

**I.T**

**INTERIM REPORT**

**11/12**

**STOCK CODE: 999**





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ITS

**a fashion icon**

**TREND SETTING**

**inspiration**

**a lifestyle**

**MOVING FORWARD**

**CORPORATE PROFILE**

### **Executive Directors**

Mr. SHAM Kar Wai  
Mr. SHAM Kin Wai

# DIRECTORS

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

Mr. WONG Wai Ming  
Mr. Francis GOUTENMACHER  
Dr. WONG Tin Yau, Kelvin

### **Company Secretary**

Miss HO Suk Han, Sophia

### **Registered Office**

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

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

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

### **Auditor**

PricewaterhouseCoopers,  
Certified Public Accountants

### **Principal Bankers**

Hang Seng Bank Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Standard Chartered Bank (Hong Kong) Limited

### **Principal Share Registrar**

HSBC Securities Services (Bermuda) Limited

### **Hong Kong Branch Share Registrar**

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716 17/F Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong  
Tel: 2862-8628

### **IR Contact**

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Investor Relations Manager  
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### **Corporate Website**

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



# HIGHLIGHTS

- Turnover of the Group increased by 60.3% to HK\$2,404.6 million.
- Total retail sales in Hong Kong increased by 38.4% to HK\$1,445.9 million, and comparable store sales increased by 17.5%.
- Total retail sales in Mainland China increased by 56.2% to HK\$564.5 million, and comparable store sales increased by 17.6%.
- Total sales in Japan was HK\$247.4 million and EBITDA was HK\$19.7 million.
- Total retail sales in other regions (namely Macau and Taiwan) increased by 61.9% to HK\$87.4 million and operating profits increased by 178.9% to HK\$22.4 million.
- Gross profit of the Group increased by 59.8% to HK\$1,497.8 million. Gross profit margin maintained at 62.3%.
- EBITDA increased by 67.4% to HK\$313.4 million and net profit increased by 40.7% to HK\$151.8 million.
- Basic earnings per share increased by 35.5% to HK\$0.126.
- An interim dividend of HK2.5 cents per share was declared.

Key statistics	31 August 2011	31 August 2010	Change
Inventory turnover (Days) <sup>(1)</sup>	177.0	141.1	+35.9
Capital expenditure (HK\$ million) <sup>(2)</sup>	182.7	55.1	+127.6
Net (debt)/cash (HK\$ million) <sup>(3)</sup>	(16.7)	577.6	-594.3
Current ratio <sup>(4)</sup>	1.9	2.1	-0.2
Return on equity (%) <sup>(5)</sup>	8.0	7.1	+0.9

Notes:

- <sup>(1)</sup> Average inventory at the beginning and at the end of the period divided by cost of sales times number of days during the period.
- <sup>(2)</sup> Additions of furniture and equipment and intangible assets.
- <sup>(3)</sup> Cash and cash equivalents less bank borrowings.
- <sup>(4)</sup> Current assets divided by current liabilities.
- <sup>(5)</sup> Profit for the period divided by average of shareholders' equity at the beginning and at the end of the period.

## Store Coverage

	A. No. of stores			
	Self-managed		Franchised	
	31 August 2011	28 February 2011	31 August 2011	28 February 2011
<b>Greater China:</b>				
Hong Kong				
I.T	255	245	–	–
FCUK IT <sup>(1)</sup>	7	9	–	–
ZIT H.K. <sup>(1)</sup>	2	1	–	–
Mainland China				
I.T	178	147	63	56
FCIT China <sup>(1)</sup>	14	14	–	1
Taiwan	16	13	–	2
Macau				
I.T	7	10	–	–
FCIT Macau <sup>(1)</sup>	1	2	–	–
<b>Overseas:</b>				
Japan <sup>(2)</sup>	22	21	–	–
USA <sup>(2)</sup>	1	1	–	–
Thailand	–	–	10	10
Europe <sup>(3)</sup>	–	–	7	8
Philippines	–	–	2	2
Saudi Arabia	–	–	1	1
Singapore	–	–	1	1
South Korea	–	–	1	1

	B. Sales footage <sup>(4)</sup>			
	Self-managed		Franchised	
	31 August 2011	28 February 2011	31 August 2011	28 February 2011
<b>Greater China:</b>				
Hong Kong				
I.T	548,583	512,984	–	–
FCUK IT <sup>(1)</sup>	9,838	13,476	–	–
ZIT H.K. <sup>(1)</sup>	2,562	2,300	–	–
Mainland China				
I.T	468,113	399,199	70,001	64,646
FCIT China <sup>(1)</sup>	22,393	21,872	–	1,711
Taiwan	24,046	20,463	–	7,372
Macau				
I.T	25,690	28,350	–	–
FCIT Macau <sup>(1)</sup>	3,330	4,430	–	–
<b>Overseas:</b>				
Japan <sup>(2)</sup>	53,414	47,839	–	–
USA <sup>(2)</sup>	3,313	3,313	–	–
Thailand	–	–	10,672	9,081
Europe <sup>(3)</sup>	–	–	2,442	2,757
Philippines	–	–	1,280	1,525
Saudi Arabia	–	–	1,075	1,075
Singapore	–	–	2,016	2,016
South Korea	–	–	2,130	2,130

Notes:

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

<sup>(2)</sup> a 90.3% owned subsidiary of the Company

<sup>(3)</sup> includes England, France and Germany

<sup>(4)</sup> The above area represents gross area while net area was disclosed in our previous annual/interim reports

羅兵咸永道會計師事務所

PricewaterhouseCoopers  
22nd Floor, Prince's Building  
Central, Hong Kong

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 30, 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 2011 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

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



**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 24 October 2011

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 August 2011

	Note	Six months ended 31 August	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Turnover	4	2,404,596	1,499,832
Cost of sales	6	(906,800)	(562,566)
Gross profit		1,497,796	937,266
Other gains/(losses)	5	4,024	(7,531)
Operating expenses	6	(1,307,559)	(800,966)
Operating profit		194,261	128,769
Finance (cost)/income, net	7	(2,619)	1,940
Share of profits less losses of jointly controlled entities		3,394	3,006
Profit before income tax		195,036	133,715
Income tax expense	8	(43,276)	(25,841)
Profit for the period		151,760	107,874
<b>Other comprehensive income:</b>			
Currency translation differences		20,322	4,279
Total comprehensive income for the period		172,082	112,153
Profit/(loss) attributable to:			
– Equity holders of the Company		152,428	107,874
– Non-controlling interests		(668)	–
		151,760	107,874
Total comprehensive income/(loss) attributable to:			
– Equity holders of the Company		173,090	112,153
– Non-controlling interests		(1,008)	–
		172,082	112,153
Earnings per share for the period (expressed in HK\$ per share)			
– basic	10	0.126	0.093
– diluted	10	0.119	0.092
Dividends	9	30,515	50,088

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

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 August 2011

	Note	As at 31 August 2011 (Unaudited) HK\$'000	As at 28 February 2011 (Audited) HK\$'000
<b>ASSETS</b>			
Non-current assets			
Property, furniture and equipment	11	805,924	727,022
Intangible assets	11	381,044	370,722
Investments in and amounts due from jointly controlled entities	12	112,462	63,730
Rental deposits	14	228,415	199,414
Deferred income tax assets		57,443	51,389
		<b>1,585,288</b>	1,412,277
Current assets			
Inventories		1,007,633	736,717
Trade and other receivables	13	102,228	121,371
Amounts due from jointly controlled entities	12	23,089	21,995
Derivative financial instruments	15	2,384	–
Prepayments and other deposits	14	210,661	217,358
Cash and cash equivalents		606,348	775,841
		<b>1,952,343</b>	1,873,282
<b>LIABILITIES</b>			
Current liabilities			
Bank borrowings	18	(94,528)	(214,911)
Trade and bill payables	16	(468,918)	(360,545)
Accruals and other payables	17	(335,119)	(349,524)
Amounts due to jointly controlled entities	12	(49,144)	(45,055)
Current income tax liabilities		(54,206)	(42,460)
		<b>(1,001,915)</b>	(1,012,495)
Net current assets		<b>950,428</b>	860,787
Total assets less current liabilities		<b>2,535,716</b>	2,273,064
Non-current liabilities			
Bank borrowings	18	(528,558)	(379,234)
Other payables	17	(20,651)	(21,935)
Deferred income tax liabilities		(29,985)	(28,683)
		<b>(579,194)</b>	(429,852)
Net assets		<b>1,956,522</b>	1,843,212
<b>EQUITY</b>			
Capital and reserves			
Share capital	19	122,061	119,725
Reserves	20	1,839,218	1,727,236
Non-controlling interests		(4,757)	(3,749)
Total equity		<b>1,956,522</b>	1,843,212



**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 2011

	<b>Share capital (Unaudited)</b> HK\$'000	<b>Reserves (Unaudited)</b> HK\$'000	<b>Non- controlling interests (Unaudited)</b> HK\$'000	<b>Total (Unaudited)</b> HK\$'000
Balance at 1 March 2011	119,725	1,727,236	(3,749)	1,843,212
Profit for the period	–	152,428	(668)	151,760
Other comprehensive income:				
– currency translation differences	–	20,662	(340)	20,322
Total comprehensive income for the six months ended 31 August 2011	–	173,090	(1,008)	172,082
Transaction with owners:				
Final dividends for the year ended 28 February 2011	–	(126,906)	–	(126,906)
Exercise of share options	2,336	50,485	–	52,821
Share option scheme				
– value of employment services	–	15,313	–	15,313
Total transaction with owners	2,336	(61,108)	–	(58,772)
Balance at 31 August 2011	122,061	1,839,218	(4,757)	1,956,522
Balance at 1 March 2010	115,504	1,362,219	–	1,477,723
Profit for the period	–	107,874	–	107,874
Other comprehensive income:				
– currency translation differences	–	4,279	–	4,279
Total comprehensive income for the six months ended 31 August 2010	–	112,153	–	112,153
Transaction with owners:				
Final dividends for the year ended 28 February 2010	–	(121,369)	–	(121,369)
Issue of scrip shares	3,034	77,784	–	80,818
Exercise of share options	718	15,415	–	16,133
Share option scheme				
– value of employment services	–	7,905	–	7,905
Total transaction with owners	3,752	(20,265)	–	(16,513)
Balance at 31 August 2010	119,256	1,454,107	–	1,573,363

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 2011

	Six months ended 31 August	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Net cash generated from operating activities	109,145	110,009
Net cash used in investing activities	(224,772)	(47,415)
Net cash (used in)/generated from financing activities	(54,945)	252,009
Net (decrease)/increase in cash and cash equivalents	(170,572)	314,603
Currency translation differences	1,079	(329)
Cash and cash equivalents, at 1 March	775,841	622,238
Cash and cash equivalents, at 31 August	<u>606,348</u>	<u>936,512</u>
Analysis of cash and cash equivalents:		
Cash and bank deposits	<u>606,348</u>	<u>936,512</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.

These condensed consolidated interim financial information are presented in Hong Kong Dollars ("HK\$"), unless otherwise stated.

This condensed consolidated interim financial information was approved for issue by Board of Directors on 24 October 2011.

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 2011 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 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

## 3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 28 February 2011, as described in those annual financial statements.

(a) The following new amendment to existing standard is mandatory for the accounting period beginning on or after 1 March 2011:

HKAS 34 (Amendment)	Interim Financial Reporting
---------------------	-----------------------------

(b) The following new standards, amendments and interpretations to existing standards are mandatory for the accounting period beginning on or after 1 March 2011, but are currently not relevant to the Group:

HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a minimum funding requirement
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 3 ACCOUNTING POLICIES (Continued)

- (c) The following new standards, amendments and interpretations to existing standards have been issued, but are not effective and have not been early adopted:

HKAS 1 (Amendment)	Presentation of Financial Statements on Other Comprehensive Income (effective for annual period beginning on or after 1 July 2012)
HKAS 12 (Amendment)	Deferred Tax – Recovery of Underlying Assets (effective for annual period beginning on or after 1 January 2012)
HKAS 19 (Revised 2011)	Employee Benefits (effective for annual period beginning on or after 1 January 2013)
HKAS 27 (Revised 2011)	Separate Financial Statements (effective for annual period beginning on or after 1 January 2013)
HKAS 28 (Revised 2011)	Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2013)
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual period beginning on or after 1 July 2011)
HKFRS 7 (Amendment)	Disclosures – Transfer of Financial Assets (effective for annual period beginning on or after 1 July 2011)
HKFRS 9	Financial Instruments (effective for annual period beginning on or after 1 January 2013)
HKFRS 10	Consolidated Financial Statements (effective for annual period beginning on or after 1 January 2013)
HKFRS 11	Joint Arrangements (effective for annual period beginning on or after 1 January 2013)
HKFRS 12	Disclosure of Interests in Other (effective for annual period beginning on or after 1 January 2013)
HKFRS 13	Fair Value Measurement (effective for annual period beginning on or after 1 January 2013)

The adoption of the above new standards, amendments and interpretations to existing standards in future periods is not expected to result in substantial changes to the Group's accounting policies.

In addition, the HKICPA also published a number of amendments to existing standards under its annual improvement project. These amendments are not expected to have a significant financial impact on the results of operations and financial position of the Group.

The Group will adopt the above new standards, amendments and interpretations when they become effective.

## 4 TURNOVER AND SEGMENT INFORMATION

	<b>Six months ended 31 August</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Turnover		
– Sales of fashion wears and accessories	<b><u>2,404,596</u></b>	<u>1,499,832</u>

The chief operating decision maker has been identified as the board of directors that makes strategic decisions. The board of directors 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 board of directors considers the business from geographic perspective and assesses the performance of the geographical segment based on a measure of operating profit before impairment of goodwill and property, furniture and equipment, depreciation of property, furniture and equipment, amortisation and write-off of intangible assets ("EBITDA"). The information provided to the board of directors is measured in a manner consistent with that in the financial statements.

Segment assets exclude deferred income tax assets and investments in and amounts due from jointly controlled entities which are managed on a central basis.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 4 TURNOVER AND SEGMENT INFORMATION (Continued)

The segment information provided to the board of directors for the reportable segments for the period ended 31 August 2011 and 2010 is as follows:

	Hong Kong		Mainland China		(Unaudited) Japan		Others		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<b>1,455,798</b>	1,054,009	<b>614,013</b>	391,838	<b>247,426</b>	–	<b>87,359</b>	53,985	<b>2,404,596</b>	1,499,832
EBITDA	<b>180,357</b>	114,017	<b>84,995</b>	60,121	<b>19,747</b>	–	<b>28,347</b>	13,098	<b>313,446</b>	187,236
Depreciation, amortisation and impairment	<b>(62,357)</b>	(34,757)	<b>(27,896)</b>	(18,635)	<b>(22,961)</b>	–	<b>(5,971)</b>	(5,075)	<b>(119,185)</b>	(58,467)
Share of profit/(loss) from jointly controlled entities	<b>3,155</b>	2,154	<b>(653)</b>	420	–	–	<b>892</b>	432	<b>3,394</b>	3,006
Finance income	<b>1,086</b>	1,348	<b>2,326</b>	1,244	<b>36</b>	–	<b>58</b>	50	<b>3,506</b>	2,642
Finance cost	<b>(4,177)</b>	(697)	<b>(189)</b>	(5)	<b>(1,759)</b>	–	–	–	<b>(6,125)</b>	(702)
Profit/(loss) before income tax	<b>118,064</b>	82,065	<b>58,583</b>	43,145	<b>(4,937)</b>	–	<b>23,326</b>	8,505	<b>195,036</b>	133,715
Income tax (expense)/credit	<b>(24,191)</b>	(14,391)	<b>(17,717)</b>	(10,069)	<b>1,081</b>	–	<b>(2,449)</b>	(1,381)	<b>(43,276)</b>	(25,841)

## 5 OTHER GAINS/(LOSSES)

	Six months ended 31 August	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Fair value gain/(loss) from derivative financial instruments – forward foreign exchange contracts	<b>4,024</b>	(7,531)

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 6 EXPENSES BY NATURE

	<b>Six months ended 31 August</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Cost of inventories sold	<b>866,570</b>	568,369
Write-down/(reversal of write-down) of inventories to net realisable value	<b>14,926</b>	(4,739)
Employment costs (including directors' emoluments)	<b>403,519</b>	273,545
Operating lease rentals of premises		
– minimum lease payments	<b>409,525</b>	287,013
– contingent rents	<b>66,924</b>	42,788
Advertising and promotion costs	<b>43,797</b>	21,257
Depreciation of property, furniture and equipment	<b>104,876</b>	55,634
Impairment for property, furniture and equipment	<b>6,971</b>	–
Loss on disposals of property, furniture and equipment	<b>1,701</b>	2,409
Licence fees (included in operating expenses)		
– amortisation of licence rights	<b>2,200</b>	1,965
– contingent licence fees	<b>6,820</b>	1,980
Amortisation of intangible assets (included in operating expenses)	<b>5,138</b>	868
Provision for impairment of amount due from a jointly controlled entity	<b>1,023</b>	576
Reversal of impairment of prepayments and other deposits	–	(10,363)
Net exchange gains	<b>(1,199)</b>	(16,025)
Other expenses	<b>281,568</b>	138,255
	<b>2,214,359</b>	1,363,532
Total	<b>2,214,359</b>	1,363,532
Representing:		
Cost of sales	<b>906,800</b>	562,566
Operating expenses	<b>1,307,559</b>	800,966
	<b>2,214,359</b>	1,363,532

## 7 FINANCE (COST)/INCOME, NET

	<b>Six months ended 31 August</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest income from		
– bank deposits	<b>2,509</b>	972
– amounts due from jointly controlled entities	<b>284</b>	304
– others <sup>①</sup>	<b>713</b>	1,366
Finance income	<b>3,506</b>	2,642
Interest expense on		
– bank borrowings wholly repayable within five years	<b>(6,125)</b>	(702)
Finance cost	<b>(6,125)</b>	(702)
Net finance (cost)/income	<b>(2,619)</b>	1,940

Note:

<sup>①</sup> These represent the interests arising from the amortisation of financial assets and liabilities recognised at amortised cost.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 8 INCOME TAX EXPENSE

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

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 31 August 2010: 16.5%) and overseas profits tax has been provided at the rates of taxation prevailing in the countries in which the Group operates.

During the period, subsidiaries established in Mainland China are subject to China corporate income tax at rate ranging from 24% to 25% (six months ended 31 August 2010: ranging from 22% to 25%).

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

	Six months ended 31 August	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Current income tax		
– Hong Kong profits tax	24,125	17,612
– Mainland China enterprise income tax	21,504	4,476
– Overseas income tax	2,588	–
Deferred income tax	(4,941)	3,753
	<u>43,276</u>	<u>25,841</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 2011 is 22.2% (six months ended 31 August 2010: 19.3%).

## 9 DIVIDENDS

A final dividend relating to the year ended 28 February 2011 amounted to HK\$126,906,000, which was fully paid in August 2011.

The board of directors declared an interim dividend of HK2.5 cents per share for the six months ended 31 August 2011 on 24 October 2011 (six months ended 31 August 2010: HK4.2 cents per share). This proposed interim dividend is not reflected as a dividend payable as of 31 August 2011, but will be recorded as a distribution of retained earnings for the year ending 29 February 2012. The proposed interim dividend of HK\$30,515,000 for the six months ended 31 August 2011 is calculated based on 1,220,605,370 shares of the Company in issue.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 10 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 shares in issue during the period.

	Six months ended 31 August	
	2011 (Unaudited)	2010 (Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	152,428	107,874
Weighted average number of shares in issue (thousands)	1,212,296	1,156,655
Basic earnings per share (HK\$)	<u>0.126</u>	<u>0.093</u>

### Diluted

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

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

	Six months ended 31 August	
	2011 (Unaudited)	2010 (Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	<u>152,428</u>	<u>107,874</u>
Weighted average number of shares in issue (thousands)	1,212,296	1,156,655
Adjustments for share options (thousands)	<u>69,628</u>	<u>17,835</u>
Weighted average number of shares for diluted earnings per share (thousands)	<u>1,281,924</u>	<u>1,174,490</u>
Diluted earnings per share (HK\$)	<u>0.119</u>	<u>0.092</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 11 PROPERTY, FURNITURE AND EQUIPMENT AND INTANGIBLE ASSETS

	<b>Property, furniture and equipment (Unaudited)</b> HK\$'000	<b>Intangible assets (Unaudited)</b> HK\$'000
<b>Six months ended 31 August 2011</b>		
Opening net book amount as at 1 March 2011	727,022	370,722
Additions	179,849	2,893
Disposals	(1,747)	–
Depreciation and amortisation	(104,876)	(7,338)
Impairment	(6,971)	–
Exchange differences	12,647	14,767
	<u>805,924</u>	<u>381,044</u>
<b>Six months ended 31 August 2010</b>		
Opening net book amount as at 1 March 2010	233,395	259,823
Additions	53,196	1,904
Disposals	(2,452)	–
Depreciation and amortisation	(55,634)	(2,833)
Exchange differences	441	2,210
	<u>228,946</u>	<u>261,104</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 12 INVESTMENTS IN AND BALANCES WITH JOINTLY CONTROLLED ENTITIES

	<b>As at 31 August 2011 (Unaudited) HK\$'000</b>	As at 28 February 2011 (Audited) HK\$'000
Share of net assets	<u>53,325</u>	<u>54,138</u>
Amounts due from jointly controlled entities	<b>86,130</b>	34,468
Less: provision for impairment of amount due from a jointly controlled entity	<b>(3,904)</b>	(2,881)
	<u>82,226</u>	<u>31,587</u>
Less: current portion of amounts due from jointly controlled entities	<b>135,551</b> <b>(23,089)</b>	85,725 (21,995)
	<u>112,462</u>	<u>63,730</u>
Amounts due to jointly controlled entities	<u><b>(49,144)</b></u>	<u>(45,055)</u>

### (a) Balances with jointly controlled entities

<b>Name</b>	<b>As at 31 August 2011 (Unaudited) HK\$'000</b>	As at 28 February 2011 (Audited) HK\$'000
<b>Due from jointly controlled entities</b>		
ZIT H.K. Limited (Notes ii & iii)	<b>6,114</b>	4,008
FCIT China Limited (Note i)	<b>27,390</b>	26,736
Glory Premium Limited (Note iii)	<b>1,662</b>	162
FCUK IT Company (Note iii)	<b>191</b>	681
Galleries Lafayette (China) Limited (Note iii)	<b>46,869</b>	–
	<u>82,226</u>	<u>31,587</u>
<b>Due to jointly controlled entities</b>		
Kenchart Apparels (Shanghai) Limited (Note iii)	<b>(45,877)</b>	(41,479)
FCUK IT Company (Note iii)	<b>(3,099)</b>	(3,576)
ZIT H.K. Limited (Note iii)	<b>(168)</b>	–
	<u><b>(49,144)</b></u>	<u>(45,055)</u>

Notes:

- (i) The amount due from FCIT China Limited of approximately HK\$6,154,000 (28 February 2011: HK\$5,671,000) is unsecured, non-interest bearing and fully repayable in 2016. This amount is carried at amortised cost using the effective interest rate at 5% per annum (28 February 2011: 5% per annum). The remaining balance is unsecured, non-interest bearing and repayable on demand.
- (ii) The amount due from ZIT H.K. Limited of approximately HK\$6,114,000 (28 February 2011: HK\$3,921,000) is unsecured, interest bearing at 5% per annum (28 February 2011: 5% per annum) and fully repayable in 2014.
- (iii) The remaining balances with jointly controlled entities are unsecured, non-interest bearing and repayable on demand.

There are no material contingent liabilities relating to the Group's investments in the jointly controlled entities, and no material contingent liabilities of the jointly controlled entities themselves.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 12 INVESTMENTS IN AND BALANCES WITH JOINTLY CONTROLLED ENTITIES (Continued)

(b) Details of the principal jointly controlled entities:

Name	Place of incorporation/ establishment and operations	Issued and fully paid/ registered capital	Percentage of equity interest attributable to the Group indirectly	Principal activities
FCUK IT Company	Hong Kong	HK\$2	50%	Retail of fashion wears and accessories
FCIT China Limited	Hong Kong	HK\$2	50%	Investment holding
ZIT H.K. Limited	Hong Kong	HK\$1,000,000	50%	Retail of fashion wears and accessories
Glory Premium Limited	Hong Kong	HK\$4,500,000	50%	Investment holding
Kenchart Apparels (Shanghai) Limited	Mainland China	HK\$28,827,070	50%	Retail of fashion wears and accessories
FCIT (Macau), Limited	Macau	HK\$1,679,492	50%	Retail of fashion wears and accessories
Galleries Lafayette (China) Limited	Hong Kong	HK\$30,000,000	50%	Investment holding

## 13 TRADE AND OTHER RECEIVABLES

	As at 31 August 2011 (Unaudited) HK\$'000	As at 28 February 2011 (Audited) HK\$'000
Trade receivables	101,478	121,364
Other receivables	750	7
	<u>102,228</u>	<u>121,371</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.

The ageing analysis of the trade receivables are as follows:

	As at 31 August 2011 (Unaudited) HK\$'000	As at 28 February 2011 (Audited) HK\$'000
0 to 30 days	82,772	116,963
31 to 60 days	7,782	3,538
61 to 90 days	7,485	467
Over 90 days	3,439	396
	<u>101,478</u>	<u>121,364</u>



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 14 PREPAYMENTS AND OTHER DEPOSITS

	As at 31 August 2011 (Unaudited) HK\$'000	As at 28 February 2011 (Audited) HK\$'000
Rental deposits	316,729	282,024
Prepayments	104,561	86,431
Utilities and other deposits	17,786	48,317
	<u>439,076</u>	<u>416,772</u>
Less: non-current portion of rental deposits	<u>(228,415)</u>	<u>(199,414)</u>
	<u><u>210,661</u></u>	<u><u>217,358</u></u>

## 15 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments represent forward currency contracts designated as derivatives at fair value through profit or loss. As at 31 August 2011, the notional amounts of the outstanding forward currency exchange contracts to buy Euros, Japanese Yen and United States Dollars for economic hedging against foreign exchange risk exposures relating to committed purchase orders of fashion wears and accessories and certain outstanding payables denominated in those currencies, are approximately HK\$142,169,000 (28 February 2011: Nil), which will mature within two months from the balance sheet date.

The Company relies on valuations from the counterparty financial institutions to determine the fair values of the leveraged foreign forward exchange contracts, which in turn are based on the spot foreign exchange rates and forward exchange rates at the balance sheet date.

## 16 TRADE AND BILL PAYABLES

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

	As at 31 August 2011 (Unaudited) HK\$'000	As at 28 February 2011 (Audited) HK\$'000
0 to 30 days	329,295	240,347
31 to 60 days	70,316	71,184
61 to 90 days	23,200	22,039
91 to 180 days	34,315	20,416
181 to 365 days	11,085	4,218
Over 365 days	707	2,341
	<u>468,918</u>	<u>360,545</u>

## 17 ACCRUALS AND OTHER PAYABLES

	As at 31 August 2011 (Unaudited) HK\$'000	As at 28 February 2011 (Audited) HK\$'000
Unutilised coupon	2,221	436
Accruals		
– Rented premises	149,197	130,309
– Employment costs	50,913	87,691
– Others	62,072	55,555
Other payables	91,367	97,468
	<u>355,770</u>	<u>371,459</u>
Less:		
Non-current portion		
– Rented premises	<u>(20,651)</u>	<u>(21,935)</u>
	<u><u>335,119</u></u>	<u><u>349,524</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 18 BANK BORROWINGS

	<b>As at 31 August 2011 (Unaudited) HK\$'000</b>	As at 28 February 2011 (Audited) HK\$'000
Current bank borrowings	94,528	214,911
Non-current bank borrowings	528,558	379,234
	<b>623,086</b>	<b>594,145</b>

Movements in bank borrowings are analysed as follows:

	<b>(Unaudited) HK\$'000</b>
<b>Six months ended 31 August 2011</b>	
As at 1 March 2011	594,145
Proceeds from borrowings	274,085
Repayments of borrowings	(254,944)
Exchange differences	9,800
<b>As at 31 August 2011</b>	<b>623,086</b>
<b>Six months ended 31 August 2010</b>	
As at 1 March 2010	82,600
Proceeds from borrowings	300,000
Repayments of borrowings	(23,700)
<b>As at 31 August 2010</b>	<b>358,900</b>

Bank borrowings are secured and bear interest at rates ranging from 3-month Hong Kong Interbank Offered Rate ("HIBOR") to 1-month HIBOR plus 1.2% per annum (28 February 2011: ranging from 3-month HIBOR plus 0.8% per annum to 1-month HIBOR plus 1.9% per annum) or at a rate of 1-month LIBOR plus 1.35% per annum. The carrying amounts of bank borrowings approximate their fair values.

Interest expense on borrowings for the six months ended 31 August 2011 is approximately HK\$6,125,000 (six months ended 31 August 2010: HK\$702,000).

Details of the Group's banking facilities are set out in Note 21.

## 19 SHARE CAPITAL

The total number of authorised ordinary shares is 3,000,000,000 shares (28 February 2011: 3,000,000,000 shares) with a par value of HK\$0.1 per share (28 February 2011: HK\$0.1 per share).

	<b>Number of ordinary shares (thousands)</b>	<b>Nominal value HK\$'000</b>
Issued and fully paid:		
<b>At 1 March 2011</b> (Audited)	1,197,249	119,725
Exercise of share options	23,356	2,336
<b>At 31 August 2011</b> (Unaudited)	<b>1,220,605</b>	<b>122,061</b>
<b>At 1 March 2010</b> (Audited)	1,155,037	115,504
Issue of scrip shares	30,337	3,034
Exercise of share options	7,189	718
<b>At 31 August 2010</b> (Unaudited)	<b>1,192,563</b>	<b>119,256</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 19 SHARE CAPITAL (Continued)

### Share options

Details of the Share Option Schemes are set out in the annual report for the year ended 28 February 2011. Movements in the number of share options outstanding and the exercise prices are as follows:

	Six months ended 31 August			
	2011		2010	
	Exercise price per share HK\$	Options (thousands)	Exercise price per share HK\$	Options (thousands)
Beginning of the period	1.72	94,678	1.82	104,400
Exercised	2.26	(23,356)	2.25	(7,189)
Share options granted	4.96	40,250	–	–
Adjustment due to issuance of scrip shares	–	–	1.74	2,343
Forfeited	2.20	(1)	2.25	(600)
End of the period	2.78	111,571	1.74	98,954

The weighted average closing price was HK\$6.51 per share at the dates immediately before the dates on which the options were exercised.

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

Expiry date	Exercise price after issue of scrip shares HK\$	Share options (thousands)	
		As at 31 August 2011	As at 31 August 2010
13 April 2011	2.31	–	12,843
13 April 2012	2.30	7,374	14,521
13 April 2013	2.29	7,605	15,267
27 December 2019	1.23	33,805	33,794
11 February 2020	1.43	22,537	22,529
17 March 2021	4.96	40,250	–
		111,571	98,954

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 20 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	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 March 2011	810,947	36,055	32,337	70,453	15,128	762,316	1,727,236
Share option scheme							
– value of employment services	–	15,313	–	–	–	–	15,313
Profit for the period	–	–	–	–	–	152,428	152,428
Final dividends for the year ended 28 February 2011	–	–	–	–	–	(126,906)	(126,906)
Exercise of share options	61,131	(10,646)	–	–	–	–	50,485
Currency translation differences							
– Group	–	–	–	19,874	–	–	19,874
– Jointly controlled entities	–	–	–	788	–	–	788
Balance at 31 August 2011	<u>872,078</u>	<u>40,722</u>	<u>32,337</u>	<u>91,115</u>	<u>15,128</u>	<u>787,838</u>	<u>1,839,218</u>
Representing:							
Proposed interim dividends						30,515	
Others						757,323	
						<u>787,838</u>	
Balance at 1 March 2010	700,699	26,742	32,337	41,645	–	560,796	1,362,219
Share option scheme							
– value of employment services	–	7,905	–	–	–	–	7,905
Profit for the period	–	–	–	–	–	107,874	107,874
Final dividends for the year ended 28 February 2010	–	–	–	–	–	(121,369)	(121,369)
Forfeiture of share options	–	(292)	–	–	–	292	–
Exercise of share options	18,672	(3,257)	–	–	–	–	15,415
Issue of scrip shares	77,784	–	–	–	–	–	77,784
Currency translation differences							
– Group	–	–	–	4,077	–	–	4,077
– Jointly controlled entities	–	–	–	202	–	–	202
Balance at 31 August 2010	<u>797,155</u>	<u>31,098</u>	<u>32,337</u>	<u>45,924</u>	<u>–</u>	<u>547,593</u>	<u>1,454,107</u>
Representing:							
Proposed interim dividends						50,088	
Others						497,505	
						<u>547,593</u>	

## 21 BANKING FACILITIES AND PLEDGE OF ASSETS

As at 31 August 2011, the Group had aggregate banking facilities of approximately HK\$1,183,193,000 (28 February 2011: HK\$1,025,354,000) for overdrafts, bank loans and trade financing, of which approximately HK\$304,046,000 (28 February 2011: HK\$254,443,000) was unutilised as at the same date. These facilities are secured by corporate guarantees provided by the Company and certain subsidiaries.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 22 COMMITMENTS

### (a) Lease commitments

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

	<b>As at 31 August 2011 (Unaudited) HK\$'000</b>	As at 28 February 2011 (Audited) HK\$'000
Not later than one year	<b>781,894</b>	698,554
Later than one year and not later than five years	<b>1,495,639</b>	1,301,167
Later than five years	<b>120,295</b>	126,770
	<b><u>2,397,828</u></b>	<u>2,126,491</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.

## 23 RELATED PARTY TRANSACTIONS

(a) As at 31 August 2011, the Group was controlled by Effective Convey Limited (incorporated in the British Virgin Islands), which directly and indirectly owns a total of 57.23% 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:

	<b>Six months ended 31 August 2011 (Unaudited) HK\$'000</b>	2010 (Unaudited) HK\$'000
Purchases from jointly controlled entities	<b>2,405</b>	1,181
Commission income from a jointly controlled entity	<b>769</b>	232
Interest income from jointly controlled entities	<b>284</b>	304
Reimbursement of operating expenses by jointly controlled entities	<b>2,130</b>	2,713
	<b><u>2,130</u></b>	<u>2,713</u>

### (c) Key management compensation

	<b>Six months ended 31 August 2011 (Unaudited) HK\$'000</b>	2010 (Unaudited) HK\$'000
Salaries and allowances	<b>18,810</b>	16,776
Bonus	<b>–</b>	793
Pension costs – employer's contributions to a defined contribution plan	<b>377</b>	369
Share options granted	<b>15,314</b>	6,514
	<b><u>34,501</u></b>	<u>24,452</u>

## 24 SEASONALITY

The sales for 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

Most Asian economies have emerged at a faster rate from the economic downturn in 2008/09 than countries in North America and the Euro zone. Due to this, retail markets in the Greater China have maintained strong growth momentum and continued to be strong during the first half of the financial year. We recorded a strong sales growth of 60.3% for the six months ended 31 August 2011, and together with our cost-consciousness in managing the expenses, we recorded a net profit growth in the first half by 40.7%. Net profit reached HK\$151.8 million (six months ended 31 August 2010: HK\$107.9 million).

Pursuant to the acquisition of Nowhere Co., Ltd. on 31 January 2011, results of Japan operation has been consolidated into the Group results, the Japan market contributed about 10.3% of total turnover for the six months ended 31 August 2011. The Hong Kong market contributed about 60.5% of total turnover (six months ended 31 August 2010: 70.3%), while the Mainland China market contributed about 25.5% (six months ended 31 August 2010: 26.1%). Hong Kong and China continue to be the key revenue drivers to the Group.

#### Breakdown of turnover by region of operation:

	Six months ended 31 August		Change	Six months ended 31 August	
	2011 HK\$ million	2010 HK\$ million		2011	2010
Hong Kong	<b>1,455.8</b>	1,054.0	+38.1%	<b>60.5%</b>	70.3%
Mainland China	<b>614.0</b>	391.8	+56.7%	<b>25.5%</b>	26.1%
Japan (Note 1)	<b>247.4</b>	–	N/A	<b>10.3%</b>	–
Others (Note 2)	<b>87.4</b>	54.0	+61.9%	<b>3.7%</b>	3.6%
	<b><u>2,404.6</u></b>	<u>1,499.8</u>	+60.3%	<b><u>100.0%</u></b>	<u>100.0%</u>

Note 1: Result of Japan operation has been consolidated into the result of the Group since 1 February 2011, after Nowhere Group was acquired by the Group on 31 January 2011.

Note 2: Others represent operation in Macau and Taiwan.

Total turnover of the Group increased by 60.3% to HK\$2,404.6 million (six months ended 31 August 2010: HK\$1,499.8 million).

The contribution of turnover from Mainland China to total Group turnover dropped slightly to 25.5%, due to the inclusion of Japan operation for the six months ended 31 August 2011. The turnover growth in Mainland China was 56.7%, which was higher than the turnover growth of 38.1% recorded in the Hong Kong market for the corresponding period.

**Breakdown of retail sales by region:**

	<b>Six months ended 31 August</b>		<b>Retail sales growth</b>
	<b>2011</b>	2010	
Hong Kong	<b>62.7%</b>	71.6%	38.4%
Mainland China	<b>24.5%</b>	24.7%	56.3%
Japan	<b>9.1%</b>	–	N/A
Others	<b>3.7%</b>	3.7%	59.6%
	<b>100%</b>	100.0%	

The Group continues to maintain a diversified brand portfolio in capturing different market segments and clienteles. On the Group level, retail sales from in-house brands increased faster than the international brands and became the largest contributor to the retail sales of the Group, it accounted for 55.9% (six months ended 31 August 2010: 49.8%) of the total retail sales. International brands continued to be a major revenue contributor, accounting for 40.8% (six months ended 31 August 2010: 46.1%) of the total retail sales.

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

	<b>Six months ended 31 August</b>	
	<b>2011</b>	2010
In-house brands	<b>55.9%</b>	49.8%
International brands	<b>40.8%</b>	46.1%
Licensed brands	<b>3.3%</b>	4.1%
	<b>100.0%</b>	100.0%

With the overall consumer sentiment remained positive, we reduced the discount level and adopted proactive marketing strategies to boost sales during the first half of the financial year. As a result, gross profit increased by 59.8% to HK\$1,497.8 million (six months ended 31 August 2010: HK\$937.3 million). Gross profit margin for the six months ended 31 August 2011 maintained at 62.3% against the 62.5% for the six months ended 31 August 2010.

Total operating expenses increased by 63.2% to HK\$1,307.6 million (six months ended 31 August 2010: HK\$801.0 million), operating expenses as a percentage of turnover increased by 1 percentage point to 54.4% for the six months ended 31 August 2011 (six months ended 31 August 2010: 53.4%). Total rental expenses (including rental charges, management fee, rates and government rent) as a percentage to turnover decreased by 2.7 percentage points to 22.6% for the six months ended 31 August 2011 (six months ended 31 August 2010: 25.3%) and total staff cost (excluding share option expenses) as a percentage to turnover decreased by 1.5 percentage points to 16.2% for the six months ended 31 August 2011 (six months ended 31 August 2010: 17.7%). Since there were more brand building activities (e.g. fashion shows, media activities, outdoor advertising, television commercial, and promotional events, etc.) during the first half as compared with that of the corresponding period of last financial year, advertising and promotion expenses increased significantly by 105.6% to HK\$43.8 million (six months ended 31 August 2010: HK\$21.3 million). However, it was still maintained at a stable level of about 1.8% as a percentage of turnover (six months ended 31 August 2010: 1.4%).

The strong growth in gross profit, coupled with the effective cost controls, increased our operating profit by 50.9% to HK\$194.3 million (six months ended 31 August 2010: HK\$128.8 million) and EBITDA (earnings before interest, taxation, depreciation and amortisation) increased by 67.4% to HK\$313.4 million (six months ended 31 August 2010: HK\$187.2 million). The Group's operating margin for the six months ended 31 August 2011 decreased by 0.5 percentage point to 8.1% (six months ended 31 August 2010: 8.6%) which was mainly due to the inclusion of operating loss from Japan operation in the six months ended 31 August 2011. EBITDA margin for the six months ended 31 August 2011 increased by 0.5 percentage point to 13.0% (six months ended 31 August 2010: 12.5%).

**(b) Hong Kong**

Sales from retail operation increased by 38.4% to HK\$1,445.9 million (six months ended 31 August 2010: HK\$1,044.9 million) at an overall comparable store sales growth rate of 17.5% (six months ended 31 August 2010: 13.4%). The strong growth was mainly due to increase in sales footage and stronger customer demand from tourists, in particular from Mainland China.

Retail sales from in-house brands increased by 37.3% whereas retail sales from international brands increased by 40.5%. The proportion of in-house brands to total retail sales decreased from 47.6% for the six months ended 31 August 2010 to 47.3% for the six months ended 31 August 2011. The proportion of retail sales contributed by international brands was 48.3% (six months ended 31 August 2010: 47.6%) while licensed brands accounted for 4.4% of total retail sales (six months ended 31 August 2010: 4.8%). Since more new sales footage was added to international brands than to in-house brands during the six months ended 31 August 2011, the sales growth and the proportion of sales contributed by international brands were both higher than that of in-house brands. Gross profit margin of international brands is lower than that of in-house brands and coupled with the higher sales growth rate and the bigger proportion of retail sales contributed by international brands as compared with the same period last financial year, the gross profit margin of the Hong Kong retail sales decreased slightly from 62.1% for six months ended 31 August 2010 to 62.0% in six months ended 31 August 2011.



Rental expenses (including rental charges, management fee, rates and government rent) as a percentage to turnover was reduced by 1.7 percentage points to 22.9% (six months ended 31 August 2010: 24.6%). Staff cost (excluding share option expenses) as a percentage of turnover also reduced during the financial period, by 1.3 percentage points to 18.0% (six months ended 31 August 2010: 19.3%). With higher sales revenue and gross profit base, and lower operating expenses as proportion to sales, the operating profit increased by 48.8% to HK\$79.3 million in the first half of the financial year (six months ended 31 August 2010: HK\$79.3 million) and the operating margin increased from 7.5% for the six months ended 31 August 2010 to 8.1% for the six months ended 31 August 2011. EBITDA for the six months ended 31 August 2011 was HK\$180.4 million (six months ended 31 August 2010: HK\$114.0 million), increased by 58.2%, whereas the EBITDA margin was 12.4% (six months ended 31 August 2010: 10.8%), increased by 1.6 percentage points.

**(c) Mainland China**

For the Mainland China market, the sales from retail operation increased by 56.2% to HK\$564.5 million (six months ended 31 August 2010: HK\$361.3 million) at an overall comparable store sales growth rate of 17.6% (six months ended 31 August 2010: 8.0%). More marketing effort was made in the past years, leading to higher brand awareness and sales growth while making less discount, so gross profit margin of retail operation increased 2.4 percentage points from 64.0% for the six month ended 31 August 2010 to 66.4% for the six month ended 31 August 2011.

International brands accounted for 41.3% of the total retail sales for the six months ended 31 August 2011 (six months ended 31 August 2010: 47.1%). Since more in-house brand shops were opened during the six months ended 31 August 2011, the sales contribution from in-house brands increased and accounted for 56.9% of total retail sales (six months ended 31 August 2010: 50.6%), while sales of licensed brands continued to be low, accounting for 1.8% (six months ended 31 August 2010: 2.3%) of total retail sales.

Rental expenses (including rental charge and management fee) as a percentage to turnover decreased from 27.3% for the six months ended 31 August 2010 to 25.9% for the six months ended 31 August 2011, which was mainly due to the faster growth of the turnover. In addition, with a net increase of about 64,000 square feet of total sales floor area as compared with that of the last financial year end, our rental cost (including fees and management rates) increased by about 48.4% as compared with last corresponding period. Staff cost as a percentage to turnover increased from 14.0% for the six months ended 31 August 2010 to 15.5% for the six months ended 31 August 2011. Benefitting from the steadily growing of the retail market since last financial year, our Mainland China operation recorded an operating profit of HK\$57.1 million (six months ended 31 August 2010: HK\$41.5 million). Operating margin decreased slightly to 9.3% for the six months ended 31 August 2011 (six months ended 31 August 2010: 10.6%) mainly due to surtax such as education fund contribution and city construction tax introduced to Foreign-Invested Enterprises by Chinese authorities starting from 1 December 2010, and pre-operating costs incurred for our retail network expansion in new cities. EBITDA for the six months ended 31 August 2011 was HK\$85.0 million (six months ended 31 August 2010: HK\$60.1 million), increased by 41.3%. EBITDA margin decreased by 1.5 percentage points to 13.8% (six months ended 31 August 2010: 15.3%).

**(d) Japan**

The Group established its footsteps in Japan through the acquisition of 90.3% of the Nowhere Group on 31 January 2011. Total sales in Japan for the six months ended 31 August 2011 were HK\$247.4 million. It represented 10.3% of the Group turnover, and was the third largest market of the Group. Gross profit recorded HK\$141.1 million with gross profit margin at 57.0% in the first half of the financial year. Operating expenses as a percentage of sales was at 58.3%, and an operating loss of HK\$3.2 million was reported for the six months ended 31 August 2011. EBITDA for the six months ended 31 August 2011 recorded HK\$19.7 million with EBITDA margin at 8.0%.

**(e) Others**

Others represent retail operations in Macau and Taiwan. Macau operation reported a remarkable comparable store sales growth of 69.5% for the six months ended 31 August 2011 (six months ended 31 August 2010: 30.3%) due to the influx of tourists from Mainland China and the strong local consumption. Retail sales from Taiwan operation increased by 64.1% for the six months ended 31 August 2011 and with comparable store growth rate of 5.0% (six months ended 31 August 2010: 8.8%). The number of self-managed stores in Taiwan increased to 16 as of 31 August 2011 (31 August 2010: 8). An operating profit of HK\$22.4 million was recorded for Macau and Taiwan operations as a whole during the six months ended 31 August 2011 (six months ended 31 August 2010: an operating profit of HK\$8.0 million).

As at 31 August 2011, we had a total of 22 overseas franchised stores, seven in Europe, ten in Thailand, two in the Philippines, one each in Saudi Arabia, Singapore and South Korea.

**Share of Results of Jointly Controlled Entities**

Including share of pre-operating loss from the joint venture with Galeries Lafayette amounting to HK\$2.2 million for six month ended 31 August 2011 (six months ended 31 August 2010: Nil), share of profits of jointly controlled entities for the six months ended 31 August 2011 was HK\$3.4 million (six months ended 31 August 2010: share of profits of HK\$3.0 million).

**Cash Flows**

Increase in revenue, but offset by higher proportion of early arrival of inventories for sales for the period after 31 August 2011, net cash inflow from operating activities for the six months ended 31 August 2011 recorded HK\$109.1 million (six months ended 31 August 2010: HK\$110.0 million), of similar level as same period last year. Net cash used in investing activities for the six months ended 31 August 2011 has increased to HK\$224.7 million (six months ended 31 August 2010: HK\$47.4 million) which mainly represented the expenditure on furniture, fixtures & equipment for new shops for retail operation and capital injection to the Galeries Lafayette joint venture. During the six months ended 31 August 2011, net cash outflow from financing activities was HK\$54.9 million which comprises outflow for payment of dividend of HK\$126.9 million, inflow from shares issuance of HK\$52.8 million and net inflow from bank loans of HK\$19.2 million. As compared with six months ended 31 August 2010, a net cash inflow of HK\$252.0 million was recorded which was mainly due to a stand-by loan of HK\$300 million raised for any potential acquisition(s) in case of opportunities arise.

### **Inventory**

Inventory turnover days of the Group were 177.0 days for the six months ended 31 August 2011 (six months ended 31 August 2010: 141.1 days). There were more inventory piled up and larger proportion of early arrival of fall/winter season merchandises to boost future sales and there were also some delays in shop handover leading to postponement of new shop openings in this financial period.

### **Liquidity and Capital Resources**

As at 31 August 2011, total cash and bank balances amounted to HK\$606.3 million (28 February 2011: HK\$775.8 million) and total liabilities were HK\$1,581.1 million (28 February 2011: HK\$1,442.3 million). As at 31 August 2011, shareholders' equity was HK\$1,956.5 million (28 February 2011: HK\$1,843.2 million).

As at 31 August 2011, the Group had aggregate banking facilities of approximately HK\$1,183.2 million (28 February 2011: HK\$1,025.4 million) for overdrafts, bank loans and trade financing, of which approximately HK\$304.0 million (28 February 2011: HK\$254.4 million) was unutilized. These facilities are secured by corporate guarantees provided by the Company and certain subsidiaries. The Group had HK\$623.1 million bank borrowings as at 31 August 2011 (28 February 2011: HK\$594.1 million). The current ratio as at 31 August 2011 was 1.95 (28 February 2011: 1.85) and the gearing ratio was 31.8% as at 31 August 2011 (28 February 2011: 32.2%) based on shareholders' equity. The Group was in net debt position of HK\$16.7 million as at 31 August 2011 (28 February 2011: net cash position of HK\$181.7 million).

### **Capital Commitment**

The Group had no capital commitment as at 31 August 2011 (28 February 2011: capital contribution to a jointly controlled entity of HK\$46.6 million).

### **Contingent Liabilities**

As at 31 August 2011, the Group did not have significant contingent liabilities (28 February 2011: Nil).

### **Foreign Exchange**

To manage our foreign exchange exposure on sourcing for merchandise from Europe and Japan, the Group entered into forward exchange contracts with major and reputable financial institutions to hedge foreign exchange risk. As at 31 August 2011, the notional amounts of outstanding forward foreign exchange contracts to buy Euros, Japanese Yen and United States Dollars for hedging against foreign exchange risk exposure relating to committed purchase order of fashion wears and accessories and certain outstanding payables denominated in those currencies, are approximately HK\$142.2 million (28 February 2011: Nil).

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

The Group had a total of 5,364 employees as at 31 August 2011 (28 February 2011: 4,771). Training and development courses were regularly organized for employees to enhance their technical and product knowledge as well as sales and marketing and business management skills. The Group offered competitive remuneration packages to its employees, including basic salary, allowances, insurance and commission/bonuses. In addition, share options were granted to selected employees based on their individual performance.

### **Future Outlook**

Despite the fact that global leaders have yet been able to resurrect the slowing U.S. economy and the threats of Europe's sovereign debt and banking crisis, the global market turmoil has limited impact on our business in the first half of the financial year and the Group has managed to generate promising returns. Our cost control policy has proven to be effective, as both of the rental expenses-to-turnover ratio and the staff costs-to-turnover ratio have decreased during the financial period.

The Group has increased sales floor area in China by 30% during the year ended 28 February 2011 and is targeting another 30% increase before the end of the financial year of 2012. Given an 16% increase in the first six months of this financial year, the 30% target would be achievable as we will continue to expand our retail network in China, beyond Shanghai and Beijing and into Guangzhou, Shenzhen, Chongqing, Wuhan, Tianjin and Shenyang.

In Hong Kong, we have increased approximately 7% new sales floor area since 1 March 2011. We maintain flexibility in our expansion strategy and are not setting a hard target in terms of sales area expansion in Hong Kong, given the current size of our retail network. The growth pace in Hong Kong is within acceptance limits.

We remain cautiously optimistic to potential future challenges in the retail markets. We will continue to grow our business steadily; by leveraging the use of advertising and marketing events to further enhance our brand awareness around the regions, especially in Hong Kong and China. We will also continue to look for opportunities to acquire potential designer brands, and prime locations for retail stores expansion. Even if global markets remain unfavorable, we are confident that the flexibility of our multi-brands and multi-layers business model will keep us in a competitive position in different market segments and different clienteles.

## DISCLOSURE OF INTEREST

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 August 2011, the interests or 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 (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 Issuer (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	No. of shares held		Direct interest	Total	Percentage of issued share capital
	Beneficiary of trust (Note 1)	Interest in underlying shares/equity derivatives (Note 2)			
Sham Kar Wai (Note 3)	698,564,441	29,590,359	3,422,000	731,576,800	59.93%
Sham Kin Wai (Note 3)	698,564,441	29,590,359	3,422,000	731,576,800	59.93%

Notes:

- (1) Mr. Sham Kar Wai and Mr. Sham Kin Wai are both beneficiaries of The ABS 2000 Trust, which is an irrevocable discretionary trust. Fine Honour Limited, Fortune Symbol Limited, Fresh Start Holdings Limited and Sure Elite Limited are wholly-owned subsidiaries of Effective Convey Limited (collectively the "Immediate Holding Companies"). Effective Convey Limited is wholly-owned by Dynamic Vitality Limited, which is in turn wholly-owned by The ABS 2000 Trust. Each of Mr. Sham Kar Wai and Mr. Sham Kin Wai is therefore deemed to be interested in the interests of the Immediate Holding Companies in the Company.
- (2) Detailed in the section headed "Share Options" below.
- (3) Ms. Yau Shuk Ching, Chingmy, spouse of Mr. Sham Kar Wai, is deemed to be interested in the same number of shares held by Mr. Sham Kar Wai. Ms. Wong Choi Shan, spouse of Mr. Sham Kin Wai, is deemed to be interested in the same number of shares held by Mr. Sham Kin Wai. Their interests in the shares and underlying shares of the Company are recorded in the register maintained by the Company under Section 336 of the SFO.

#### (b) Long positions in the share options of the Company

The interests of the Directors and Chief Executives of the Company in the share options of the Company are detailed in the section headed "Share Options" below.

## DISCLOSURE OF INTEREST (Continued)

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Continued)

#### (c) Long positions in the shares of associated corporations of the Company

Director	Name of associated corporations	Capacity	Percentage of shareholding
Sham Kar Wai	3WH Limited	Beneficial owner	50% (Note 1)
	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 trust	100%
	Fresh Start Holdings Limited	Beneficiary of trust	100%
	Fortune Symbol Limited	Beneficiary of trust	100%
	Fine Honour Limited	Beneficiary of trust	100%
	Effective Convey Limited	Beneficiary of trust	100%
	Dynamic Vitality Limited	Beneficiary of trust	100%
Sham Kin Wai	3WH Limited	Beneficial owner	50%
	Income Team Limited	Interests in controlled company	100%
	Online Profit Limited	Interests in controlled company	100%
	Popbest Limited	Interests in controlled company	100%
	Shine Team Development Limited	Interests in controlled company	100%
	Veston Limited	Interests in controlled company	100%
	Young Ranger Investment Limited	Interests in controlled company	100%
	Sure Elite Limited	Beneficiary of trust	100%
	Fresh Start Holdings Limited	Beneficiary of trust	100%
	Fortune Symbol Limited	Beneficiary of trust	100%
	Fine Honour Limited	Beneficiary of trust	100%
	Effective Convey Limited	Beneficiary of trust	100%
	Dynamic Vitality Limited	Beneficiary of trust	100%

Note:

- (1) Mr. Sham Kar Wai and Ms. Yau Shuk Ching, Chingmy (spouse of Mr. Sham Kar Wai) each holds 25% of the issued share capital of 3WH Limited. As such, Mr. Sham Kar Wai is deemed to be interested in 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 2011.

## DISCLOSURE OF INTEREST (Continued)

### DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from those disclosed in the section headed "Share Options" under this report on page 40, at no time during the period ended 31 August 2011 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

Details of the movements in share options to subscribe for shares in the Company during the period ended 31 August 2011 are set out below:

#### (a) The First Share Option Scheme

The Company adopted a share option scheme (the "First Share Option Scheme") on 3 February 2005. The First Share Option Scheme is operated for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Pursuant to the First Share Option Scheme, the Company may grant options to eligible participants as defined in the First Share Option Scheme to subscribe for shares in the Company at a price per share of not less than the highest of (i) the nominal value of a share; (ii) the closing price of a share as stated in the daily quotation sheets issued by the Stock Exchange on the date of the offer of the relevant option; and (iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer. A consideration of HK\$10 is payable on acceptance of the grant of options.

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

The First Share Option Scheme ought to remain in force for a period of 10 years up to February 2015. At the 2008 annual general meeting of the Company held on 30 June 2008, the shareholders of the Company approved the adoption of a new share option scheme (the "New Share Option Scheme"), detailed hereafter, and the termination of the First Share Option Scheme.

The operation of the First Share Option Scheme was terminated with effect from the conclusion of the 2008 annual general meeting. No further options could thereafter be offered under the First Share Option Scheme but the provisions of the First Share Option Scheme would remain in full force and effect. Options granted under the First Share Option Scheme and remain unexpired prior to the termination of the First Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the First Share Option Scheme.

#### (b) The New Share Option Scheme

The New Share Option Scheme is to enable the Group to be more flexible in granting options to selected eligible participants as incentives or rewards for their contribution or potential contribution 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 nominal value of a share; (ii) the closing price of a share as stated in the daily quotation sheets issued by the Stock Exchange on the date of the offer of the relevant option; and (iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer. A consideration of HK\$10 is payable on acceptance of the grant of options. The New Share Option Scheme will remain in force for a period of 10 years up to June 2018.

On 18 March 2011, the Company granted options under the New Share Option Scheme to two Directors and certain eligible participants to subscribe for an aggregate of 40,250,000 shares in the Company at a price of HK\$4.96 per share. The options shall be vested on the sixth anniversary date of the date of grant and exercisable from 18 March 2017 to 17 March 2021. The closing price of the Company's shares immediately before the date on which the options were granted was HK\$4.47.

No participant with options granted is in excess of the individual limit as stipulated in 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 First Share Option Scheme, the New Share Option Scheme and any other scheme adopted by the Group from time to time would not in aggregate exceed 30% of the share capital of the Company in issue from time to time. The maximum number of shares issued and to be issued upon exercise of 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% of the Shares in issue.

## DISCLOSURE OF INTEREST (Continued)

### SHARE OPTIONS (Continued)

Details of the movements in share options to subscribe for shares in the Company during the period ended 31 August 2011 are set out below:

	Date of grant	Exercise period	Exercise price per share HK\$	Number of Share Options				As at 31 August 2011	Note
				As at 1 March 2011	Granted during the period	Exercised during the period	Lapsed during the period		
<b>Director</b>									
Sham Kar Wai	14 April 2008	14 April 2008 to 13 April 2013	2.41	10,243,980	–	(3,422,000)	–	6,821,980	1
	12 February 2010	12 February 2012 to 11 February 2020	1.43	11,268,379	–	–	–	11,268,379	
	18 March 2011	18 March 2017 to 17 March 2021	4.96	–	11,500,000	–	–	11,500,000	3
Sham Kin Wai	14 April 2008	14 April 2008 to 13 April 2013	2.41	10,243,980	–	(3,422,000)	–	6,821,980	1
	12 February 2010	12 February 2012 to 11 February 2020	1.43	11,268,379	–	–	–	11,268,379	
	18 March 2011	18 March 2017 to 17 March 2021	4.96	–	11,500,000	–	–	11,500,000	3
<b>Continuous contract employees</b>	14 April 2008	14 April 2008 to 13 April 2013	2.20	17,847,835	–	(16,512,069)	(976)	1,334,790	2
	28 December 2009	28 December 2011 to 27 December 2019	1.23	33,805,137	–	–	–	33,805,137	
	18 March 2011	18 March 2017 to 17 March 2021	4.96	–	17,250,000	–	–	17,250,000	3
				<u>94,677,690</u>	<u>40,250,000</u>	<u>(23,356,069)</u>	<u>(976)</u>	<u>111,570,645</u>	

Notes:

(1) The vesting dates and exercisable periods of the options each held by Mr. Sham Kar Wai and Mr. Sham Kin Wai are as follows:

Vesting date	Exercise period	As at 1 March 2011	Number of Share Options		As at 31 August 2011
			Exercised during the period (Note (a))	Lapsed during the period	
14 April 2008	14 April 2008 to 13 April 2011	3,421,490	(3,421,490)	–	–
14 April 2009	14 April 2009 to 13 April 2012	3,411,245	(510)	–	3,410,735
14 April 2010	14 April 2010 to 13 April 2013	3,411,245	–	–	3,411,245
		<u>10,243,980</u>	<u>(3,422,000)</u>	<u>–</u>	<u>6,821,980</u>

Note (a) The weighted average closing price of the shares immediately before the date on which the options were exercised was HK\$6.33.

(2) The vesting dates and exercisable periods of the options are as follows:–

Vesting date	Exercise period	As at 1 March 2011	Number of Share Options		As at 31 August 2011
			Exercised during the period (Note (a))	Lapsed during the period	
14 April 2008	14 April 2008 to 13 April 2011	5,471,247	(5,470,271)	(976)	–
14 April 2009	14 April 2009 to 13 April 2012	5,853,495	(5,301,218)	–	552,277
14 April 2010	14 April 2010 to 13 April 2013	6,523,093	(5,740,580)	–	782,513
		<u>17,847,835</u>	<u>(16,512,069)</u>	<u>(976)</u>	<u>1,334,790</u>

Note (a) The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$6.59.



## DISCLOSURE OF INTEREST (Continued)

### SHARE OPTIONS (Continued)

- (3) For the determination of the fair value of the share options granted under the First Share Option Scheme and the New Share Option Scheme, the Binomial Option Pricing Model was made reference to and a number of factors were taken into accounts such as the exercise price and the life of the options, the market price and volatility of the underlying shares, and the risk-free interest rate for the life of the options. In addition, it requires input of assumptions that have significant sensitivity effects, including the expected stock price volatility, expected dividend, etc. Any changes in the subjectivity input assumptions may materially affect the estimation of the fair value of an option.

The significant inputs into the Binomial Option Pricing Model determining the fair value of the share options granted on 18 March 2011 were as follows:–

Share price at the grant date	HK\$4.95
Exercise price per share	HK\$4.96
Standard deviation of expected share price returns	62.9%
Expected life of options	4.0 years
Expected dividend yield	2.81%
Annual risk free rate	2.61%

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

As at 31 August 2011, the register kept by the Company under Section 336 of the SFO showed that the following shareholders (other than Directors of the Company) had disclosed to the Company pursuant to Division 2 and 3 of Part XV of the SFO an interest or a short position in the shares or underlying shares of the Company:

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

Name	Capacity	Number of shares held	Percentage of issued share capital	Long/short positions
Effective Convey Limited (Note 1)	Beneficial owner and interest in corporation	698,564,441	57.23%	Long
Dynamic Vitality Limited (Note 2)	Interest in corporation	698,564,441	57.23%	Long
The ABS 2000 Trust (Notes 1, 2 and 3)	Interest in corporation	698,564,441	57.23%	Long
HSBC International Trustee Limited (Note 3)	Interest in corporation	698,564,441	57.23%	Long
Fine Honour Limited	Beneficial owner	169,197,830	13.86%	Long
Glorious Sun Trading (HK) Limited	Beneficial owner	68,827,473	5.63%	Long
Glorious Sun Enterprises (BVI) Limited (Note 4)	Interest in corporation	68,827,473	5.63%	Long
Glorious Sun Enterprises Limited (Note 4)	Interest in corporation	68,827,473	5.63%	Long
Glorious Sun Holdings (BVI) Limited (Note 5)	Interest in corporation	68,827,473	5.63%	Long
Yeung Chun Kam (Note 5)	Interest in controlled company	68,827,473	5.63%	Long
Yeung Chun Fan (Note 5)	Interest in controlled company	68,827,473	5.63%	Long
Cheung Wai Yee (Note 6)	Interest in controlled company	68,827,473	5.63%	Long
JPMorgan Chase & Co. (Notes 7 and 8)	Investment manager and custodian corporation/approved lending agent	61,449,699	5.03%	Long

#### Notes:

- Fine Honour Limited, Fortune Symbol Limited, Fresh Start Holdings Limited and Sure Elite Limited (collectively the "Companies") are wholly-owned subsidiaries of Effective Convey Limited. Effective Convey Limited is therefore deemed interested in the Shares held by the Companies. Fortune Symbol Limited, Fresh Start Holdings Limited and Sure Elite Limited each held 60,028,130 Shares as at 31 August 2011.
- 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 The ABS 2000 Trust is therefore deemed interested in the Shares held by Effective Convey Limited.
- The ABS 2000 Trust was established on 14 September 2000 as an irrevocable discretionary trust for the benefit of Mr. Sham Kar Wai and Mr. Sham Kin Wai, and their respective family members. HSBC International Trustee Limited is the trustee of The ABS 2000 Trust.
- Glorious Sun Trading (HK) Limited is a wholly-owned subsidiary of Glorious Sun Enterprises (BVI) Limited, which is wholly-owned by Glorious Sun Enterprises Limited. Each of Glorious Sun Enterprises (BVI) Limited and Glorious Sun Enterprises Limited is therefore deemed interested in the Shares held by Glorious Sun Trading (HK) Limited.
- Glorious Sun Holdings (BVI) Limited holds 37.47% interest in Glorious Sun Enterprises Limited. Dr. Yeung Chun Kam and Mr. Yeung Chun Fan respectively holds 51.93% and 48.07% interest in Glorious Sun Holdings (BVI) Limited. Therefore, each of Glorious Sun Holdings (BVI) Limited, Dr. Yeung Chun Kam and Mr. Yeung Chun Fan is deemed interested in the Shares held by Glorious Sun Trading (HK) Limited.
- Spouse of Mr. Yeung Chun Fan.
- Out of the 61,449,699 Shares, JPMorgan Chase & Co. held 48,244,000 Shares in the capacity of investment manager and the balance, being 13,205,699 Shares, in the capacity of custodian corporation/approved lending agent.
- JPMorgan Chase & Co. held the Shares through its controlled corporations, JPMorgan Chase Bank, N.A., JF Asset Management Limited, JPMorgan Asset Management (Asia) Inc., JPMorgan Asset Management Holdings Inc., JPMorgan Asset Management (Taiwan) Limited, JF International Management Inc., JPMorgan Asset Management (UK) Limited, JPMorgan Asset Management Holdings (UK) Limited and JPMorgan Asset Management International Limited.

## OTHER INFORMATION

### INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK2.5 cents per share for the six months ended 31 August 2011 (six months ended 31 August 2010: HK4.2 cents per share), amounting to approximately HK\$30,515,000.00. The interim dividend will be payable to the shareholders of the Company on or around 20 December 2011 to those shareholders whose names appear on the register of members of the Company on 7 December 2011.

### COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES AND THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

In the opinion of the Board, the Company has complied with the Code Provisions set out in Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 31 August 2011 except for the deviations as mentioned below.

Code Provision A.2.1 of CG Code stipulates that the roles of chairman and chief executive officer 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.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to 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 2011, they have complied with the required standard set out in the Model Code regarding securities transactions by the Directors.

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

The change 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 2011 required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

#### Name of Director

#### Details of changes

*Independent Non-executive Director*

Dr. Wong Tin Yau, Kelvin

Appointed as independent non-executive director and chairman of audit committee of Xinjiang Goldwind Science & Technology Co., Ltd. with effect from 25 June 2011

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed with the Management the accounting policies and practices adopted by the Company and discussed auditing, internal control and financial reporting matters including the review of the unaudited financial information of the Group and interim report for the six months ended 31 August 2011.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the six months ended 31 August 2011.

On Behalf of the Board



**Sham Kar Wai**  
Chairman

Hong Kong, 24 October 2011



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