive fashion brands and price segments alongside a well-established retail platform, both online and offline, we are in an excellent position to navigate any challenges that may lie ahead.

The Group does not expect a notable change in the size of distribution network in our Hong Kong and Macau segment during this financial year. Nevertheless, we remain very flexible to new ideas and growth opportunities. On the Mainland, the Group will continue the expansion strategy to further extend the reach of our new and existing brands.

DISCLOSURE OF INTERESTS

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 2018, the interests and short positions of the Directors and Chief Executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO"), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(a) Long positions in the shares of the Company

Director	Beneficiary of trust (Note 1)	Interest in underlying shares/equity derivatives (Note 2)	No. of shares held		Percentage of issued shares (Note 4)
			Direct Interest	Total	
Sham Kar Wai (Note 3)	698,564,441	35,048,379	6,834,000	740,446,820	61.92%
Sham Kin Wai (Note 3)	698,564,441	35,048,379	6,834,000	740,446,820	61.92%
Chan Wai Kwan	-	-	501,249	501,249	0.04%

Notes:

- 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.
- Detailed in the section headed "Share Options" below.
- 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.
- The issued shares of the Company was 1,195,797,307 shares as at 31 August 2018.

(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)
	Strengthen Source Limited	Beneficial owner	50%
	Income Team Limited	Interests in controlled company	100%
	Online Profit Limited	Interests in controlled company	100%
	Popbest Limited	Interests in controlled company	100%
	Shine Team Development Limited	Interests in controlled company	100%
	Veston Limited	Interests in controlled company	100%
	Young Ranger Investment Limited	Interests in controlled company	100%
	Sure Elite Limited	Beneficiary of a trust	100%
	Fresh Start Holdings Limited	Beneficiary of a trust	100%
	Fortune Symbol Limited	Beneficiary of a trust	100%
	Fine Honour Limited	Beneficiary of a trust	100%
	Effective Convey Limited	Beneficiary of a trust	100%
	Dynamic Vitality Limited	Beneficiary of a trust	100%
Sham Kin Wai	3WH Limited	Beneficial owner	50%
	Strengthen Source Limited	Beneficial owner	50%
	Income Team Limited	Interests in controlled company	100%
	Online Profit Limited	Interests in controlled company	100%
	Popbest Limited	Interests in controlled company	100%
	Shine Team Development Limited	Interests in controlled company	100%
	Veston Limited	Interests in controlled company	100%
	Young Ranger Investment Limited	Interests in controlled company	100%
	Sure Elite Limited	Beneficiary of a trust	100%
	Fresh Start Holdings Limited	Beneficiary of a trust	100%
	Fortune Symbol Limited	Beneficiary of a trust	100%
	Fine Honour Limited	Beneficiary of a trust	100%
	Effective Convey Limited	Beneficiary of a trust	100%
	Dynamic Vitality Limited	Beneficiary of a trust	100%

Note: Mr. Sham Kar Wai and Ms. Yau Shuk Ching, Chingmy (spouse of Mr. Sham Kar Wai) each holds 25% of the issued shares 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 2018.

DISCLOSURE OF INTERESTS (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 2018 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

2008 Share Option Scheme

The Company adopted a share option scheme on 30 June 2008 (the "2008 Share Option Scheme") for the purpose of providing incentives or rewards to selected eligible participants for their contribution or potential contribution to the Group. The 2008 Share Option Scheme was valid and effective for a period of 10 years from 8 July 2008, the date when it became unconditional after the Stock Exchange granted approval for the listing of and permission to deal in the shares to be issued and allotted by the Company pursuant to the exercise of options in accordance with the terms and conditions of the 2008 Share Option Scheme, and has been terminated by the shareholders of the Company at the annual general meeting held on 15 August 2017. Upon termination of the 2008 Share Option Scheme, no further options can be offered under the 2008 Share Option Scheme, but the provisions of the 2008 Share Option Scheme shall remain in full force and effect. Options granted prior to such termination shall continue to be valid and exercisable in accordance with their terms of grant after the termination of the 2008 Share Option Scheme.

No participant with options granted is in excess of the individual limit as stipulated in the 2008 Share Option Scheme.

No share option was exercised, cancelled or lapsed under the 2008 Share Option Scheme during the period ended 31 August 2018. The outstanding share options granted under the 2008 Share Option Scheme and are valid and exercisable during the period are set out below:

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

DISCLOSURE OF INTERESTS (Continued)

New Share Option Scheme

The shareholders of the Company approved the adoption of a new share option scheme (the “New Share Option Scheme”) at its annual general meeting held on 15 August 2017. The New Share Option Scheme is to recognise and acknowledge the contributions that eligible participants have made or may make to the Group.

Pursuant to the New Share Option Scheme, the Company may grant options to eligible participants as defined in the New Share Option Scheme to subscribe for shares in the Company at a price per share of not less than the highest of (i) the closing price of a share as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the relevant option, which must be a business day; (ii) an amount equivalent to the average closing price of a share as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant of the relevant option; and (iii) the nominal value of a share (if any) on the date of grant. A consideration of HK\$10 is payable on acceptance of the grant of options. An offer must be accepted within 3 business days from the date of offer (except for such circumstance as defined in the New Share Option Scheme). The New Share Option Scheme will remain in force for a period of 10 years commenced from 16 August 2017, the date that the Stock Exchange granted approval for the listing of and permission to deal in the shares to be issued and allotted by the Company pursuant to the exercise of share options in accordance with the terms and conditions of the New Share Option 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 New Share Option Scheme and any other scheme adopted by the Company from time to time must not, in aggregate, exceed 30% of the shares of the Company in issue from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted under the New Share Option Scheme and any other share option schemes of the Company to any eligible participant, in any 12-month period up to the date of grant, shall not exceed 1% in aggregate of the shares of the Company in issue as at the date of grant.

The New Share Option Scheme does not specify any minimum holding period for which an option must be held before it can be exercised.

The Company has not granted any option since the adoption of the New Share Option Scheme.

The total number of shares available for issue under the New Share Option Scheme is 119,579,730 shares, representing 10% of the issued shares of the Company as at the date of this report.

Details of the New Share Option Scheme are set out in the circular of the Company dated 14 June 2017.

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

As at 31 August 2018, 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 Divisions 2 and 3 of Part XV of the SFO an interest or a short position in the shares or underlying shares of the Company:

Long positions in the shares of the Company

Name	Capacity	Number of shares held	Percentage of issued shares	Long/short position
Yau Shuk Ching Chingmy (Notes 1 & 2)	Beneficiary of a trust/ Interest of spouse	740,446,820	61.92%	Long
Wong Choi Shan (Notes 1 & 3)	Beneficiary of a trust/ Interest of spouse	740,446,820	61.92%	Long
Effective Convey Limited (Note 4)	Beneficial owner/ Interest in corporation	698,564,441	58.41%	Long
Dynamic Vitality Limited (Notes 1 & 5)	Interest in corporation	698,564,441	58.41%	Long
HSBC International Trustee Limited (Notes 1 & 5)	Trustee	698,564,441	58.41%	Long
Fine Honour Limited (Note 4)	Beneficial owner	169,197,830	14.14%	Long
Fortune Symbol Limited (Note 4)	Beneficial owner	60,028,130	5.01%	Long
Fresh Start Holdings Limited (Note 4)	Beneficial owner	60,028,130	5.01%	Long
Sure Elite Limited (Note 4)	Beneficial owner	60,028,130	5.01%	Long
Yeung Chun Kam (Note 6)	Joint interest	64,270,000	5.27%	Long
Yeung Chun Fan (Note 6)	Joint interest	64,270,000	5.27%	Long
Cheung Wai Yee (Note 7)	Interest of spouse	64,270,000	5.27%	Long
NTAsian Discovery Master Fund	Beneficial owner	60,916,000	5.03%	Long
JPMorgan Chase & Co (Note 8)	Beneficial owner/ Interest in corporation	2,006,220 1,994,000	0.16% 0.16%	Long Short
	Approved lending agent	58,583,236	4.89%	Long

DISCLOSURE OF INTERESTS (Continued)

Notes:

1. The ABS 2000 Trust was established on 14 September 2000 as an irrevocable discretionary trust for the benefit of Mr. Sham Kar Wai and Mr. Sham Kin Wai (both are Directors of the Company) and their respective family members. HSBC International Trustee Limited is the trustee of The ABS 2000 Trust.
2. Spouse of Mr. Sham Kar Wai. Out of the 740,446,820 shares, Ms. Yau as a beneficiary of The ABS 2000 Trust, is interested in 698,564,441 shares while the rest of the shares is held in the capacity of interest of spouse.
3. Spouse of Mr. Sham Kin Wai. Out of the 740,446,820 shares, Ms. Wong as a beneficiary of The ABS 2000 Trust, is interested in 698,564,441 shares while the rest of the shares is held in the capacity of interest of spouse.
4. 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.
5. Effective Convey Limited is a wholly-owned subsidiary of Dynamic Vitality Limited, which is wholly-owned by The ABS 2000 Trust. Each of Dynamic Vitality Limited and HSBC International Trustee Limited is therefore deemed interested in the shares held by Effective Convey Limited.
6. 64,270,000 shares are held by Dr. Yeung Chun Kam and Mr. Yeung Chun Fan jointly.
7. Spouse of Mr. Yeung Chun Fan.
8. JP Morgan Chase & Co. held the shares through its controlled corporations, JP Morgan Chase Bank, N.A., J.P. Morgan International Finance Limited, J.P. Morgan Capital Holdings Limited and J.P. Morgan Securities plc.

OTHER INFORMATION

INTERIM DIVIDEND

In view of global economic uncertainties, the business environment is likely continue to be full of challenges, the Board does not declare the payment of an interim dividend for the six months ended 31 August 2018 (six months ended 31 August 2017: Nil).

CORPORATE GOVERNANCE

The Company is committed to implementing good corporate governance practices and emphasising on transparency and accountability to its shareholders and stakeholders. In the opinion of the Board, the Company has applied and complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the six months ended 31 August 2018, except for the deviation as mentioned below.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by the Directors. Upon enquiry by the Company, all Directors have confirmed that, for the six months ended 31 August 2018, they have complied with the required standard as 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 2018 are set out below:

Name of Director	Details of changes
<i>Independent Non-executive Director</i> Dr. Wong Tin Yau, Kelvin, J.P.	- Appointed as an independent non-executive director and a member of audit committee of the board of Mingfa Group (International) Company Limited with effect from 1 September 2018.
Mr. Mak Wing Sum, Alvin	- Elected as a member to the supervisory board and appointed as the chairman of the audit committee of the Hong Kong Housing Society with effect from 6 September 2018.

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 2018:

(a) **Term Loans**

- (i) Reference is made to the announcements of the Company dated 1 December 2014 and 24 April 2017 pursuant to Rule 13.18 of the Listing Rules. Terms used herein have the same meaning as those defined in the announcement made by the Company on 24 April 2017 (the "Announcement").

On 24 April 2017, the Company made the Announcement that I.T Finance Limited, an indirectly wholly-owned subsidiary of the Company, as the borrower has entered into the Banking Facility Letter for the purpose of refinancing in full the facilities under the facility agreement dated 1 December 2014. Pursuant to the Banking Facility Letter, it is (among other matters) an event of default if (i) Mr. Sham Kar Wai and Mr. Sham Kin Wai, the current Executive Directors, 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 at least 40% of the beneficial shareholding, carrying at least 40% of the voting rights in the Company, free from any encumbrance. Upon occurrence of an event of default, the obligation of the Lender to make the New Facility available may be terminated, and all advance of the New Facility together with accrued interest and all other sums payable under the Banking Facility Letter may become immediately due and payable.

Details of the New Facility are set out below:

Banking Facility Letter: the facility letter dated 20 March 2017 executed by I.T Finance Limited and the Lender;

Borrower: I.T Finance Limited;

Lender: The Hongkong and Shanghai Banking Corporation Limited;

Facility: a term loan of up to HK\$200 million repayable by eight equal quarterly instalments of HK\$25 million commencing 15 months after the first drawdown.

- (ii) Terms used herein this subsection have the same meaning as those defined in the announcement made by the Company on 31 January 2018 (the "Facility Announcement").

On 31 January 2018, the Company made the Facility Announcement that I.T Finance Limited, an indirectly wholly-owned subsidiary of the Company, as the borrower has entered into the Facility Agreement. 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, (i) commitments of the banks or any part thereof under the Facility Agreement shall immediately be cancelled; and/or (ii) the whole or any part of the Loans, together with accrued interest, and all other amounts accrued or outstanding shall become immediately due and payable; and/or (iii) the whole or any part of the Loans shall immediately become payable on demand.

Details of the Facility are set out below:

Facility Agreement: the facility agreement dated 31 January 2018 entered into between I.T Finance Limited, the guarantors (being the Company and three indirectly wholly-owned subsidiaries of the Company) and a syndicate of banks on 31 January 2018;

Facility: a term loan facility in an aggregate commitment of HK\$800,000,000 repayable by six half-yearly instalments; the repayment date of the first instalment shall be the date falling 18 months after the date of the Facility Agreement and the last instalment shall be the date falling 48 months after the date of the Facility Agreement.

OTHER INFORMATION (Continued)

REVIEW OF FINANCIAL INFORMATION

This interim financial report for the six months ended 31 August 2018 has been reviewed by PricewaterhouseCoopers, the Company's independent auditor whose review report is included in this interim report.

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 and financial reporting matters including the review of the unaudited financial information of the Group and the interim report for the six months ended 31 August 2018.

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 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 during the six months ended 31 August 2018.

On behalf of the Board



Sham Kar Wai
Chairman

Hong Kong, 24 October 2018

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**I.T LIMITED INTERIM REPORT
2018/2019**