I.T

ANNUAL REPORT

11/12

STOCK CODE: 999

I.T LIMITED ANNUAL REPORT 11/12

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I.T is well established as a

TREND SETTER

in fashion apparel retail market in Hong Kong with stores in the PRC, Taiwan, Macau, Thailand, the Philippines, Singapore, South Korea, France and Canada. The Group has an extensive self managed retail network extending to nearly 540 stores across Greater China with staff around 6,200.

I.T is not just a fashion icon

WE ACTUALLY LIVE FOR FASHION

Through the multi-brand and multi-layer business model, we offer a wide range of fashion apparel and accessories with different fashion concepts, sold at varying retail price points and targeted at different customer groups.

I.T carries apparel from established and up-and-coming international designer's brands, in-house brands and licensed brands. International brands include

Balenciaga
Celine
Comme des Garcons
Maison Martin Margiela
Jil Sander
Alexander McQueen
Mercibeaucoup
Tsumori Chisato
Yves Saint Laurent
Lanvin
Ann Demeulemeester
Isabel Marant
Dior Homme
Visvim
Moncler
Givenchy
Valentino
Dsquared2
Thom Browne

In-house brands include izzue, b+ab, 5cm, fingercroxx, :CHOCOOLATE, tout à coup, Venilla suite, A Bathing Ape and AAPE. Licensed brands include MLB, Hyoma, as know as de Rue and X-Large.

I.T has established French Connection stores in Hong Kong, Macau and the PRC through joint ventures with French Connection and Zadig & Voltaire stores in Hong Kong through joint venture with Zadig & Voltaire. I.T has also established a joint venture with Galeries Lafayette to establish and manage department stores under the trademark of “Galeries Lafayette” in the PRC. The first Galeries Lafayette department store will be opened in Beijing in 2013.

I.T leverages some of its in-house brands through franchisees in new markets. The brands are well accepted in Thailand, the Philippines, France and Canada. More shops will be opened in the Middle East countries, South East Asia, East Asia, Europe and North America in the coming years.

Executive Directors
Mr. SHAM Kar Wai
Mr. SHAM Kin Wai

DIRECTORS

Independent Non-executive Directors
Mr. Francis GOUTENMACHER
Dr. WONG Tin Yau, Kelvin
Mr. MAK Wing Sum, Alvin

Company Secretary
Miss HO Suk Han, Sophia

Registered Office
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business in Hong Kong
31/F Tower A Southmark
11 Yip Hing Street
Wong Chuk Hang
Hong Kong

Auditor
PricewaterhouseCoopers,
Certified Public Accountants

Principal Bankers
Hang Seng Bank 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: 2862-8555

IR Contact
Mr. FONG Wai Bun, Benny
Investor Relations Manager
Tel: 3197-1126
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Corporate Website
www.ithk.com

I.T POSITIONING

Store Coverage

	A. No. of stores			
	Self-managed		Franchised	
	29 February 2012	28 February 2011	29 February 2012	28 February 2011
Greater China:				
Hong Kong				
I.T	266	245	–	–
FCUK IT[1]	7	9	–	–
ZIT H.K.[1]	3	1	–	–
Mainland China				
I.T	217	147	78	56
FCIT China[1]	14	14	–	1
Taiwan	19	13	–	2
Macau				
I.T	9	10	–	–
FCIT Macau[1]	1	2	–	–
Overseas:				
Japan	25	21	–	–
USA	1	1	–	–
Thailand	–	–	13	10
Europe[2]	–	–	5	8
The Philippines	–	–	2	2
Singapore	–	–	1	1
South Korea	–	–	1	1
Canada	–	–	1	–
Saudi Arabia	–	–	–	1

Brand Portfolio
Over 300 International Designer's Labels
Over 10 In-house and Licensed Brands

Diversified Clientele
Offering a wide range of fashion apparel at varying retail price points and targeted at different customer groups

Multi-Brand Mega Store Concept
Group several brands in a sizable retail location offering a joyous shopping ambiance.

	B. Sales footage[3]			
	Self-managed		Franchised	
	29 February 2012	28 February 2011	29 February 2012	28 February 2011
Greater China:				
Hong Kong				
I.T	581,141	512,984	–	–
FCUK IT[1]	9,838	13,476	–	–
ZIT H.K.[1]	3,597	2,300	–	–
Mainland China				
I.T	604,834	399,199	87,661	64,646
FCIT China[1]	22,175	21,872	–	1,711
Taiwan	30,532	20,463	–	7,372
Macau				
I.T	28,964	28,350	–	–
FCIT Macau[1]	3,330	4,430	–	–
Overseas:				
Japan	56,945	47,839	–	–
USA	3,313	3,313	–	–
Thailand	–	–	12,750	9,081
Europe[2]	–	–	2,166	2,757
Philippines	–	–	1,280	1,525
Singapore	–	–	2,016	2,016
South Korea	–	–	2,130	2,130
Canada	–	–	3,615	–
Saudi Arabia	–	–	–	1,075

Notes:
[1] a 50% owned joint venture of the Company
[2] includes England, France and Germany
[3] represents gross area

MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

With strong customer traffic and spending recorded in our key markets in the first half of 2011 followed by a noticeable slowdown in momentum in the rest of year, FY11/12 was a year of step up growth achieved by the Group realizing a 29% year-over-year increase in total trading area and a 49.7% year-over-year growth in total turnover alongside the delivery of the third consecutive year of record profit despite escalating operating cost pressure as well as the cooling down of consumer sentiment. This set of solid performance cannot be achieved without the dedicated efforts by the team as well as the continuous strong support by our business partners.

While Hong Kong business continued to be the major profit contributor of the Group as a trend setter with market dominance, our China retail network has grown significantly in FY11/12 with increased market penetration and profit which in turns landed at a stronger business foundation to further leverage the huge growth potential in the China market.

Following our acquisition of the majority interest in January 2011, the Nowhere Group in Japan has successfully turned into a decent profit in FY11/12 driven by both topline growth as well as enhancement in operating efficiency despite the challenging trading environment in the first half of the year adversely impacted by the earthquake in March 2011. This is a very encouraging milestone and a positive reinforcement of our confidence to further leverage its brand equity.

In respect of our joint venture business with Galeries Lafayette, good progress has been made in mapping out the design, infrastructure, people and commercial model for the upcoming first flagship Galeries Lafayette department store targeted to be opened in 2013 in Beijing as a signature shopping hub.

I would like to take this opportunity to thank the members of the Board for their advice, support and enthusiasm. I would also like to express special gratitude to all our staff, the management and our business partners and suppliers for their dedication, which ultimately enabled us to conclude another successful year.

Sham Kar Wai
Chairman

25 May 2012

FINANCIAL HIGHLIGHTS

- Total turnover of the Group increased by 49.7% to HK$5,741.6 million with robust sales growth achieved in all operating markets.

- Total retail sales in Hong Kong increased by 30.4% to HK$3,385.5 million at comparable store sales growth rate of +14.9%. Total retail sales in Mainland China increased by 51.9% to HK$1,426.6 million at comparable store sales growth rate of +8.0%.

- Japan landed at total sales of HK$560.0 million and achieved a profit turnaround at HK$14.1 million operating profit.

- Total retail sales in other regions (namely Macau and Taiwan) increased by 48.7% to HK$228.6 million and operating profits increased by 69.4% to HK$57.8 million.

- Gross profit of the Group increased by 45.7% to HK$3,540.0 million at gross profit margin of 61.7% (FY10/11: 63.3%).

- Net profit of the Group increased by 21.9% to HK$473.1 million, the third consecutive year of record profit. All operating markets achieved positive growth in operating profit.

- Basic earnings per share increased by 18.2% to HK$0.39. Diluted earnings per share increased by 15.6% to HK$0.37.

- Final dividend of 12.9 HK cents (FY10/11: 10.4 HK cents) per share is proposed representing a total payout of HK$157.5 million. Together with the interim dividend of 2.5 HK cents per share, the payout ratio is approximately 40% of the profit attributable to equity holders of the Company for the year.

Per share data	FY 11/12	FY 10/11	Change
EPS-basic (HK$)	0.39	0.33	+18.2%
EPS-diluted (HK$)	0.37	0.32	+15.6%
Dividend (HK cents)	15.4	14.6	+5.5%
Book value (HK$)[(1)]	1.86	1.54	+20.8%

Key statistics	FY 11/12	FY 10/11	Change
Inventory turnover (Days)[(2)]	164.1	146.9	+11.7%
Cash and cash equivalent (HK$ million)	626.9	775.8	-19.2%
Net cash (HK$ million)[(3)]	5.6	181.7	-96.9%
Debt to equity ratio (%)[(4)]	27.4	32.2	-14.9%
Return on equity ratio (%)[(5)]	22.9	23.4	-2.1%

Notes:
(1) Net asset value per share as at the year end date.
(2) Average of the inventory at the beginning and at the end of the year divided by cost of sales times number of days during the year.
(3) Net cash is defined as cash and cash equivalents of HK$626.9 million less bank borrowings of HK$621.3 million as shown in the consolidated balance sheet.
(4) Bank borrowings divided by total equity at the end of the year.
(5) Average of the total equity at the beginning and at the end of the year divided by profit attributable to equity holders of the Company for the year.

I.T IS FASHION

shaping the fashion scene in Greater China

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

(a) Group

The first half of the FY11/12 witnessed a great start into the year for the fashion retail business fuelled by strong consumer sentiment. This was, however, followed by a progressive reduction in customer traffic flow and decline in spending rest of year which alongside the late arrival of winter and escalating operating cost has posted challenges to the business on different fronts.

Despite all these challenges, the Group has achieved a substantial increase in annual turnover to HK$5,741.6 million, representing a 49.7% increase over last year with robust sales growth recorded in all operating markets. Coupled with a bigger revenue base and market penetration, the Group has managed to deliver the third consecutive year of record net profit in FY11/12 at HK$473.1 million with positive growth in operating profit achieved in all operating markets.

Turnover by Markets

Hong Kong continued to be the largest revenue and profit contributor to the Group as a trend setter with market dominance. Total turnover of all Hong Kong businesses amounted to HK$3,408.5 million in FY11/12, a 30.5% increase over last year which accounted for 59.4% of total Group turnover.

Driven by significant expansion in retail network and market penetration during the period, total turnover of our China businesses has achieved a step up increase of 50.7% over last year to HK$1,544.5 million in FY11/12 which accounted for 26.9% of total Group turnover.

Following our acquisition of the majority interest in January 2011, considerable progress has been made in building our Nowhere Japan business in terms of both sales and profitability. Total turnover reached HK$560.0 million in FY11/12 (vs. only 1 month operation consolidated in FY10/11) which accounted for 9.8% of total Group turnover.

Breakdown of turnover by region of operation:

	Turnover			Group Participation	
	FY11/12 HK$ million	FY10/11 HK$ million	**Change**	**FY11/12**	FY10/11
Hong Kong	**3,408.5**	2,612.4	**+30.5%**	**59.4%**	68.1%
Retail sales only	***3,385.5***	*2,596.9*	***+30.4%***		
Mainland China	**1,544.5**	1,024.8	**+50.7%**	**26.9%**	26.7%
Retail sales only	***1,426.6***	*938.9*	***+51.9%***		
Japan	**560.0**	43.5	**+1,187.4%**	**9.8%**	1.1%
Others	**228.6**	153.7	**+48.7%**	**3.9%**	4.1%
Total	**5,741.6**	3,834.4	**+49.7%**	**100.0%**	100.0%

Brand Mix

All in-house, international and licensed brands have achieved robust sales growth over last year. With continuous efforts to further leverage the brand equity of our in-house brands, especially in China, in-house brands enjoyed the highest year-over-year sales growth rate among all brands at 62.1% with group sales participation further increased to 57.9% in FY11/12 (vs. 53% in FY10/11).

Breakdown of retail sales by brand category:

	Retail Sales			**Group Participation**	
	FY11/12 HK$ million	FY10/11 HK$ million	**Change**	**FY11/12**	FY10/11
In-house brands	**3,198.6**	1,973.0	**+62.1%**	**57.9%**	53.0%
International brands	**2,135.7**	1,608.4	**+32.8%**	**38.6%**	43.2%
Licensed brands	**190.7**	142.1	**+34.2%**	**3.5%**	3.8%
	5, 525.0	3,723.5	**+48.4%**	**100.0%**	100.0%

Dynamics in Margin and Cost

Alongside the significant increase in turnover, gross profit of the group has increased 45.7% to HK$3,540.0 million in FY11/12 (vs. HK$2,428.9 million in FY10/11) while gross profit margin percentage narrowed slightly to 61.7% (FY10/11: 63.3%) attributable to more promotion activities and discount offers as well as the optimization of pricing strategies to accelerate volume growth.

Total operating cost ratio maintained relatively stable at 51.6% in FY11/12 (marginally higher than FY10/11 at 51.1%) despite escalating operating cost pressure. Store sales productivity has increased during the year as reflected by the improvement of both staff cost (excluding share option expenses) ratio (driven down 1.4 ppt to 15.4% in FY11/12 from 16.8% in FY10/11) and rent (including rental charges, management fee, rates and government rent) ratio (down 1.6 ppt to 21.3% in FY11/12 from 22.9% in FY10/11). This productivity enhancement was, however, offset by additional operating cost including new Government tax imposed in China (e.g. city construction tax) as well as the annualized full year impact of commission expense to our operating partners in some Japan stores.

With the above-mentioned revenue, margin and cost dynamics, operating profit of the Group increased by 24.2% to HK$575.3 million in FY11/12 (FY10/11: HK$463.1 million) at operating profit margin of 10.0% (FY10/11: 12.1%)

(b) Hong Kong

Continuous efforts have been deployed to maintain our market dominance in Hong Kong through better shopping experience and excitement in terms of product, pricing and service. Apart from driving year-over-year increase in store sales productivity of existing stores, new retail shops have been opened with total trading area increased by 13.3% in FY11/12 compared to last year. With total Hong Kong turnover amounted to HK$3,408.5 million in FY11/12, retail sales in Hong Kong increased by 30.4% to HK$3,385.5 million at comparable store sales growth rate of 14.9% despite a progressive slowdown in customer spending momentum experienced in the second half of the year.

Operating profit increased 22.3% to HK$358.0 million in FY11/12 at 10.5% operating margin (FY10/11: 11.2%). The impact of narrowed gross margin to 61.0% in FY11/12 (from 62.9% in FY10/11) driven by increased discount offers and optimization of pricing strategies have been partly compensated by enhancement in operating efficiency with total operating cost ratio reduced to 50.4% in FY11/12 (from 51.4% in FY10/11).

(c) Mainland China

Our retail network and market penetration in China has been significantly expanded in the year with total trading area increased by 51.5% in FY11/12 compared to last year with total turnover increased by 50.7% to HK$1,544.5 million notwithstanding the noticeable deceleration in customer spending experienced in the second half of the year.

Alongside the consistent efforts to further enhance the brand awareness of our existing portfolio of brands and retail formats, new brands and formats, in particular in-house brand have continued to be introduced to the market to better leverage customer potential in different segments. Total retail sales in China increased by 51.9% to HK$1,426.6 million in FY11/12 at comparable store sales growth rate of 8.0%.

Operating profit increased 1.3% to HK$145.4 million in FY11/12 at 9.4% operating margin (FY10/11: 14.0%) in a volatile trading environment. Gross margin has narrowed to 62.5% in FY11/12 (from 63.8% in FY10/11) driven by increased discount offers and optimization of pricing strategies. Impacted by additional Government tax imposed (e.g. city construction tax) and the additional staffing structure to support store network expansion, total operating cost ratio increased to 53.1% in FY11/12 (from 49.8% in FY10/11).

(d) Japan

Progressive acceleration of sales growth and enhancement in operating efficiency has been achieved following our acquisition of the majority interest in Nowhere Group Japan in January 2011 notwithstanding the challenging trading environment in the first half of the year adversely impacted by the earthquake. Total sales landed at HK$560.0 million with a profit turnaround achieved at HK$14.1 million operating profit.

(e) Others

Total retail sales in other regions (namely Macau and Taiwan) increased by 48.7% to HK$228.6 million and operating profits increased by 69.4% to HK$57.8 million. Strong tourist traffic flow from Mainland China together with robust local consumption were the key sales growth drivers for our Macau business. The increase in scale of business through expansion of retail network has contributed to the profit increase in Taiwan over last year.

In addition to our diversified portfolio of self-managed stores in different markets and franchised stores in China, the Group also maintained a franchised store network comprising 23 overseas franchised stores in countries such as UK, France, Canada, Thailand, Philippines, Singapore and South Korea.

Share of Results of Jointly Controlled Entities

Partly attributable to the pre-operating expenses of the jointly controlled entity, Galeries Lafayette (China) Limited, share of profit of jointly controlled entities reduced to HK$4.1 million for the year ended 29 February 2012 (vs. HK$15.9 million last year).

Inventory

Impacted by decelerated customer spending momentum as evidenced in the second half of the year together with unfavorable weather (late arrival of winter) and the increase in inventory purchase to support business expansion, inventory turnover days of the Group increased to 164.1 days for the year ended 29 February 2012 (vs. 146.9 days last year) though lowered from the 177.0 days level recorded for the six months ended 31 August 2011.

Cash Flows & Financial Position

While supported an aggressive store network expansion during the year, the Group has maintained a solid financial position in FY11/12 with total cash and bank balances amounted to HK$626.9 million (FY10/11: HK$775.8 million) and an overall net cash position of HK$5.6 million (net cash is defined as cash and cash equivalents of HK$626.9 million less bank borrowings of HK$621.3 million as shown in the consolidated balance sheet) as at 29 February 2012 though reduced from the net cash position of HK$181.7 million same period last year.

Cash inflow from operating activities for the year ended 29 February 2012 amounted to HK$359.0 million, a reduction from the level last year (HK$450.4 million) driven mainly by increase in inventory level to support new store opening as well as higher stock turnover days in existing business impacted by cool down in sales momentum in second half of the year.

Liquidity and Banking Facilities

The Group has secured adequate bank lines to support continuous corporate growth and development. Aggregate banking facilities amounted to approximately HK$1,531.1 million (2011: HK$1,025.4 million) as at 29 February 2012, of which approximately HK$718.0 million (2011: HK$254.4 million) was unutilized. While stepped up our business expansion in the year, the Group managed to maintain an overall net cash position with Debt-to-Equity ratio reduced to 27.4% in FY11/12 (vs. 32.2% in FY10/11).

Charges of Assets
As at 29 February 2012, bank borrowings are secured on land and building and motor vehicles with carrying amounts of HK$229.1 million (FY10/11: HK$279.5 million) and nil (FY10/11: HK$12.8 million), respectively.

Contingent Liabilities
As at 29 February 2012, the Group did not have significant contingent liabilities.

Foreign Exchange
The Group is exposed to foreign exchange risk arising from the exposure in Japanese Yen, Macau Pataca, Pound Sterling, Euro, United States Dollar, New Taiwan Dollar and Chinese Renminbi against Hong Kong Dollar. Management regularly monitors the foreign exchange risks of the Group and enters into forward exchange contracts and foreign currency swap contracts with major and reputable financial institutions to hedge the foreign exchange risk.

Employment, Training and Development
The Group had a total of 6,089 employees as at 29 February 2012 (FY10/11: 4,771) with quality staff added in the year to support front-line operations of new stores as well as continuous corporate development. 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
With confidence on the long-term growth prospects of the fashion retail markets in the region in particular Mainland China, the Group will continue to explore opportunities to further extend our market penetration and dominance through prudent and focused investment together with more dynamic operational and promotional tactics to cope with the increased market volatility, escalating operating costs and a general slowdown in consumer spending as experienced since second half of FY11/12.

Capitalizing the proven success "multi-brand, multi-layer" business model, the continuous enhancement in operating efficiency as well as further strengthening of our point of differentiation and competitiveness in pricing, product offer and service are some of the key corporate initiatives in 2012 which alongside the consistent efforts in enriching product collections, acquiring fashionable designers' brands and extending brand awareness would enable the Group to reinforce our trend-setting fashion icon position even under volatile economic and trading environment.

New brands and store formats will be introduced into the markets to provide new shopping excitement and experience to different customer segments, including the new "Aape" brand and store format launched in May 2012 which leveraged the brand equity of "A Bathing Ape" to target for the younger customer segment.

As a strategic market and major profit contributor of the Group, we will continue to maintain our market dominance in Hong Kong with opportunistic store expansion strategy for good potential new sites. Following the significant network expansion in China in the past 2 years, our focus is to ride on the operating intelligence built up to refine our store and format expansion strategy and to drive enhancement in store productivity and operating efficiency to maximize profitability.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT TEAM

Executive Directors

Mr. SHAM Kar Wai
Aged 45, is an Executive Director, the Chairman of the Board of Directors and the Chief Executive Officer of the Company. He founded the Group in November 1988 with his brother, Mr. Sham Kin Wai, and is responsible for the overall management and strategic development of the Group. Mr. Sham Kar Wai has over 20 years of experience in the fashion retail industry and has established an extensive network of contacts with international design houses.

Mr. SHAM Kin Wai
Aged 42, is an Executive Director. Since founding the Group with his brother, Mr. Sham Kar Wai, in November 1988, his principal focus has been on merchandising and product design for the Company. As the Chief Creative Officer of the Company, Mr. Sham Kin Wai has over 20 years of experience in the fashion retail industry and is responsible for the creative and aesthetic aspects of the Group's business. He has also been instrumental in creating the interior design concepts for the stores.

Independent Non-executive Directors

Mr. Francis GOUTENMACHER
Aged 71, was appointed an Independent Non-executive Director in August 2006. He also serves as the Chairman of the Company's Remuneration Committee and a member of Audit Committee and Nomination Committee. Mr. Goutenmacher is an independent non-executive director of Natural Beauty Bio-Technology Limited, a company listed on The Stock Exchange of Hong Kong Limited. Mr. Goutenmacher holds a Bachelor's degree from Ecole Nationale des Arts Decoratifs in Paris, France. Mr. Goutenmacher has been with Richemont Luxury Group, S.A. ("Richemont"), one of the world leading luxury goods groups, for over 30 years. He has been the managing director and chief executive officer of several prestigious brands, like Cartier and Piaget, encompassed by Richemont. After retiring as the regional chief executive of Richemont Asia Pacific Limited, Mr. Goutenmacher is now running a marketing consultancy firm, Gouten Consulting Limited, and is a director of this consultancy company.

Dr. WONG Tin Yau, Kelvin
Aged 51, was appointed an Independent Non-executive Director in August 2007. He also serves as the Chairman of the Company's Audit Committee and Nomination Committee. Dr. Wong is an executive director and deputy managing director, chairman of the corporate governance committee and member of the executive committee of COSCO Pacific Limited, a company listed on The Stock Exchange of Hong Kong Limited. Dr. Wong is the council chairman of The Hong Kong Institute of Directors, council advisor and past chairman of the Hong Kong Chinese Orchestra Limited, a member of the OECD/World Bank Asian Corporate Governance Roundtable, a member of the Main Board and GEM Listing Committee of The Stock Exchange of Hong Kong Limited, a member of the SFC (HKEC Listing) Committee of the Securities and Futures Commission, a member of the Standing Committee on Company Law Reform, a member of the Corruption Prevention Advisory Committee of Independent Commission Against Corruption, a member of the Appeal Board Panel (Town Planning), a member of The Board of Review (Inland Revenue Ordinance), a council member of The Hong Kong Management Association and a board director of Hong Kong Sports Institute Limited. He obtained his Master of Business Administration degree from Andrews University in Michigan, the USA in 1992 and his Doctor of Business Administration degree from The Hong Kong Polytechnic University in 2007. Dr. Wong is currently an independent non-executive director and chairman of the audit committee of China Metal International Holdings Inc., China ZhengTong Auto Services Holdings Limited and Xinjiang Goldwind Science & Technology Co., Ltd. and an independent non-executive director of CIG Yangtze Ports PLC. All the aforementioned companies are listed on The Stock Exchange of Hong Kong Limited.

Mr. MAK Wing Sum, Alvin
Aged 59, was appointed an Independent Non-executive Director in March 2012. He also serves as a Member of the Company's Audit Committee and Remuneration Committee. Mr. Mak, after working in Citibank for over 26 years, just went into his retirement on 1 May 2012. He last served as the Head of Markets and Banking for Citibank Hong Kong, being the country business manager for corporate and investment banking business. In Citibank, he had held various senior positions including Head of Global Banking responsible for managing all the coverage bankers. Prior to that, he also managed the Hong Kong's corporate finance business, regional asset management business and was the Chief Financial Officer of North Asia. Before joining Citibank in 1985, Mr. Mak was an audit group manager at Coopers & Lybrand (now known as PricewaterhouseCoopers). He worked for Coopers & Lybrand for eight years, five of which was in Toronto, Canada. He graduated from University of Toronto with a Bachelor of Commerce in 1976. He is a Chartered Accountant and is a member of the Canadian Institute of Chartered Accountants as well as a member of the Hong Kong Institute of Certified Public Accountants.

Senior Management Team

Mr. POON Yiu Ming, George
Aged 39, is the Chief Financial Officer of the Group in-charge of the overall finance and accounting strategies and operations as well as corporate development initiatives. Joined the Group in November 2011, Mr. Poon has over 15 years of finance, commercial and strategic development experience gained from multinational companies across retail, banking and the technology sectors. A qualified accountant with CPA Australia, Mr. Poon holds a Master degree in Business Administration from the Monash University and a Bachelor degree in Environmental Science from the University of Hong Kong.

Miss HO Suk Han, Sophia
Aged 43, is the Company Secretary. She joined the Group in May 2005. Miss Ho holds a Master degree in Business Administration from the Open University of Hong Kong and a Bachelor's degree of Arts (Honour) in Accountancy from the City University of Hong Kong. She has over 15 years of relevant experience and is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

I.T HAS A UNIQUE BRAND PORTFOLIO

CORPORATE GOVERNANCE REPORT

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 the principles and complied throughout the year ended 29 February 2012 the Code on Corporate Governance Practices (the "CG Code") as set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except the deviations as mentioned hereinafter.

The CG Code was revised and renamed as the Corporate Governance Code and Corporate Governance Report on 1 April 2012 (the "New CG Code"). The Company is dedicated to achieving a higher level of corporate governance practices and has already adopted various code provisions and recommended best practices in the New CG Code prior their implementation date. Some code provisions and recommended best practices in the New CG Code adopted by the Company throughout the year ended 29 February 2012 are summarized below:

New CG Code Code Provision A.1.8
The Company has arranged liability insurance cover to indemnify the Company's Directors and officers for their liabilities arising out of corporate activities since 2005. The Company reviews the insurance coverage at least annually to ensure it is adequate.

New CG Code Code Provision A.5
The Company established the Nomination Committee with specific written terms of reference before its IPO in 2005. Composition of and duties performed by the Nomination Committee during the year ended 29 February 2012 are detailed under the section headed "*Board of Directors*" and "*Nomination Committee*" below.

New CG Code Code Provision C.1.2
Management team provides the Board members with monthly updates since 2008. The report can give Board members a balanced and understandable assessment of the Company's performance, financial position and prospects to enable them to discharge their duties.

New CG Code Recommended Best Practice C.3.8
The Company has established a whistleblowing system in 2008 for employees to raise, in confidence, concerns with the Audit Committee about possible improprieties in any matter related to the Company. Arrangements are in place to ensure there is fair and independent investigation and follow up actions.

Board of Directors
From 1 January to 30 March 2012, the Board had only two Independent Non-executive Directors subsequent to the resignation of Mr. Wong Wai Ming as Independent Non-executive Director of the Company. On 31 March 2012, Mr. Mak Wing Sum, Alvin was appointed as Independent Non-executive Director of the Company in compliance with Rules 3.10 and 3.11 of the Listing Rules.

The Board currently comprises five members, two of them being Executive Directors and three Independent Non-executive Directors. Biographical details of the Directors are set out in "*Biographies of Directors and Senior Management Team*" on pages 30 to 31.

The Independent Non-executive Directors come from diverse business and professional backgrounds and provide expertise advice in an objective manner. The Company has received written confirmation of independence from each of the Independent Non-executive Directors and considers that all Independent Non-executive Directors meet the independence guidelines set out in the Listing Rules.

Independent Non-executive Directors are appointed for a one year specific term. Nomination Committee would review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board regarding the consideration of a candidate as a Board member and the renewal of service term of the Independent Non-executive Directors. The Independent Non-executive Directors are subject to the re-election provisions laid down in the Company's Bye-laws.

Code provision A.2.1 of the 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.

All Directors, including those appointed for a specific term, are subject to retirement by rotation at least once every three years.

The Board has reserved for its decision and consideration issues in relation to strategic developments, substantial mergers and acquisitions and disposals, annual and interim results, directors' appointments and significant operational and financial matters. Implementation and execution of Board policies and strategies and daily administrative matters are delegated to the Executive Committee and the Management team of the Company.

The Board conducts at least four regular Board meetings a year and additional meetings are held or resolutions in writing signed by all Directors in lieu of a meeting are arranged as and when required to discuss significant issues. If a substantial shareholder or a Director has a conflict of interest in a transaction which the Board has determined to be material, it will be considered and dealt with by the Board at a duly convened Board meeting. Comprehensive information on matters to be discussed at the Board meeting is supplied to the Directors in a timely manner to facilitate discussion and decision-making.

The Board met four times in the year ended 29 February 2012.

The Board has established four committees, namely the Audit Committee, Remuneration Committee, Nomination Committee and Executive Committee to oversee particular aspects of the Company's affairs. Specific responsibilities of each Committee are described below. Save for the Executive Committee, all Committees are chaired by Independent Non-executive Directors. Executive Committee comprises the Chief Executive Officer and one Executive Director from time to time. All committees have defined terms of reference which are of no less exacting terms than those set out in the CG Code.

Audit Committee

The primary responsibility of the Audit Committee is to review the financial reporting process of the Group and its internal control system, and also to oversee the audit process and to perform other duties assigned by the Board. From 1 March to 31 December 2011, the Audit Committee comprised three members, all Independent Non-executive Directors. Mr. Wong Wai Ming, Independent Non-executive Director and Chairman of the Committee, resigned on 31 December 2011. Dr. Wong Tin Yau, Kelvin was elected as Chairman on 1 January 2012. From 1 January to 30 March 2012, there are only 2 members, being Dr. Wong Tin Yau, Kelvin and Mr. Francis Goutenmacher. Mr. Mak Wing Sum, Alvin, the new Independent Non-executive Director and member of the Committee was on board on 31 March 2012. All Committee members possess appropriate professional qualifications, accounting or related financial management expertise as required under the Listing Rules.

The Audit Committee met seven times in the year ended 29 February 2012. During the year ended 29 February 2012, the Committee has reviewed the financial results of the Company, the audit plans and findings of external auditor, external auditor's independence, the accounting principles and practices of the Group, Listing Rules and statutory compliance, internal controls, risk management, financial reporting matters and adequacy of resources, qualifications and experience of accounting and financial reporting staff and made recommendations to the Company to improve the quality of financial information to be disclosed and internal control. The Audit Committee has also reviewed and approved the engagement of external auditor to perform special audit and non-audit services and approved their fees. There was no disagreement between the Board and the Audit Committee on the selection and appointment of external auditor.

Remuneration Committee

The Remuneration Committee is responsible for reviewing the remuneration packages of Executive Directors and Management team, including bonuses and options grant under the Share Option Scheme, to ensure that such remuneration is reasonable. The Remuneration Committee comprised three members, majority of which are Independent Non-executive Directors, save for the period from 1 January to 29 February 2012 due to the casual vacancy caused by the resignation of Mr. Wong Wai Ming. Currently, Mr. Francis Goutenmacher, being an Independent Non-executive Director, acts as the Chairman, and Mr. Sham Kar Wai and Mr. Mak Wing Sum, Alvin are the Committee members.

The Remuneration Committee met six times in the year ended 29 February 2012.

During the year ended 29 February 2012, the Committee has discussed and reviewed the remuneration packages for the Directors and Management team and administered the share options grant. The remuneration policy of the Company is to enable the Company to retain and motivate employees (including Executive Directors) to meet corporate objectives. An Executive Director is not allowed to approve his own remuneration. The remuneration package of Executive Director includes basic salary, housing allowance, discretionary bonus and share options which are all covered by a service contract. The director's fee of Independent Non-executive Directors is subject to annual assessment. Remuneration surveys on companies operating in similar businesses are referred to when the Remuneration Committee is considering the remuneration packages of the Directors.

Nomination Committee

The Nomination Committee is responsible for selecting Board members and ensuring transparency of the selection process. The Committee identifies individuals suitably qualified to become or continue to be the Board members by taking into consideration criteria like expertise, experience and commitment and makes recommendations to the Board on the selection of individuals nominated for directorships. It also reviews the structure, size and composition of the Board having regard to the Company's business activities, assets and management portfolio. The Committee met three times in the year ended 29 February 2012 to discuss and review the extension of term of service of the Independent Non-executive Directors and to nominate candidate to the Board for consideration and appointment as Independent Non-executive Director to fill the casual vacancy caused by the resignation of Mr. Wong Wai Ming. There are three members in the Nomination Committee. Dr. Wong Tin Yau, Kelvin was elected as Chairman subsequent to the resignation of Mr. Wong Wai Ming, effective on 1 January 2012. On 13 January 2012, Mr. Francis Goutenmacher, being an Independent Non-executive Director, replaced Mr. Sham Kin Wai as a member and henceforward majority of the members are Independent Non-executive Directors.

Executive Committee

The Executive Committee was established to approve routine corporate administration matters from time to time delegated by the Board. The Executive Committee comprised the Chief Executive Officer and one Executive Director from time to time. The Committee met thirty times in the year ended 29 February 2012.

Details of Directors' attendance of the Board and Committee meetings held during the year ended 29 February 2012 are set out as follows:

	Meetings Attended				
	Board (Note 6)	**Executive Committee**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors					
Mr. Sham Kar Wai (Note 1)	4/4	30/30	–	6/6	3/3
Mr. Sham Kin Wai (Note 1&2)	4/4	30/30	–	–	2/2
Independent Non-executive Directors					
Mr. Wong Wai Ming (Note 3)	2/3	–	7/7	5/5	2/2
Mr. Francis Goutenmacher (Note 4)	4/4	–	7/7	6/6	1/1
Dr. Wong Tin Yau, Kelvin (Note 5)	4/4	–	7/7	–	1/1

Note 1: Mr. Sham Kar Wai and Mr. Sham Kin Wai are brothers.

Note 2: Mr. Sham Kin Wai resigned as a member of the Nomination Committee with effect from 13 January 2012.

Note 3: Mr. Wong Wai Ming resigned as Independent Non-executive Director, the Chairman and a member of the Audit Committee, the Chairman and a member of the Nomination Committee and a member of the Remuneration Committee with effect from 31 December 2011.

Note 4: Mr. Francis Goutenmacher is the Chairman of Remuneration Committee and was appointed as a member of the Nomination Committee with effect from 13 January 2012.

Note 5: Dr. Wong Tin Yau, Kelvin was appointed as the Chairman of the Audit Committee and the Chairman and a member of Nomination Committee with effect from 1 January 2012.

Note 6: This column only records the attendance of Board meetings duly convened and held. In addition to this, six resolution-in-writing were signed by all Directors and three resolution in writing was signed by all Independent Non-executive Directors during the year ended 29 February 2012.

Accountability and Audit

The Directors acknowledge their responsibility for preparing the financial statements of the Company and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. The Board is not aware of any material uncertainties relating to the events or condition that may cast doubt upon the Company's ability to continue as a going concern.

The statements of the external auditor of the Company, PricewaterhouseCoopers, with regard to their reporting responsibilities on the Company's financial statements are set out in "*Independent Auditor's Report*" on page 52.

During the year ended 29 February 2012, the fees paid or payable to PricewaterhouseCoopers were approximately HK$5,053,000 for audit services and approximately HK$923,000 for non-audit services (review of the interim results of the Company for the period ended 31 August 2011 and tax advisory) rendered to the Group. PricewaterhouseCoopers confirmed to the Audit Committee and to the Board that they were independent accountants with respect to the Company during the year ended 29 February 2012, within the meaning of the requirements of their firm and the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants.

Internal Control

The Board is responsible for maintaining a sound and effective internal control system to safeguard the Group's assets and shareholders' interests. The Group has established internal control system including, but not limited to, a well-defined organizational structure with limit of authority, an effective budget and performance evaluating system, a reliable management reporting system and an annual control and risk self-assessment on major business units.

To embed a risk alert culture throughout the Group, Internal Audit Department has implemented an annual control and risk self-assessment to allow Management team to identify and analyse the risks underlying the achievement of business objectives and to determine a basis for how such identified risks to be managed and mitigated.

By adopting a risk-based approach, Internal Audit Department derives a yearly audit plan, which is approved by the Audit Committee on annual basis to assess the adequacy, effectiveness, efficiency and reliability of internal control procedures regarding financial, operational and compliance activities of the Group. The results of independent audit reviews together with the recommended remedial actions, in the form of an internal audit report, are submitted to the Audit Committee and Management team on a regular basis. Follow up reviews will be performed to ensure all identified issues have been satisfactorily resolved.

During the year ended 29 February 2012, the Board, (i) through the Audit Committee with the assistance of Internal Audit Department, has reviewed the effectiveness of the Group's internal controls including financial, operational and compliance controls and risk management functions; and (ii) has reviewed resources the Group assigned to the staff with accounting and financial reporting function and the qualifications and experience of the said staff. There were no irregularities or material deficiencies found.

Directors' Securities Transactions

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. Employees who are likely to possess unpublished price-sensitive information of the Company are also subject to compliance with the same terms as the Model Code. Having made specific enquiry, all Directors have confirmed that throughout the year under review, they have complied with the required standard set out in the Model Code regarding securities transactions by the Directors.

Investor Relations

The Company adheres to practices that promote and maintain communication with research analysts and institutional investors. It would keep constant and open dialogue with investment community through company visits, conference calls, international non-deal road-shows and participation in various investors' conferences to provide comprehensive information on the Company's business strategies and developments. During the year ended 29 February 2012, over 200 meetings with institutional investors, fund managers and analysts were held.

Press conferences with media, analysts and investors are held after results announcements to present the Company's performance. In addition, the Company arranges road-shows after its annual and interim results announcements. Press releases are published for timely and non-selective dissemination of corporate news.

To enhance transparency and ease of retrieval of data, the Company has posted all announcements, publications and press releases on its website to keep the shareholders and the public informed of the Company's latest developments.

Shareholders' Rights

The Company's shareholders' communication policy is to provide the shareholders with equal and timely access to the Company's information to enable them to exercise their rights in an informed manner; and to ensure there is ongoing dialogues and effective communication with the shareholders and the investment community.

The general meetings of the Company are mediums for shareholders to have direct dialogue with the Board. The Chairman of the Board as well as Chairman of the respective Committee are available to answer questions at the shareholders' meetings. External auditor also attends annual general meetings to address shareholders' enquiries.

Under the Listing Rules, all votes of the shareholders at general meetings would be taken by poll.

Shareholders can send in their enquiries in writing to Company Secretary at the Company's business address in Hong Kong. The Board will seriously consider shareholders' enquiries and address them accordingly. No shareholders' enquiry was received during the year ended 29 February 2012.

I.T fully embraces its responsibility as corporate citizens and has always aspired to seek new ways to enhance its relationships with the communities.

DONATION TO CHINESE ATHLETES EDUCATIONAL FUNDS

Valuing fitness, teamwork and fair play, sport has become a universal forum for raising social awareness to help the underprivileged; I.T was keen to the fundraising spirit for The China National Badminton Team. Donations were made to The Chinese Athletes Educational Funds for worthwhile causes such as to improve facilities and poverty conditions.

TSUMORI CHISATO LIMITED EDITION CHARITY UMBRELLA

In line with Hong Kong Breast Cancer Foundation's aims to promote awareness of breast cancer, TSUMORI CHISATO joined hands ELLE Magazine and launched a limited edition ladies umbrella to raise fund for Hong Kong Breast Cancer Foundation. The net sale proceeds was donated to the beneficiary to support patient care and research work conducted by the Foundation.

I.T HYSAN ONE OPENING LIMITED EDITION TOTE BAG

In support of the catastrophic earthquake occurred in Japan 2011, I.T worked together with renowned fashion brand such as A BATHING APE, BEAMS, Beauty&Youth UNITED ARROWS, COMME des GARCONS, Ground Zero, LUKER, Maison Martin Margiela, McQ Alexander McQueen, mercibeaucoup, N.Hoolywood, Ne-net, TSUMORI CHISATO and ZUCCa to launch 13 limited edition tote bags for charity sale. Showing support and encouraging fans to open up their hearts to do a good deed, I.T donated HK$300,000 to the Hong Kong Red Cross for Japan earthquake and tsunami relief.

I.T PRESENTS: AYUMI HAMASAKI X LESLIE KEE CHARITY ALBUM

I.T has been a philanthropic-minded fashion group. After a series of fund raising activities supporting post-earthquake disaster relief and reconstruction projects in Japan through the first half of 2011, Japan's Queen of Pop Ayumi Hamasaki and renowned photographer Leslie Kee have joined hands to publish a fund-raising photo album 'LOVE & HOPE + FIVE'. The albums were sold exclusively at I.T HYSAN ONE. The generated income was donated to support Hong Kong Red Cross disaster relief and redevelopment projects in Japan after cost deduction.

ZING – THE MOST BEAUTIFUL WOMEN IN HONG KONG CHARITY PHOTO BOOK

Celebrity makeup artist Zing published a charity photo book and exhibited 20 Most Beautiful Women in Hong Kong from his perspective. The Top 20 Beauty included Faye Wong, Carina Lau, Shu Qi, Charlene Choi, Cecilia Cheung, Sally Yeah, Pat Ha, Pansy Ho, Claudia Shaw, Chan Pochu, Josie Ho, Isabella Leong, Angelababy, Tingting Tse, Qiqi, Elizabeth Lee, Janet Ma, Loletta Chu, Flora Cheongleen and Cherie Chung. All photographs were auctioned for donation. I.T as one of their honorary sponsors donated HK$200,000 to Hong Kong Red Cross for post-earthquake reconstruction projects in Yunan, China.

YI.T FOR JAPAN EARTHQUAKE RELIEF

I.T collaborated with fashionista Wyman Wong for the second time and launched the YI.T pop-up store at I.T Ice House Street. Not only selling exquisite items which are personally sourced from Europe by the fashionista himself, Wyman also provided styling service for customers whom made reservations for makeover class during the first three days. The net sales were donated to Hong Kong Red Cross for Japan earthquake relief.

The Directors of I.T Limited (the "Company") have pleasure in submitting their annual report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 29 February 2012.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The Company's subsidiaries are engaged in retailing and trading of fashion wears and accessories. The activities of the principal subsidiaries are set out in Note 17 to the consolidated financial statements.

The analysis of the Group's performance for the year by business and geographical segments is set out in Note 5 to the consolidated financial statements.

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 29 February 2012 are set out in Note 17 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 53.

The Board has resolved to recommend the payment of a final dividend of 12.9 HK cents per share for the year ended 29 February 2012. Together with the interim dividend of 2.5 HK cents per share, full year dividend will be 15.4 HK cents (2011: 14.6 HK cents).

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$610,000 (2011: HK$772,000).

PROPERTY, FURNITURE AND EQUIPMENT

Details of the movements in property, furniture and equipment of the Group are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 28 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Company during the year are set out in Note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 29 February 2012, the Company's reserve available for cash distribution, as computed in accordance with The Companies Act 1981 of Bermuda (as amended), amounted to HK$515,317,000, of which HK$157,466,000 has been proposed as final dividend for the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws and there was no restriction against such rights under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 99 and 100.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive
Mr. Sham Kar Wai
Mr. Sham Kin Wai

Independent Non-executive

Mr. Wong Wai Ming	(resigned on 31 December 2011)
Mr. Francis Goutenmacher	
Dr. Wong Tin Yau, Kelvin	
Mr. Mak Wing Sum, Alvin	(appointed on 31 March 2012)

In accordance with Clause 86(2) of the Company's Bye-laws, Mr. Mak Wing Sum, Alvin shall hold office until the forthcoming annual general meeting of the Company, being eligible, offers himself for re-election.

In accordance with Clause 87 of the Company's Bye-laws, Mr. Sham Kar Wai, will retire by rotation at the forthcoming annual general meeting of the Company, offers himself for re-election.

Independent Non-executive Directors were appointed for a one-year term. The term of service of Mr. Francis Goutenmacher and Dr. Wong Tin Yau, Kelvin will expire on 31 July 2012 while Mr. Mak Wing Sum, Alvin's on 30 March 2013. The Company has received from each of its Independent Non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers the Independent Non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

The Director who is proposed for re-election at the forthcoming annual general meeting of the Company does not have a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' EMOLUMENTS

Details of the remuneration of the Directors on a named basis during the year are set out in Note 9 to the consolidated financial statements.

REMUNERATION POLICY

Remuneration policy of the Company is reviewed regularly, making reference to market condition and performance of the Company and individual staff (including the Directors). The remuneration policy and remuneration packages of the Directors and senior management team are reviewed by the Remuneration Committee which are detailed in the paragraph headed "Remuneration Committee" under the Corporate Governance Report on page 36.

PENSION-DEFINED CONTRIBUTION PLANS

Details of pension defined contribution plans of the Group are set out in Note 8 to the consolidated financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management as at the date of this report are set out on pages 30 to 31.

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 interim report of the Company for the six months ended 31 August 2011 are set out below:–

Name of Director	Details of changes
	The Group's annual remuneration review was conducted in April 2012.
Executive Director Mr. Sham Kar Wai	– the monthly salary and housing allowance was revised to HK$665,280 commenced from 1 April 2012.
Mr. Sham Kin Wai	– resigned as a member of the Nomination Committee of the Board of Directors of the Company with effect from 13 January 2012. – the monthly salary and housing allowance was revised to HK$481,140 commenced from 1 April 2012.
Independent Non-executive Director Mr. Francis Goutenmacher	– appointed as a member of the Nomination Committee of the Board of Directors of the Company with effect from 13 January 2012. – the directors' fee was revised to HK$246,000 per annum commenced from 1 April 2012.
Dr. Wong Tin Yau, Kelvin	– appointed as a director of the Hong Kong Sports Institute Limited with effect from 1 April 2012. – the directors' fee was revised to HK$246,000 per annum commenced from 1 April 2012.
Mr. Mak Wing Sum, Alvin	– the directors' fee was revised to HK$246,000 per annum commenced from 1 April 2012.

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

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

As at 29 February 2012, 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 (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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

(a) Long positions in the shares of the Company

	No. of shares held				
Director	**Beneficiary of trust** (Note 1)	**Interest in underlying shares/equity derivatives** (Note 2)	**Direct interest**	**Total**	**Percentage of issued share capital**
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 interest of the Directors and Chief Executives of the Company in the share options of the Company are detailed in the section headed "*Share Options*" below.

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

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

Note:

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

Save as disclosed above, none of the Directors or their associates had any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations as at 29 February 2012.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from those disclosed in the section headed "*Share Options*" under this report on page 44, at no time during the year 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

(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.

Details of the movements in share options to subscribe for shares in the Company during the year ended 29 February 2012 are set out below:

	Date of grant	Exercise period	Exercise price per share HK$	Number of Share Options As at 1 March 2011	Granted during the year	Exercised during the year	Lapsed during the year	As at 29 February 2012	Notes
Director									
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
Continuous contract employees	14 April 2008	14 April 2008 to 13 April 2013	2.20	17,847,835	–	(16,572,507)	(976)	1,274,352	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
				94,677,690	40,250,000	(23,416,507)	(976)	111,510,207	

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	Number of Share Options As at 1 March 2011	Exercised during the year (Note (a))	As at 29 February 2012
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
		10,243,980	(3,422,000)	6,821,980

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	Number of Share Options As at 1 March 2011	Exercised during the year (Note (a))	Lapsed during the year	As at 29 February 2012
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	(5,330,925)	–	522,570
14 April 2010	14 April 2010 to 13 April 2013	6,523,093	(5,771,311)	–	751,782
		17,847,835	(16,572,507)	(976)	1,274,352

Note (a) The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$6.58.

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 29 February 2012, 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/ lending pool
Yau Shuk Ching Chingmy (Note 1)	Beneficiary of a trust/Interest of spouse	731,576,800	59.93%	Long
Wong Choi Shan (Note 2)	Beneficiary of a trust/Interest of spouse	731,576,800	59.93%	Long
Effective Convey Limited (Note 3)	Beneficial owner and interest in corporation	698,564,441	57.22%	Long
Dynamic Vitality Limited (Note 4)	Interest in corporation	698,564,441	57.22%	Long
HSBC International Trustee Limited (Note 4)	Interest in corporation	698,564,441	57.22%	Long
Fine Honour Limited (Note 3)	Beneficial owner	169,197,830	13.86%	Long
JPMorgan Chase & Co. (Notes 5)	Investment manager and custodian corporation/approved lending agent	97,733,675	8.01%	Long/ lending pool
Templeton Assets Management Ltd.	Investment manager	86,162,395	7.06%	Long
Glorious Sun Trading (HK) Limited	Beneficial owner	68,827,473	5.63%	Long
Glorious Sun Enterprises (BVI) Limited (Note 6)	Interest in corporation	68,827,473	5.63%	Long
Glorious Sun Enterprises Limited (Note 6)	Interest in corporation	68,827,473	5.63%	Long
Glorious Sun Holdings (BVI) Limited (Note 7)	Interest in corporation	68,827,473	5.63%	Long
Yeung Chun Kam (Note 7)	Interest in controlled company	68,827,473	5.63%	Long
Yeung Chun Fan (Note 7)	Interest in controlled company	68,827,473	5.63%	Long
Cheung Wai Yee (Note 8)	Interest in controlled company	68,827,473	5.63%	Long

Notes:

1. Spouse of Mr. Sham Kar Wai (Director of the Company). Out of the 731,576,800 Shares, Ms. Yau held 33,012,359 shares in the capacity of interest of spouse and the balance being 698,564,441 Shares, in the capacity of beneficiary of a trust.

2. Spouse of Mr. Sham Kin Wai (Director of the Company). Out of the 731,576,800 Shares, Ms. Wong held 33,012,359 shares in the capacity of interest of spouse and the balance being 698,564,441 Shares, in the capacity of beneficiary of a trust.

3. 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 29 February 2012.

4. Effective Convey Limited is a wholly-owned subsidiary of Dynamic Vitality Limited, which is wholly-owned by The ABS 2000 Trust. The ABS 2000 Trust was established on 14 September 2000 as an irrevocable discretionary trust for the benefit of Mr. Sham Kar Wai and Mr. Sham Kin Wai, and their respective family members. HSBC International Trustee Limited is the trustee of The ABS 2000 Trust. Each of Dynamic Vitality Limited and HSBC International Trustee Limited is therefore deemed interested in the Shares held by Effective Convey Limited.

5. Out of the 97,733,675 Shares, JPMorgan Chase & Co. held 47,350,000 Shares in the capacity of investment manager and the balance, being 50,383,675 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.

6. 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.

7. 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.

8. Spouse of Mr. Yeung Chun Fan.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 30% of its goods and services from its five largest suppliers and sold less than 30% of its goods and services to its five largest customers.

RELATED PARTY TRANSACTIONS

Significant related party transactions entered by the Group during the year ended 29 February 2012, which did not constitute connected transactions under the Listing Rules, are disclosed in Note 33 to the consolidated financial statements.

CONTINUING DISCLOSURE REQUIREMENTS

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

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

Details of the Facilities are set out below:

Facility Agreement:	The facility agreement dated 24 February 2012 and executed by i.t apparels Limited, the Guarantors, the Facility Agent and the Lenders;
Borrower:	i.t apparels Limited, an indirectly wholly-owned subsidiary of the Company;
Guarantors:	the Company and 12 direct and indirect subsidiaries of the Company;
Lenders:	Hang Seng Bank Limited and The Hongkong and Shanghai Banking Corporation Limited;
Facility Agent:	Hang Seng Bank Limited;
Facilities:	Facility A, Facility B and Facility C; Facility A: a HK$ term loan of HK$275,000,000, which is repayable over a period of 48 months from the date of the Facility Agreement Facility B: a HK$ revolving loan of HK$100,000,000, the termination date of which is the date falling 47 months from the date of the Facility Agreement Facility C: a RMB term loan of RMB105,000,000, the repayment date of which is the date falling 36 months from the date of the Facility Agreement

The circumstances giving rise to the obligation of disclosure pursuant to Rule 13.18 of the Listing Rules continues to exist after the year ended 29 February 2012.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this report as required under the Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 34 to 38.

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers who will retire at the forthcoming annual general meeting of the Company, and being eligible, offer themselves for re-appointment.

On behalf of the Board

Sham Kar Wai
Chairman

Hong Kong, 25 May 2012

I.T.IS

a fashion icon
TREND SETTING
inspiration
a lifestyle
MOVING FORWARD

羅兵咸永道

TO THE SHAREHOLDERS OF I.T LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of I.T Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 53 to 98, which comprise the consolidated and company balance sheets as at 29 February 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 29 February 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 May 2012

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 29 February 2012

	Note	**2012 HK$'000**	2011 HK$'000
Turnover	5	**5,741,642**	3,834,422
Cost of sales	7	**(2,201,683)**	(1,405,482)
Gross profit		**3,539,959**	2,428,940
Other loss	6	**(2,776)**	(7,544)
Operating expenses	7	**(2,961,879)**	(1,958,255)
Operating profit		**575,304**	463,141
Finance income	10	**6,385**	5,100
Finance costs	10	**(11,993)**	(2,900)
Share of profit of jointly controlled entities	18	**4,086**	15,923
Profit before income tax		**573,782**	481,264
Income tax expense	11	**(100,652)**	(93,118)
Profit for the year		**473,130**	388,146
Other comprehensive income:			
Currency translation differences		**27,157**	28,808
Total comprehensive income for the year		**500,287**	416,954
Profit attributable to:			
– Equity holders of the Company	12	**471,300**	387,948
– Non-controlling interests		**1,830**	198
		473,130	388,146
Total comprehensive income attributable to:			
– Equity holders of the Company		**498,476**	416,756
– Non-controlling interests		**1,811**	198
		500,287	416,954
Earnings per share for profit for the year (expressed in HK$ per share)			
– basic	13	**HK$0.39**	HK$0.33
– diluted	13	**HK$0.37**	HK$0.32
Dividends	14	**187,967**	174,737

The accompanying notes are an integral part of these consolidated financial statements.

BALANCE SHEETS

As at 29 February 2012

		Consolidated		Company	
		2012	2011	**2012**	2011
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS					
Non-current assets					
Property, furniture and equipment	15	**880,887**	727,022	**–**	–
Intangible assets	16	**373,018**	370,722	**–**	–
Investments in and amounts due from subsidiaries	17	**–**	–	**1,563,483**	1,438,915
Investments in and amounts due from jointly controlled entities	18	**118,059**	63,730	**–**	–
Rental deposits	21	**277,738**	199,414	**–**	–
Prepayments for furniture and equipment	21	**4,437**	–	**–**	–
Deferred income tax assets	27	**77,782**	51,389	**–**	–
		1,731,921	1,412,277	**1,563,483**	1,438,915
Current assets					
Inventories	19	**1,237,808**	736,717	**–**	–
Trade and other receivables	20	**155,450**	121,371	**–**	–
Amounts due from jointly controlled entities	18	**23,648**	21,995	**–**	–
Prepayments and other deposits	21	**216,063**	217,358	**168**	143
Derivative financial instruments	26	**116**	–	**–**	–
Cash and cash equivalents	22	**626,944**	775,841	**1,079**	1,955
		2,260,029	1,873,282	**1,247**	2,098
LIABILITIES					
Current liabilities					
Bank borrowings	23	**(184,178)**	(214,911)	**–**	–
Trade and bill payables	24	**(487,948)**	(360,545)	**–**	–
Accruals and other payables	25	**(463,583)**	(349,524)	**–**	(39)
Amounts due to jointly controlled entities	18	**(50,064)**	(45,055)	**–**	–
Current income tax liabilities		**(48,754)**	(42,460)	**–**	–
		(1,234,527)	(1,012,495)	**–**	(39)
Net current assets		**1,025,502**	860,787	**1,247**	2,059
Total assets less current liabilities		**2,757,423**	2,273,064	**1,564,730**	1,440,974
Non-current liabilities					
Bank borrowings	23	**(437,126)**	(379,234)	**–**	–
Accruals	25	**(18,079)**	(21,935)	**–**	–
Derivative financial instruments	26	**(2,639)**	–	**–**	–
Deferred income tax liabilities	27	**(30,801)**	(28,683)	**–**	–
		(488,645)	(429,852)	**–**	–
Net assets		**2,268,778**	1,843,212	**1,564,730**	1,440,974
EQUITY					
Capital and reserves					
Share capital	28	**122,067**	119,725	**122,067**	119,725
Reserves	29	**2,148,649**	1,727,236	**1,442,663**	1,321,249
Non-controlling interests		**(1,938)**	(3,749)	**–**	–
Total equity		**2,268,778**	1,843,212	**1,564,730**	1,440,974

SHAM KAR WAI
Chairman

SHAM KIN WAI
Director

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 29 February 2012

	Note	Share capital HK$'000	Reserves HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 March 2011		119,725	1,727,236	(3,749)	1,843,212
Comprehensive income:					
– Profit for the year		–	471,300	1,830	473,130
Other comprehensive income:					
– Currency translation differences		–	27,176	(19)	27,157
Total comprehensive income		–	498,476	1,811	500,287
Transaction with owners:					
Final dividend for the year ended 28 February 2011		–	(126,906)	–	(126,906)
Interim dividend for the year ended 29 February 2012		–	(30,501)	–	(30,501)
Exercise of share options		2,342	50,612	–	52,954
Share option scheme – value of employment services	29	–	29,732	–	29,732
		2,342	(77,063)	–	(74,721)
Balance at 29 February 2012		122,067	2,148,649	(1,938)	2,268,778
Balance at 1 March 2010		115,504	1,362,219	–	1,477,723
Non-controlling interests arising from business combination		–	–	(3,947)	(3,947)
Comprehensive income:					
– Profit for the year		–	387,948	198	388,146
Other comprehensive income:					
– Currency translation differences		–	28,808	–	28,808
Total comprehensive income		–	416,756	198	416,954
Transaction with owners:					
Final dividend for the year ended 28 February 2010		–	(121,369)	–	(121,369)
Interim dividend for the year ended 28 February 2011		–	(50,223)	–	(50,223)
Issue of scrip shares	28	3,071	80,339	–	83,410
Exercise of share options		1,150	24,464	–	25,614
Share option scheme – value of employment services	29	–	15,050	–	15,050
		4,221	(51,739)	–	(47,518)
Balance at 28 February 2011		119,725	1,727,236	(3,749)	1,843,212

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 29 February 2012

	Note	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
Cash generated from operations	30(a)	**489,008**	524,693
Interest paid		**(11,993)**	(2,900)
Hong Kong profits tax paid		**(60,857)**	(44,666)
Overseas income tax paid		**(57,205)**	(26,681)
Net cash generated from operating activities		**358,953**	450,446
Cash flows from investing activities			
Acquisition of a subsidiary net of cash acquired		**–**	(13,844)
Purchase of property, furniture and equipment		**(387,191)**	(485,710)
Purchase of intangible assets		**(4,845)**	(3,641)
Proceeds from disposal of property, furniture and equipment	30(b)	**8,545**	34
Capital injection in a jointly controlled entity		**–**	(15,000)
Shareholders' loans to jointly controlled entities		**(59,046)**	–
Capital reduction from a jointly controlled entity		**–**	3,000
Distribution of dividend from a jointly controlled entity		**10,000**	5,000
Interest received		**2,977**	1,814
Net cash used in investing activities		**(429,560)**	(508,347)
Cash flows from financing activities			
Proceeds from exercise of share options		**52,954**	25,614
Repayments of bank borrowings		**(351,462)**	(428,170)
Proceeds from bank borrowings		**371,284**	695,191
Dividends paid		**(157,407)**	(88,182)
Net cash (used in)/generated from financing activities		**(84,631)**	204,453
Net (decrease)/increase in cash and cash equivalents		**(155,238)**	146,552
Cash and cash equivalents, beginning of the year		**775,841**	622,238
Currency translation differences		**6,341**	7,051
Cash and cash equivalents, end of the year	30(c)	**626,944**	775,841

The accompanying notes are an integral part of these consolidated financial statements.

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 has its listing on The Stock Exchange of Hong Kong Limited.

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

These consolidated financial statements have been approved for issue by the board of directors on 25 May 2012.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

These consolidated financial statements of I.T Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by financial assets and financial liabilities at fair value through profit or loss (including derivative instruments).

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 to the consolidated financial statements.

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

HKAS 24 (Revised)	Related Party Disclosures
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosure for First-Time Adopters
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguish Financial Liabilities with Equity Instruments

(b) 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)
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (effective for annual period beginning on or after 1 January 2014)
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 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (effective for annual period beginning on or after 1 July 2013)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

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

HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures (effective for annual period beginning on or after 1 January 2015)
HKFRS 9	Financial Instruments (effective for annual period beginning on or after 1 January 2015)
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 Entities (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)
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine (effective for annual period beginning on or after 1 January 2013)

The Group has not early adopted these new standards, amendments and interpretations to existing standards in the financial statements for the year ended 29 February 2012. 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 Hong Kong Institute of Certified Public Accountants 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.

2.2 CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of February.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 CONSOLIDATION (Continued)

(a) Subsidiaries (Continued)

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(b) Jointly controlled entities

The Group's interests in jointly controlled entities are accounted for by equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's share of post-acquisition profit or loss is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in jointly controlled entities equals or exceeds its interest in the jointly controlled entities, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entities.

The Group determines at each reporting date whether there is any objective evidence that the interest in jointly controlled entities is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the interest in jointly controlled entities and its carrying value and recognises the amount adjacent to 'share of profit of a jointly controlled entity in the consolidated statement of comprehensive income.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interests in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary in the consolidated statement of comprehensive income to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in jointly controlled entities are recognised in the consolidated statement of comprehensive income.

2.3 SEGMENT REPORTING

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

2.4 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong Dollar ("HK$"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 FOREIGN CURRENCY TRANSLATION (Continued)

(c) Group companies

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 PROPERTY, FURNITURE AND EQUIPMENT

Property, furniture and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the statement of comprehensive income during the period in which they are incurred.

Depreciation of property, furniture and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Land and buildings	37 to 40 years
Leasehold improvements	3 to 5 years or over the unexpired period of the lease, whichever is shorter
Furniture and equipment	3 to 5 years
Motor vehicles and yacht	4 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2.6 INTANGIBLE ASSETS

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over I.T Limited's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 INTANGIBLE ASSETS (Continued)

(b) Licence rights

Licence rights (intangible assets) are stated at historical cost less accumulated amortisation and accumulated impairment losses, if any. They are initially measured at the fair value of the consideration given to acquire the licence at the time of the acquisition. The consideration given represents the capitalised present values of the fixed minimum periodic payments to be made in subsequent years in respect of the acquisition of the licence rights.

Licence rights are amortised using the straight-line method to allocate the cost over their estimated useful lives.

(c) Franchise contracts and distribution agreements

Acquired franchise contracts and distribution agreements are shown at historical cost, which is the fair value of the acquired contracts and agreements as at the date of acquisition. The contracts and agreements have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of acquisition of contracts and agreements over their estimated useful lives (3 to 10 years).

(d) Trademark

Acquired trademarks are shown at historical cost. Trademarks have finite useful lives and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their average estimated useful lives (8 to 10 years).

(e) Other intangible assets

Other intangible assets are shown at historical cost. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives (2 years).

(f) Club debentures

Acquired club debentures are stated at historical cost less accumulated impairment losses, if any. They are measured at the fair value of the consideration given to acquire the club debenture at the time of the acquisition. The club debenture is tested annually for impairment.

2.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period and in this case they are classified as non-current assets.

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, if any. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. The Group's loans and receivables comprise "trade and other receivables", "cash and cash equivalents" and "amounts due from jointly controlled entities" in the balance sheet.

2.9 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates the derivatives at fair value through profit or loss and accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments are recognised immediately in the statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method of costing. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.12 CASH AND CASH EQUIVALENTS

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.13 TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.15 CURRENT AND DEFERRED INCOME TAX

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 CURRENT AND DEFERRED INCOME TAX (Continued)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and jointly controlled entities, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 EMPLOYEE BENEFITS

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to trust-administered pension funds. The Group has defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to trustee-administered pension funds on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Bonus plan

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 EMPLOYEE BENEFITS (Continued)

(d) Share-based compensation (Continued)

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2.17 SHARE CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

2.18 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

Retail sales are usually paid in cash or by credit/debit cards. The recorded revenue is the gross amount of sale, including credit card fees payable for the transaction. Such fees are included in operating expenses.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.19 BORROWING COSTS

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.20 OPERATING LEASES (AS THE LESSEE)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.21 DIVIDEND DISTRIBUTIONS

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest rate risk.

Management regularly monitors the financial risks of the Group and uses derivative financial instruments to hedge certain foreign exchange risk exposures. Because of the simplicity of the financial structure and the current operations of the Group, no other hedging activities are undertaken by management.

(a) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from the exposure in Japanese Yen, Macau Pataca, Pound Sterling, Euro, United States Dollar, New Taiwan Dollar and Chinese Renminbi against Hong Kong Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in operations in Mainland China, Taiwan and Japan.

To manage their foreign exchange risk arising from certain future commercial transactions and recognised liabilities, entities in the Group use forward currency exchange contracts, transacted with external financial institutions. Foreign exchange risk arises when future commercial transactions or recognised liabilities are denominated in a currency that is not the entity's functional currency.

At 29 February 2012, if Chinese Renminbi had strengthened/weakened by 5% against the United States Dollar with all other variables held constant, profit for the year and equity holders' equity would have been approximately HK$57,000 (2011: HK$508,000) lower/higher mainly as a result of foreign exchange losses/gains on translation of United States Dollar-denominated bank balances of certain subsidiaries whose functional currency is Chinese Renminbi.

At 29 February 2012, if Hong Kong Dollar had strengthened/weakened by 5% against the Euro with all other variables held constant, profit for the year and equity holders' equity would have been approximately HK$2,944,000 higher/lower (2011: HK$3,092,000 higher/lower) mainly as a result of foreign exchange gains/losses on translation of Euro-denominated bank balances, trade payables and bank borrowings.

At 29 February 2012, if Hong Kong Dollar had strengthened/weakened by 5% against the Japanese Yen with all other variables held constant, profit for the year and equity holders' equity would have been approximately HK$3,579,000 (2011: HK$5,049,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of Japanese Yen-denominated bank balances, trade payables, derivative financial instruments and bank borrowings.

At 29 February 2012, if Hong Kong Dollar had strengthened/weakened by 5% against the Chinese Renminbi with all other variables held constant, profit for the year and equity holders' equity would have been approximately HK$19,892,000 (2011: Nil) lower/higher mainly as a result of foreign exchange losses/gains on translation of Chinese Renminbi denominated bank balances and derivative financial instruments.

At 29 February 2012, foreign exchange risks on financial assets and liabilities denominated in Macau Pataca, New Taiwan Dollar and Pound Sterling were insignificant to the Group.

The Group has certain investments in Mainland China, whose net assets are denominated in Chinese Renminbi. The conversion of Chinese Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the Mainland China government.

(b) Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents, trade and other receivables, rental deposits, derivative financial instruments and amounts due from jointly controlled entities. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets. As at 29 February 2012, all the bank deposits are deposited in the high quality financial institutions without significant credit risk. Management does not expect any losses from non-performance by these institutions.

The credit quality of trade and other receivables, rental deposits and amount due from jointly controlled entities have been assessed by reference to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

As at 29 February 2012, all the derivative financial instruments are contracted with high quality financial institutions without significant credit risk. Management does not expect any losses from non-performance by these institutions.

Retail sales are usually paid in cash or by major credit/debit cards. The Group's credit sales are only made to wholesale customers with an appropriate credit history and on credit terms within 30 days. The directors consider the Group does not have a significant concentration of credit risk. No single customer accounted for more than 1% of the Group's total revenues during the year.

Disclosure on credit risk for amount due from jointly controlled entities, trade and other receivables, and rental deposits is on Notes 18, 20 and 21 to the consolidated financial statements.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(c) Liquidity risk

The liquidity risk of the Group is controlled by maintaining sufficient banking facilities and cash and cash equivalents, which is generated from the operating cash flow and financing cash flow.

The table below analyses the Group's and the entity's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
As at 29 February 2012					
Borrowings and interest payment	187,263	171,079	178,040	95,460	631,842
Trade and bill payables	487,948	–	–	–	487,948
Accruals and other payables	463,583	–	–	–	463,583
Due to jointly controlled entities	50,064	–	–	–	50,064
	1,188,858	171,079	178,040	95,460	1,633,437
As at 28 February 2011					
Borrowings and interest payment	217,289	86,170	192,081	105,243	600,783
Trade and bill payables	360,545	–	–	–	360,545
Accruals and other payables	345,354	–	–	–	345,354
Due to jointly controlled entities	45,055	–	–	–	45,055
	968,243	86,170	192,081	105,243	1,351,737

The Group's gross settled derivative financial instruments including foreign exchange contracts and foreign currency swap contract. The foreign exchange contracts require undiscounted contractual cash inflows of HK$110,435,000 (2011: Nil) and undiscounted contractual cash outflows of HK$110,400,000 (2011: Nil). The foreign currency swap contract requires undiscounted contractual cash inflows of HK$209,614,000 (2011: Nil) and undiscounted contractual cash outflows of HK$212,754,000 (2011: Nil).

(d) Cash flow and fair value interest rate risk

Except for the short-term bank deposits as at 29 February 2012 of HK$75,032,000 (2011: HK$12,277,000), held at effective interest rate of 0.6 % per annum (2011: 0.5% per annum), and the bank borrowings as at 29 February 2012 of HK$621,304,000 (2011: HK$594,145,000) held at effective interest rate of 1.9 % (2011: 1.4%) per annum, the Group has no significant interest-bearing assets and liabilities. The bank borrowings at floating rate expose the Group to cash flow interest rate risk which is insignificant to the Group. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact resulted from the changes in interest rates.

At 29 February 2012, if interest rates on cash and cash equivalents and bank borrowings had been 100 basis points higher/lower with all other variables held constant, the Group's net interest income would have been approximately HK$56,000 (2011: HK$1,817,000) higher/lower. The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet date. The 100 basis point increase or decrease represents management's assessment of a reasonable possible change in those interest rates which have the most impact on the Group over the period until the next annual balance sheet date.

The Company has no significant interest-bearing assets and liabilities. The Company's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact resulted from the changes in interest rates.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 FAIR VALUE ESTIMATION

The Group measures fair values using the following fair value measurement hierarchy:

- 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).

At 29 February 2012, the Group has foreign exchange forward contracts and foreign currency swap with notional principal amount of HK$110,400,000 (2011: Nil) and HK$129,570,000 (2011: Nil) respectively, which were measured by level 2 of the fair value measurement hierarchy.

The carrying amounts of the Group's current financial assets, including cash and cash equivalents, amounts due from jointly controlled entities, trade and other receivables and rental deposits, and current financial liabilities, including amount due to jointly controlled entities, trade and bill payables, other payables and short-term bank borrowings, approximate their fair values due to their short maturities.

The fair value of financial assets and financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

3.3 CAPITAL RISK MANAGEMENT

The Group's objectives on managing capital are to finance its operations with its owned capital and to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders and issue new shares.

The Group monitors capital on the basis of available cash and cash equivalents and current ratio as shown in and derived from the consolidated balance sheet. The table below analyses the Group's capital structure:

	2012	2011
Cash and cash equivalents (HK$'000)	**626,944**	775,841
Current ratio (Current assets divided by current liabilities)	**1.83**	1.85

The Group's strategy is to maintain the current ratio above 1.00 and sufficient cash and cash equivalents to support the operations and development of its business in the long term.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of investments in jointly controlled entities, property, furniture and equipment and intangible assets

Investments in jointly controlled entities, property, furniture and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts are determined based on value-in-use calculations or market valuations. These calculations require use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the statement of comprehensive income.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Impairment of investments in jointly controlled entities, property, furniture and equipment and intangible assets (Continued)

As at 29 February 2012, the carrying amounts of property, furniture and equipment, intangible assets and investments in jointly controlled entities disclosed in Notes 15, 16 and 18 to the consolidated financial statements respectively are subject to the impairment review.

(b) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on fair value less costs to sell estimations. These estimations require the use of assumptions and judgements.

As at 29 February 2012, the carrying amount of goodwill disclosed in Note 16 to the consolidated financial statements is subject to the impairment review.

Management believes that the recoverable amounts of CGUs will exceed the carrying amounts of CGUs even if there is a 1% decrease in forecast growth rate or 1% increase in discount rate.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling prices in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in economic conditions in places where the Group operates and changes in customer taste and competitor actions in response to changes in market conditions. Management reassesses these estimates at each balance sheet date.

As at 29 February 2012, the carrying amounts of merchandise stock for resale disclosed in Note 19 to the consolidated financial statements are subject to the review of net realisable value.

(d) Provision for impairment of deposits, trade and other receivables and amounts due from jointly controlled entities

The Group's management determines the provision for impairment of deposits, trade and other receivables and amounts due from jointly controlled entities based on the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the deposits and other receivables are impaired. Management reassesses the provision at each balance sheet date.

As at 29 February 2012, the carrying amounts of amounts due from jointly controlled entities, other receivables and deposits disclosed in Notes 18, 20 and 21 to the consolidated financial statements respectively are subject to the impairment review.

(e) Income taxes

The Group is subject to income taxes in certain jurisdictions. Significant judgement is required in determining the provision for income taxes. These are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(f) Deferred income tax

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates are changed.

(g) Employee benefits – share-based payments

The determination of the fair value of the share options granted requires estimates in determining the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate for the life of the option and the number of share options that are expected to become exercisable. Where the outcome of the number of options that are exercisable is different, such difference will impact the statement of comprehensive income in the subsequent remaining vesting period of the relevant share options.

5 TURNOVER AND SEGMENT INFORMATION

(a) Analysis of revenue by category

	2012 HK$'000	2011 HK$'000
Turnover		
– Sales of fashion wears and accessories	**5,741,642**	3,834,422

(b) Segment information

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, and amortisation of intangible assets ("EBITDA"). The measure excludes the effects of share of profit/(loss) from jointly controlled entities. Finance income and expenses 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 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.

The segment information provided to the board of directors for the reportable segments for the year ended 29 February 2012 and 28 February 2011 is as follows:

	Hong Kong		Mainland China		Japan		Others		Total	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Turnover	**3,408,539**	2,612,364	**1,544,457**	1,024,818	**560,013**	43,500	**228,633**	153,740	**5,741,642**	3,834,422
EBITDA	**479,027**	369,849	**215,274**	185,843	**53,072**	(4,090)	**71,270**	45,278	**818,643**	596,880
Depreciation and amortisation	**(114,091)**	(77,207)	**(69,836)**	(42,342)	**(34,787)**	(3,045)	**(13,446)**	(11,145)	**(232,160)**	(133,739)
Impairment of property, furniture and equipment	**(6,971)**	–	**–**	–	**(4,208)**	–	**–**	–	**(11,179)**	–
Operating profit/(loss)	**357,965**	292,642	**145,438**	143,501	**14,077**	(7,135)	**57,824**	34,133	**575,304**	463,141
Finance income									**6,385**	5,100
Finance costs									**(11,993)**	(2,900)
Share of profits of jointly controlled entities									**4,086**	15,923
Profit before income tax									**573,782**	481,264
Total segment assets	**1,904,583**	1,690,248	**1,328,738**	923,986	**424,688**	413,522	**114,452**	120,689	**3,772,461**	3,148,445

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

	2012 HK$'000	2011 HK$'000
Segment assets for reportable segments	**3,658,009**	3,027,756
Other segments assets	**114,452**	120,689
	3,772,461	3,148,445
Unallocated:		
Deferred income tax assets	**77,782**	51,389
Investments in and amounts due from jointly controlled entities	**141,707**	85,725
	3,991,950	3,285,559

6 OTHER LOSS

	2012 HK$'000	2011 HK$'000
Fair value loss from derivative financial instruments		
– forward foreign exchange contracts	**137**	7,544
– foreign currency swap contract	**2,639**	–
	2,776	7,544

7 EXPENSES BY NATURE

	2012 HK$'000	2011 HK$'000
Cost of inventories sold	**2,081,466**	1,374,991
Write-downs of inventories to net realisable value	**99,673**	15,944
Employment costs (including directors' emoluments) (Note 8)	**912,222**	657,633
Operating lease rentals of premises		
– minimum lease payments	**892,337**	645,763
– contingent rents	**185,599**	122,206
Advertising and promotion costs	**99,420**	67,558
Depreciation of property, furniture and equipment	**217,340**	127,387
Impairment of property, furniture and equipment	**11,179**	–
Loss on disposals of property, furniture and equipment	**1,214**	1,870
Licence fees (included in operating expenses)		
– amortisation of licence rights	**4,760**	4,213
– contingent licence fees	**20,112**	7,026
Amortisation of intangible assets (excluding licence fees)	**10,060**	2,139
Provision for impairment of trade receivables	**3,559**	–
Provision for impairment of amount due from a jointly controlled entity	**200**	322
Auditor's remuneration	**5,201**	5,109
Net exchange gains	**(23,024)**	(13,930)
Other expenses	**642,244**	345,506
Total	**5,163,562**	3,363,737
Representing:		
Cost of sales	**2,201,683**	1,405,482
Operating expenses	**2,961,879**	1,958,255
	5,163,562	3,363,737

8 EMPLOYMENT COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2012 HK$'000	2011 HK$'000
Salaries, commission and allowances	**760,169**	546,220
Bonus	**47,770**	55,000
Pension costs – employer's contributions to defined contribution plans and provision for long service payment	**62,851**	40,199
Share options granted	**29,732**	15,050
Welfare and other benefits	**11,700**	1,164
	912,222	657,633

8 EMPLOYMENT COSTS (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(a) Pension – defined contribution plans

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme ("the MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its employees make monthly contributions to the scheme generally at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employee are subject to a maximum contribution of HK$1,000 per month and thereafter contributions are voluntary. The Group has no further obligation for post-retirement benefits beyond the contributions.

As stipulated by rules and regulations in Mainland China, Taiwan and Macau, the Group contributes to state-sponsored retirement plans for employees of its subsidiaries established in Mainland China, Taiwan and Macau. For Mainland China, the employees contribute up to 8% of their basic salaries, while the Group contributes approximately 17% to 22% of such salaries. For Taiwan, employees are not liable to make contribution to the plan, while the Group contributes up to 6% of the employees' salary. For Macau, the employees contribute up to HK$15 per month, while the Group contributes up to HK$30 per month to the plan, and the actual payment of which depends on the number of days that the employees work in the Group. The Group has no further obligations for the actual payment of pensions or post-retirements benefits beyond these contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

During the year ended 29 February 2012, the amount of the Group's employer contributions to defined contribution plans is approximately HK$62,851,000 (2011: HK$39,861,000.).

9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of each director of the Company for the year ended 29 February 2012 is set out below:

Name of directors	Fees	Salaries	Bonus	Other benefits (i)	Employer's contributions to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors						
Mr Sham Kar Wai	–	6,158	16,673	9,877	12	32,720
Mr Sham Kin Wai	–	4,149	13,642	9,722	12	27,525
Independent non-executive directors						
Mr Wong Wai Ming (ii)	189	–	–	–	–	189
Mr Francis Goutenmacher	227	–	–	–	–	227
Dr Wong Tin Yau, Kelvin	227	–	–	–	–	227
	643	10,307	30,315	19,599	24	60,888

The remuneration of each director of the Company for the year ended 28 February 2011 is set out below:

Name of directors	Fees	Salaries	Bonus	Other benefits (i)	Employer's contributions to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors						
Mr Sham Kar Wai	–	5,640	20,000	5,112	12	30,764
Mr Sham Kin Wai	–	4,235	14,500	4,572	12	23,319
Independent non-executive directors						
Mr Wong Wai Ming	208	–	–	–	–	208
Mr Francis Goutenmacher	208	–	–	–	–	208
Dr Wong Tin Yau, Kelvin	208	–	–	–	–	208
	624	9,875	34,500	9,684	24	54,707

9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

Notes:

(i) Other benefits include housing allowance and the amortisation to the statement of comprehensive income of the fair value of share options under the Share Option Scheme measured at the respective grant dates, regardless of whether the share options would be exercised or not.

(ii) Mr. Wong Wai Ming resigned as independent non-executive director on 31 December 2011. Mr. Mak Wing Sum, Alvin, was appointed as independent non-executive director on 31 March 2012.

No directors waived any emoluments during the year ended 29 February 2012 (2011: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two (2011: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2011: three) individuals are as follows:

	2012	2011
	HK$'000	HK$'000
Salaries	**7,272**	5,735
Bonus	**6,510**	6,510
Other benefits (i)	**15,759**	9,613
Employer's contributions to pension scheme	**279**	266
	29,820	22,124

Note:

(i) Other benefits include housing allowance and the amortisation to the statement of comprehensive income of the fair value of share options under the Share Option Scheme measured at the respective grant dates, regardless of whether the share options would be exercised or not.

The emoluments of the remaining three (2011: three) individuals fell within the following bands:

	2012	2011
HK$4,000,001 – HK$4,500,000	**–**	1
HK$6,000,001 – HK$6,500,000	**1**	–
HK$8,000,001 – HK$8,500,000	**–**	1
HK$9,500,001 – HK$10,000,000	**–**	1
HK$10,500,001 – HK$11,000,000	**1**	–
HK$12,500,001 – HK$13,000,000	**1**	–
	3	3

(c) During the year ended 29 February 2012, no emolument was paid by the Company to any of the directors or the five highest individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2011: Nil).

10 FINANCE INCOME AND COSTS

	2012 HK$'000	2011 HK$'000
Interest income from		
– bank deposits	**2,977**	1,814
– amounts due from jointly controlled entities	**1,067**	610
– others (i)	**2,341**	2,676
Finance income	**6,385**	5,100
Interest expense on bank borrowings		
– wholly repayable within five years	**(10,401)**	(2,351)
– not wholly repayable within five years	**(1,592)**	(549)
Finance costs	**(11,993)**	(2,900)
Net finance (costs)/income	**(5,608)**	2,200

Note:

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

11 INCOME TAX EXPENSE

The Company is exempted from income taxes 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% (2011: 16.5%) on the estimated assessable profits of the Group's operations in Hong Kong.

According to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), the income tax rates for both domestic and foreign investment enterprises are unified at 25% effective from 1 January 2008. However, for enterprises which are established before the publication of the CIT Law and are entitled to preferential treatments of reduced income tax rate granted by relevant tax authorities, the income tax rate is gradually increased to 25% within 5 years after the effective date of the CIT Law. For the region that enjoys a reduced income tax rate at 15%, the income tax rate is gradually increased to 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% for 2012 according to grandfathering rules stipulated in the Detailed Implementation Regulations ("DIR") and related circular. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term continue to enjoy such treatment until the fixed term expires.

Mainland China enterprise income tax has been provided at the applicable rates ranging from 24% to 25% (2011: ranging from 22% to 25%) on the profits of the Group's operations in Mainland China.

Taiwan profits tax has been provided at the rate of 17% (2011: 17%) on the estimated assessable profits of the Group's operations in Taiwan.

Macau Complementary (Corporate) Tax has been provided at the applicable rates ranging from 9% to 12% (2011: 9% to 12%) on the estimated assessable profit in excess of HK$196,000 (approximately MOP200,000) and below HK$295,000 (approximately MOP300,000) and a fixed rate of 12% on assessable profit in excess of HK$295,000 (approximately MOP300,000).

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

11 INCOME TAX EXPENSE (Continued)

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

	2012 HK$'000	2011 HK$'000
Current income tax		
– Hong Kong profits tax	76,723	46,570
– Mainland China enterprise income tax	41,345	32,929
– Overseas income tax	6,513	3,620
– (Over)/under-provision in prior year	(476)	510
	124,105	83,629
Deferred income tax (Note 27)	(23,453)	9,489
	100,652	93,118

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using weighted average tax rate in applicable to profits of the consolidated entities as follows:

	2012 HK$'000	2011 HK$'000
Profit before income tax	573,782	481,264
Adjustment: share of profit of jointly controlled entities, net of tax	(4,086)	(15,923)
Adjusted profit before income tax	569,696	465,341
Tax calculated at applicable tax rates	102,291	88,443
Income not subject to tax	(653)	(1,296)
Expenses not deductible for tax purposes	12,730	4,480
Effect on change of overseas income tax rate	–	292
Withholding tax on dividend distributable from subsidiaries in Mainland China	6,378	5,152
Tax loss not recognised	577	208
Utilisation of previously unrecognised tax losses	(20,195)	(4,671)
(Over)/under-provision in prior year	(476)	510
Income tax expense	100,652	93,118

The weighted average applicable tax rate was 18.0% (2011: 19.0%). The decrease is mainly caused by a change of the distribution of profits of the Group's entities operating in different locations.

12 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$198,477,000 (2011: HK$209,656,000).

13 EARNINGS PER SHARE

Basic

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

	2012	2011
Profit attributable to equity holders of the Company (HK$'000)	**471,300**	387,948
Weighted average number of ordinary shares in issue ('000)	**1,216,443**	1,176,027
Basic earnings per share (HK$)	**0.39**	0.33

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.

	2012	2011
Profit attributable to equity holders of the Company (HK$'000)	**471,300**	387,948
Weighted average number of ordinary shares in issue ('000)	**1,216,443**	1,176,027
Adjustments for share options ('000)	**45,090**	52,604
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,261,533**	1,228,631
Diluted earnings per share (HK$)	**0.37**	0.32

14 DIVIDENDS

	2012 HK$'000	2011 HK$'000
Interim dividend, paid, of 2.5 HK cents (2011: 4.2 HK cents with options of scrip share) per ordinary share	**30,501**	50,223
Final dividend, proposed, 12.9 HK cents (2011: 10.4 HK cents) per ordinary share	**157,466**	124,514
	187,967	174,737

A final dividend relating to the year ended 28 February 2011 amounted to HK$126,906,000 and an interim dividend relating to the six months ended 31 August 2011 amounted to HK$30,501,000 which was fully paid in August 2011 and December 2011 respectively.

An interim dividend relating to the six months ended 31 August 2010 amounted to HK$50,223,000, of which HK$47,631,000 was paid in December 2010 and ordinary shareholders holding 61,713,317 shares out of the then total outstanding shares of 1,195,795,179 elected to receive scrip shares in lieu of cash dividends of HK$2,592,000.

The board of directors proposed a final dividend of 12.9 HK cents per ordinary share for the year ended 29 February 2012 on 25 May 2012 (2011: 10.4 HK cents per ordinary share). This proposed final dividend is not reflected as a dividend payable as of 29 February 2012, but will be recorded as a distribution of retained earnings for the year ending 28 February 2013.

15 PROPERTY, FURNITURE AND EQUIPMENT – CONSOLIDATED

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles and yacht HK$'000	Total HK$'000
At 1 March 2010					
Cost	–	485,857	80,344	38,120	604,321
Accumulated depreciation and impairment	–	(315,912)	(52,340)	(2,674)	(370,926)
Net book amount	–	169,945	28,004	35,446	233,395
Year ended 28 February 2011					
Opening net book amount	–	169,945	28,004	35,446	233,395
Additions	237,693	209,385	34,564	4,068	485,710
Acquisition of a business	43,971	71,447	6,466	11,174	133,058
Disposals	–	(1,372)	(532)	–	(1,904)
Depreciation	(2,206)	(107,653)	(12,283)	(5,245)	(127,387)
Exchange differences	–	3,299	769	82	4,150
Closing net book amount	279,458	345,051	56,988	45,525	727,022
At 28 February 2011					
Cost	281,664	741,854	121,194	53,516	1,198,228
Accumulated depreciation and impairment	(2,206)	(396,803)	(64,206)	(7,991)	(471,206)
Net book amount	279,458	345,051	56,988	45,525	727,022
Year ended 29 February 2012					
Opening net book amount	279,458	345,051	56,988	45,525	727,022
Additions	8,023	342,538	35,723	907	387,191
Disposals	–	(8,504)	(1,255)	–	(9,759)
Impairment	–	(11,068)	(111)	–	(11,179)
Depreciation	(6,841)	(178,126)	(23,897)	(8,476)	(217,340)
Exchange differences	393	2,858	1,415	286	4,952
Closing net book amount	281,033	492,749	68,863	38,242	880,887
At 29 February 2012					
Cost	290,071	1,024,335	153,146	54,567	1,522,119
Accumulated depreciation and impairment	(9,038)	(531,586)	(84,283)	(16,325)	(641,232)
Net book amount	281,033	492,749	68,863	38,242	880,887

Depreciation and impairment expenses have been included in operating expenses.

As at 29 February 2012, bank borrowings are secured on land and buildings and motor vehicles with carrying amounts of HK$229,057,000 (2011: HK$279,458,000) and nil (2011: 12,796,000), respectively.

Land comprises freehold land in Japan and leasehold land held on medium-term in Hong Kong.

16 INTANGIBLE ASSETS – CONSOLIDATED

	Goodwill	Licence rights	Franchise contracts and distribution agreements	Trademark	Other intangible assets	Club debentures	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 March 2010							
Cost	302,578	6,045	16,753	532	–	6,098	332,006
Accumulated amortisation and impairment	(65,471)	(2,841)	(3,747)	(124)	–	–	(72,183)
Net book amount	237,107	3,204	13,006	408	–	6,098	259,823
Year ended 28 February 2011							
Opening net book amount	237,107	3,204	13,006	408	–	6,098	259,823
Additions	–	3,641	–	–	–	–	3,641
Amortisation	–	(4,213)	(1,792)	(145)	(202)	–	(6,352)
Acquisition of a business	58,469	207	2,954	34,994	4,860	–	101,484
Exchange differences	11,540	–	586	–	–	–	12,126
Closing net book amount	307,116	2,839	14,754	35,257	4,658	6,098	370,722
At 28 February 2011							
Cost	374,821	9,623	20,522	35,526	4,860	6,098	451,450
Accumulated amortisation and impairment	(67,705)	(6,784)	(5,768)	(269)	(202)	–	(80,728)
Net book amount	307,116	2,839	14,754	35,257	4,658	6,098	370,722
Year ended 29 February 2012							
Opening net book amount	307,116	2,839	14,754	35,257	4,658	6,098	370,722
Additions	–	3,457	–	1,388	–	–	4,845
Amortisation	–	(4,760)	(2,820)	(4,716)	(2,524)	–	(14,820)
Exchange differences	11,079	2	471	595	124	–	12,271
Closing net book amount	318,195	1,538	12,405	32,524	2,258	6,098	373,018
At 29 February 2012							
Cost	388,866	10,520	21,250	37,555	4,924	6,098	469,213
Accumulated amortisation and impairment	(70,671)	(8,982)	(8,845)	(5,031)	(2,666)	–	(96,195)
Net book amount	318,195	1,538	12,405	32,524	2,258	6,098	373,018

Amortisation expense has been included in operating expenses.

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to lines of businesses monitored by management internally.

The majority of the goodwill is allocated to the in-house brands operated by the Group.

The recoverable amounts of the CGUs are determined based on fair value less costs to sell estimations. These estimations use cash flow projections based on financial budgets approved by management covering the subsequent years. Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below. The growth rate does not exceed the long-term average growth rate for the retail business in Mainland China and Japan in which the CGUs operate.

16 INTANGIBLE ASSETS – CONSOLIDATED (Continued)

Key assumptions used for fair value less costs to sell estimations

	2012	2011
Long-term growth rate	**1% to 15%**	1% to 8%
Gross margin	**58% to 78%**	55% to 78%
Discount rate	**13% to 14%**	13% to 14%

These assumptions have been used for the analysis of each of the CGUs.

Management determined budgeted gross margin based on past performance and its expectations for the market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant businesses.

17 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES – COMPANY

	2012 HK$'000	2011 HK$'000
Unlisted investments, at cost	**229,831**	200,098
Amounts due from subsidiaries	**1,333,652**	1,238,817
	1,563,483	1,438,915

(a) Details of the principal subsidiaries as at 29 February 2012:

Name	**Place of incorporation/ establishment and operations**	**Issued and fully paid/ registered capital**	**Percentage of equity interest attributable to the Group (i)**	**Principal activities**
b&ab Limited	Hong Kong	HK$500,000	100%	Retail of fashion wears and accessories
Blossom Glory Limited	Hong Kong	HK$500,000	100%	Retail of fashion wears and accessories
Century Team Corporation Limited	Hong Kong	HK$2	100%	Investment holding
Charm Source Limited	Hong Kong	HK$5,000,000	100%	Retail of fashion wears and accessories
Cheerwood Limited	Hong Kong	HK$2	100%	Retail of fashion wears and accessories
Chocoolate Limited	Hong Kong	HK$500,000	100%	Retail of fashion wears and accessories
Double Park Limited	Hong Kong	HK$500,000	100%	Retail of fashion wears and accessories
Elegant Century Enterprises Limited	Hong Kong	HK$500,000	100%	Retail of fashion wears and accessories
i.t apparels Limited	Hong Kong	HK$500,000	100%	Retail and trading of fashion wears and accessories
I.T China Limited	Hong Kong	HK$60,000,000	100%	Investment holding
I.T Distribution Limited	Hong Kong	HK$2	100%	Trading of fashion wear and accessories
I.T (Macau) Limited	Macau	MOP9,270,000	100%	Retail of fashion wears and accessories

17 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES – COMPANY (Continued)

(a) Details of the principal subsidiaries as at 29 February 2012 (Continued):

Name	Place of incorporation/ establishment and operations	Issued and fully paid/ registered capital	Percentage of equity interest attributable to the Group (i)	Principal activities
I.T Nowhere Holdings (HK) Limited	Hong Kong	HK$1	100%	Investment holding
I.T Taiwan Limited	Hong Kong and Taiwan	HK$1	100%	Retail of fashion wears and accessories
ithk holdings limited	British Virgin Islands	US$20,000	100%	Investment holding
Izzue Limited	Hong Kong	HK$500,000	100%	Retail of fashion wears and accessories
Jetchance Limited	Hong Kong	HK$2	100%	Retail of fashion wears and accessories
Joyful Fair Limited	Hong Kong	HK$500,000	100%	Retail of fashion wears and accessories
Kenchart Investments Limited	Hong Kong	HK$300,000	100%	Retail of fashion wears and accessories
King Chart Limited	Hong Kong	HK$10,000	100%	Retail of fashion wears and accessories
Legend Grace International Limited	Hong Kong	HK$2	100%	Retail of fashion wears and accessories
Mega Charm Apparels (Shanghai) Limited (ii)	Mainland China	US$8,500,000	100%	Retail of fashion wears and accessories
Mega Charm Apparels (Beijing) Limited (ii)	Mainland China	US$2,000,000	100%	Retail of fashion wears and accessories
New Concepts Corporation Limited	Hong Kong	HK$2	100%	Investment holding and trading of fashion wears and accessories
Nowhere Co., Ltd.	Japan	JPY77,000,000	90.27%	Investment holding and trading of fashion wears and accessories
Prime Vantage Trading (Shanghai) Limited (ii)	Mainland China	US$1,000,000	100%	Retail of fashion wears and accessories
Top Honour Corporation Limited	Hong Kong	HK$4,000,000	100%	Retail of fashion wears and accessories
USApe LLC	Delaware, U.S.A	USD750,000	90.27%	Retail of fashion wears and accessories
Venilla Suite Limited	Hong Kong	HK$300,000	100%	Retail of fashion wears and accessories
Zoompac Apparel (Shanghai) Limited (ii)	Mainland China	US$3,700,000	100%	Retail and trading of fashion wears and accessories

17 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES – COMPANY (Continued)

(a) Details of the principal subsidiaries as at 29 February 2012 (Continued):

Notes:

(i) The shares of ithk holdings limited are held directly by the Company. The shares of the other subsidiaries are held indirectly.

(ii) Mega Charm Apparels (Shanghai) Limited, Prime Vantage Trading (Shanghai) Limited, Zoompac Apparel (Shanghai) Limited and Mega Charm Apparels (Beijing) Limited, are wholly foreign owned enterprises established in Shanghai and Beijing, Mainland China to be operated for 20 years up to 2027, 20 years up to 2027, 30 years up to 2035 and 20 years up to 2030, respectively.

(b) Amounts due from subsidiaries

Amounts due from subsidiaries represent quasi-equity funding by the Company to the respective subsidiaries and are measured in accordance with the Company's accounting policy for investments in subsidiaries.

Amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed term of repayment.

18 INVESTMENTS IN AND BALANCES WITH JOINTLY CONTROLLED ENTITIES – CONSOLIDATED

	2012 HK$'000	2011 HK$'000
Share of net assets	**49,621**	54,138
Amounts due from jointly controlled entities	**95,167**	34,468
Less: provision for impairment of amount due from a jointly controlled entity	**(3,081)**	(2,881)
	92,086	31,587
	141,707	85,725
Less: current portion of amounts due from jointly controlled entities	**(23,648)**	(21,995)
	118,059	63,730
Amounts due to jointly controlled entities	**(50,064)**	(45,055)

(a) Share of net assets of jointly controlled entities

	2012 HK$'000	2011 HK$'000
Beginning of the year	**54,138**	29,863
Share of results of jointly controlled entities		
– profit before income tax	**6,771**	20,076
– income tax expense	**(2,685)**	(4,153)
– currency translation differences	**1,397**	1,352
Capital injection in a jointly controlled entity	**–**	15,000
Capital distribution	**–**	(3,000)
Distribution of dividend	**(10,000)**	(5,000)
End of the year	**49,621**	54,138

The Group's aggregated share of the revenues, results, assets, liabilities and commitments of its jointly controlled entities are as follows:

	2012 HK$'000	2011 HK$'000
Revenues	**81,837**	89,982
Profit	**4,086**	15,923
Non-current assets	**20,398**	14,243
Current assets	**114,991**	70,002
Non-current liabilities	**(59,625)**	(7,322)
Current liabilities	**(26,143)**	(22,785)
Commitments	**74,894**	–

18 INVESTMENTS IN AND BALANCES WITH JOINTLY CONTROLLED ENTITIES – CONSOLIDATED (Continued)

(a) Share of net assets of jointly controlled entities (Continued)

The Group has not recognised losses for the year ended 29 February 2012 amounting to approximately HK$200,000 (2011: HK$322,000). The accumulated losses not recognised as at 29 February 2012 were approximately HK$3,081,000 (2011: HK$2,881,000).

Details of the principal jointly controlled entities as at 29 February 2012:

Name	Place of incorporation/ establishment and operations	Issued and fully paid capital/ registered capital	Percentage of equity interest attributable to the Group	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 (i)	Mainland China	US$3,700,000	50%	Retail of fashion wears and accessories
FCIT (Macau), Limited	Macau	MOP$1,030,000	50%	Retail of fashion wears and accessories
Galeries Lafayette (China) Limited	Hong Kong	HK$30,000,000	50%	Investment holding
Galeries Lafayette (Beijing) Ltd (ii)	Mainland China	US$12,000,000	50%	Operation of a department store

Notes:

(i) Kenchart Apparels (Shanghai) Limited is a jointly controlled entity, which is a wholly owned foreign enterprise of FCIT China Limited, established in Shanghai, Mainland China to be operated for 30 years up to 2035.

(ii) Galeries Lafayette (Beijing) Ltd is a jointly controlled entity, which is a wholly owned foreign enterprise of Galeries Lafayette (China) Limited, established in Beijing, Mainland China to be operated for 30 years up to 2041.

(b) Balances with jointly controlled entities

Name	2012 HK$'000	2011 HK$'000
Due from jointly controlled entities		
ZIT H.K. Limited (i)	**7,287**	4,008
FCIT China Limited (ii)	**27,749**	26,736
Glory Premium Limited (iv)	**1,574**	162
FCUK IT Company (iv)	**374**	681
Galeries Lafayette (China) Limited (iii)	**55,102**	–
	92,086	31,587
Due to jointly controlled entities		
Kenchart Apparels (Shanghai) Limited (iv)	**(48,284)**	(41,479)
FCUK IT Company (iv)	**(1,780)**	(3,576)
	(50,064)	(45,055)

18 INVESTMENTS IN AND BALANCES WITH JOINTLY CONTROLLED ENTITIES – CONSOLIDATED (Continued)

(b) Balances with jointly controlled entities (Continued)

Notes:

(i) As at 29 February 2012, the amount due from ZIT H.K. Limited of approximately HK$ 7,164,000 (2011: HK$3,921,000) is unsecured, bears interest at 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 29 February 2012, the amount due from FCIT China Limited of approximately HK$6,172,000 (2011: HK$5,671,000) is unsecured, non-interest bearing and fully repayable in 2016. This amount is carried at amortised costs using the effective interest rate of 5% (2011: 5%) per annum. The remaining balance is unsecured, non-interest bearing and repayable on demand.

(iii) As at 29 February 2012, the amount due from Galeries Lafayette (China) Limited of approximately HK$ 55,102,000 (2011: Nil) is unsecured, bears interest at HIBOR plus 0.3% per annum and fully repayable in 2017.

(iv) The remaining balances with jointly controlled entities are unsecured, non-interest bearing and repayable on demand.

The carrying amounts and fair values of amounts due from jointly controlled entities are as follows:

	Carrying amounts		Fair values	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due from jointly controlled entities	**92,086**	31,587	**93,358**	33,495

The fair values of amounts due from jointly controlled entities are based on cash flows discounted using the rate of 1.5% (2011: 0.9%) per annum.

The carrying amounts of amounts due to jointly controlled entities approximate their fair values.

The credit quality of the amounts due from jointly controlled entities has been assessed by reference to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

Amounts due from jointly controlled entities are denominated in the following currencies:

	2012	2011
	HK$'000	HK$'000
Hong Kong Dollar	**7,661**	–
Pound Sterling	**5,460**	5,460
Euro	**997**	997
United States Dollar	**76,394**	25,130
Macau Pataca	**1,574**	–
	92,086	31,587

Amounts due to jointly controlled entities are denominated in the following currencies:

	2012	2011
	HK$'000	HK$'000
Hong Kong Dollar	**1,780**	3,576
Chinese Renminbi	**48,284**	41,479
	50,064	45,055

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

19 INVENTORIES – CONSOLIDATED

	2012 HK$'000	2011 HK$'000
Merchandise stock for resale	**1,233,182**	733,720
Consumables	**4,626**	2,997
	1,237,808	736,717

The cost of inventories recognised as expense and included in cost of sales amounted to approximately HK$2,081,466,000 (2011: HK$1,374,991,000).

20 TRADE AND OTHER RECEIVABLES – CONSOLIDATED

	2012 HK$'000	2011 HK$'000
Trade receivables – gross	**154,504**	121,364
Less: provision for impairment of trade receivables	**(3,471)**	–
Trade receivables – net	**151,033**	121,364
Other receivables	**4,417**	7
Trade and other receivables	**155,450**	121,371

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

	2012 HK$'000	2011 HK$'000
Beginning of the year	**–**	–
Provision for the year	**3,559**	–
Exchange differences	**(88)**	–
End of the year	**3,471**	–

As of 29 February 2012, trade receivables of HK$3,471,000 (2011: Nil) were impaired. The amount of the provision was HK$3,471,000 as of 29 February 2012 (2011: Nil). The ageing of these receivables is as follows:

	2012 HK$'000	2011 HK$'000
Over 90 days	**3,471**	–

20 TRADE AND OTHER RECEIVABLES – CONSOLIDATED (Continued)

The ageing analysis of trade receivables past due but not impaired as at at 29 February 2012 and 28 February 2011 is as follows:

	2012 HK$'000	2011 HK$'000
0 to 30 days	633	3,600
31 to 60 days	–	32
61 to 90 days	94	–
Over 90 days	142	333
	869	3,965

There were no other receivables past due but not impaired as at 29 February 2012 and 28 February 2011.

The ageing analysis of trade receivables is as follows:

	2012 HK$'000	2011 HK$'000
0 to 30 days	145,664	116,963
31 to 60 days	3,640	3,538
61 to 90 days	1,296	467
Over 90 days	3,904	396
	154,504	121,364

The trade and other receivables are denominated in the following currencies:

	2012 HK$'000	2011 HK$'000
Chinese Renminbi	102,627	66,735
Hong Kong Dollar	17,678	19,619
Japanese Yen	20,341	27,594
Others	14,804	7,423
	155,450	121,371

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

The credit quality of trade and other receivables neither past due nor impaired has been assessed by reference to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

As at 29 February 2012 and 28 February 2011, the maximum exposure to credit risk is the carrying values of trade and other receivables. The Group does not hold any collateral.

21 PREPAYMENTS AND OTHER DEPOSITS

	Consolidated		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Rental deposits	**354,001**	282,024	**–**	–
Prepayments	**121,585**	86,431	**168**	143
Utility and other deposits	**22,652**	48,317	**–**	–
	498,238	416,772	**168**	143
Less non-current portion:				
Rental deposits	**(277,738)**	(199,414)	**–**	–
Prepayments for furniture and equipment	**(4,437)**	–	**–**	–
	216,063	217,358	**168**	143

Rental deposits are carried at amortised costs using the effective interest rates ranging from 0.3% to 5% (2011: ranging from 0.2% to 5%) per annum determined at the inception date of the rental agreement.

The carrying amounts and fair values of rental deposits are as follows:

	Consolidated			
	Carrying amounts		Fair values	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Rental deposits	**354,001**	282,024	**345,321**	280,606

The fair values of rental deposits are based on cash flows discounted using the rate of 1.5% (2011: 0.9%) per annum.

The credit quality of rental deposits has been assessed by reference to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

As at 29 February 2012 and 28 February 2011, the maximum exposure to credit risk is the carrying values of rental deposits. The Group does not hold any collateral against the rental deposits.

22 CASH AND CASH EQUIVALENTS

	Consolidated		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**551,912**	763,564	**1,079**	1,955
Short-term bank deposits	**75,032**	12,277	**–**	–
	626,944	775,841	**1,079**	1,955

The Group's cash at bank and short-term bank deposits are deposited with banks in Hong Kong, Mainland China, Taiwan, Macau, Japan and the United States. Cash at bank earned interest at floating rates based on daily bank deposit rates.

As at 29 February 2012 and 28 February 2011, the maximum exposure to credit risk approximates the carrying amounts of the cash at bank and short-term bank deposits.

The carrying amounts of the cash at bank and short-term bank deposits approximate their fair values.

Cash and cash equivalents are denominated in the following currencies:

	Consolidated		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong Dollar	**180,396**	543,378	**1, 079**	1,955
Euro	**43,063**	15,205	**–**	–
Japanese Yen	**108,442**	22,997	**–**	–
United States Dollar	**3,094**	8,956	**–**	–
Pound Sterling	**6,857**	242	**–**	–
Chinese Renminbi	**274,510**	162,054	**–**	–
Others	**10,582**	23,009	**–**	–
	626,944	775,841	**1, 079**	1,955

Chinese Renminbi is currently not a freely convertible currency in the international market. The conversion of Chinese Renminbi into foreign currencies and remittance of Chinese Renminbi out of Mainland China are subject to the rules and regulations of the foreign exchange control promulgated by the Mainland China government.

23 BANK BORROWINGS – CONSOLIDATED

	2012 HK$'000	2011 HK$'000
Non-current bank borrowings	**437,126**	379,234
Current bank borrowings	**184,178**	214,911
	621,304	594,145

The maturity of bank borrowings is as follows:

	2012 HK$'000	2011 HK$'000
Within 1 year	**184,178**	214,911
Between 1 and 2 years	**168,580**	84,857
Between 2 and 5 years	**174,796**	190,027
Wholly repayable within 5 years	**527,554**	489,795
Over 5 years	**93,750**	104,350
	621,304	594,145

The fair value of current borrowings approximates their carrying amount, as the impact of discounting is not significant. The effective borrowing cost was 1.9% (2011: 1.4%) per annum.

The Group's borrowings are denominated in the following currencies:

	2012 HK$'000	2011 HK$'000
Hong Kong Dollar	**446,750**	392,550
Japanese Yen	**128,168**	167,113
Euro	**46,386**	34,482
	621,304	594,145

Details of the Group's banking facilities are set out in Note 31.

24 TRADE AND BILL PAYABLES – CONSOLIDATED

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

	2012 HK$'000	2011 HK$'000
0 to 30 days	**237,940**	240,347
31 to 60 days	**104,318**	71,184
61 to 90 days	**64,889**	22,039
91 to 180 days	**73,355**	20,416
181 to 365 days	**6,067**	4,218
Over 365 days	**1,379**	2,341
	487,948	360,545

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

The trade and bill payables are denominated in the following currencies:

	2012 HK$'000	2011 HK$'000
Hong Kong Dollar	**88,971**	61,575
Euro	**69,185**	49,233
Japanese Yen	**203,230**	180,148
United States Dollar	**15,024**	6,699
Pound Sterling	**11,345**	3,364
Chinese Renminbi	**100,048**	59,526
Others	**145**	–
	487,948	360,545

25 ACCRUALS AND OTHER PAYABLES

	Consolidated		Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Unutilised coupon	**4,853**	436	**–**	–
Accruals				
– Rented premises	**167,206**	130,309	**–**	–
– Employment costs	**91,393**	87,691	**–**	–
– Others	**80,251**	55,555	**–**	39
Other payables	**137,959**	97,468	**–**	–
	481,662	371,459	**–**	39
Less non-current portion:				
Rented premises	**(18,079)**	(21,935)	**–**	–
	463,583	349,524	**–**	39

Other payables are denominated in the following currencies:

	Consolidated		Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Hong Kong Dollar	**37,042**	27,848	**–**	–
Chinese Renminbi	**86,120**	54,389	**–**	–
Japanese Yen	**13,969**	13,849	**–**	–
Others	**828**	1,382	**–**	–
	137,959	97,468	**–**	–

The carrying amounts of other payables approximate their fair values.

26 DERIVATIVE FINANCIAL INSTRUMENTS – CONSOLIDATED

	2012		2011	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
Current portion:				
Foreign exchange forward contracts, at market value (a)	**116**	**–**	–	–
Non-current portion:				
Foreign currency swap contract, at market value (b)	**–**	**(2,639)**	–	–

Notes:

(a) As at 29 February 2012, the notional principal amounts of the outstanding forward foreign exchange contracts to buy Japanese Yen for economic hedging against foreign exchange risk exposures relating to firm purchase orders of fashion wears and accessories and certain outstanding payables denominated in those currencies, were HK$110,400,000 (2011: Nil). The remaining maturities of these contracts are within one month.

(b) As at 29 February 2012, the notional principal amount of the outstanding foreign currency swap contract to buy Chinese Renminbi for economic hedge against foreign exchange risk exposures relating to liabilities denominated in Chinese Renminbi was HK$129,570,000 (2011: Nil). The remaining maturity of the contract is within three years.

27 DEFERRED INCOME TAX – CONSOLIDATED

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net amounts are as follows:

	2012 HK$'000	2011 HK$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**70,473**	51,389
– Deferred income tax assets to be recovered within 12 months	**7,309**	–
	77,782	51,389
Deferred income tax liabilities	**(30,801)**	(28,683)
Deferred tax income tax assets (net)	**46,981**	22,706

The movements on the net deferred income tax assets account is as follows:

	2012 HK$'000	2011 HK$'000
Beginning of the year	**22,706**	26,700
Acquisition of a business	**–**	4,474
Recognised in the consolidated statement of comprehensive income (Note 11)	**23,453**	(9,489)
Exchange differences	**822**	1,021
End of the year	**46,981**	22,706

27 DEFERRED INCOME TAX – CONSOLIDATED (Continued)

The movements in deferred tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction, were as follows:

Deferred tax assets

	Decelerated tax depreciation		Provision		Tax losses		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Beginning of the year	**12,770**	13,657	**12,603**	12,305	**26,016**	5,320	**51,389**	31,282
Acquisition of a business	**–**	–	**–**	–	**–**	23,750	**–**	23,750
Recognised in the consolidated statement of comprehensive income	**1,430**	(2,161)	**23,339**	(70)	**75**	(2,576)	**24,844**	(4,807)
Exchange differences	**(94)**	1,274	**1,104**	368	**539**	(478)	**1,549**	1,164
End of the year	**14,106**	12,770	**37,046**	12,603	**26,630**	26,016	**77,782**	51,389

Deferred tax liabilities

	Withholding tax		Accelerated tax depreciation		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Beginning of the year	**(5,293)**	–	**(23,390)**	(4,582)	**(28,683)**	(4,582)
Acquisition of a business	**–**	–	**–**	(19,276)	**–**	(19,276)
Recognised in the consolidated statement of comprehensive income	**(6,378)**	(5,152)	**4,987**	470	**(1,391)**	(4,682)
Exchange differences	**(335)**	(143)	**(392)**	–	**(727)**	(143)
End of the year	**(12,006)**	(5,295)	**(18,795)**	(23,388)	**(30,801)**	(28,683)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 29 February 2012, the Group has unrecognised tax losses of HK$116,179,000 (2011: HK$164,048,000).

The unrecognised tax losses will expire in the following years:

	2012	2011
	HK$'000	HK$'000
2014	**141**	136
2015	**193**	150
2017	**9,039**	11,156
2018	**5,052**	151,818
2019	**100,966**	–
With no expiry date	**788**	788
	116,179	164,048

28 SHARE CAPITAL

Movements were:

	Number of ordinary shares '000	Nominal value HK$'000
Authorised:		
At 1 March 2010, 28 February 2011 and 29 February 2012		
Ordinary shares of HK$0.1 each	**3,000,000**	**300,000**
Issued and fully paid:		
At 1 March 2010	**1,155,037**	**115,504**
Issue of scrip shares (i)	**30,714**	**3,071**
Issue of shares under share option schemes (ii)	**11,498**	**1,150**
At 28 February 2011	**1,197,249**	**119,725**
Issue of shares under share option schemes (iii)	**23,417**	**2,342**
At 29 February 2012	**1,220,666**	**122,067**

Notes:

(i) An interim dividend relating to the six months ended 31 August 2010 amounted to HK$50,223,000, of which HK$47,631,000 was paid in December 2010 and ordinary shareholders holding 61,713,317 shares out of the then total outstanding shares of 1,195,795,179 elected to receive scrip shares in lieu of cash dividends of HK$2,592,000.

(ii) During the year ended 29 February 2011, 6,366,000 and 5,132,000 share options were exercised at the exercise prices of HK$2.25 and HK$2.20 per share respectively.

(iii) During the year ended 29 February 2012, 6,844,000 and 16,573,000 share options were exercised at the exercise prices of HK$2.41 and HK$2.20 per share respectively.

Share options

The Company currently has two share option schemes, namely the First Share Option Scheme and the New Share Option Scheme, detailed as hereinafter. Under both share option schemes, options may be granted to eligible participants (including directors and employees) as defined in the respective share option scheme to subscribe for shares in the Company. The exercise price is determined by the Board and shall not be 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 of Hong Kong Limited on the date of the offer; and (iii) the average closing price of the shares as stated in the daily quotation sheets issued by The Stock Exchange of Hong Kong Limited 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.

In February 2005, the Company has adopted a share option scheme (the "First Share Option Scheme"), which ought to remain in force for 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"), which will remain in force for 10 years up to June 2018, 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.

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 and the New Share Option Scheme and any other scheme to be adopted by the Company from time to time must not in aggregate exceed 30% of the share capital of the Company in issue from time to time.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

28 SHARE CAPITAL (Continued)

Share options (Continued)

The details of the share options granted are as follows:

Grant date	**14 April 2008**	**14 April 2008**	**28 December 2009**	**12 February 2010**	**18 March 2011**
Number of share options granted	20,000,000	34,300,000	33,000,000	22,000,000	40,250,000
Exercise price per share (HK$)	2.47	2.25	1.26	1.46	4.96
Exercise period	14 April 2008 to 13 April 2013 [1]	14 April 2008 to 13 April 2013 [2]	28 December 2011 to 27 December 2019	12 February 2012 to 11 February 2020	18 March 2017 to 17 March 2021
Fair value at grant date (HK$)	11,406,000	17,326,000	14,634,390	14,220,491	106,260,000

Notes:

(1) The share options are divided into 3 tranches as follows:

	Number of options	**Exercise period**
Tranche 1	6,680,000	From 14 April 2008 to 13 April 2011
Tranche 2	6,660,000	From 14 April 2009 to 13 April 2012
Tranche 3	6,660,000	From 14 April 2010 to 13 April 2013
Total	20,000,000	

(2) The share options are divided into 3 tranches as follows:

	Number of options	**Exercise period**
Tranche 1	11,980,000	From 14 April 2008 to 13 April 2011
Tranche 2	11,160,000	From 14 April 2009 to 13 April 2012
Tranche 3	11,160,000	From 14 April 2010 to 13 April 2013
Total	34,300,000	

The fair values of the share options are determined using the Binomial Option Pricing Model.

The significant inputs into the Binomial Option Pricing Model are as follows:

Grant date	**14 April 2008**	**14 April 2008**	**28 December 2009**	**12 February 2010**	**18 March 2011**
Share price at the grant date	HK$2.24	HK$2.24	HK$1.25	HK$1.45	HK$4.95
Exercise price per share	HK$2.47	HK$2.25	HK$1.26	HK$1.46	HK$4.96
Expected volatility (Note)	43.00%	43.00%	56.80%	57.00%	62.90%
Expected life of options	3.0 years	1.0 year	3.1 years	6.3 years	9.2 years
Expected dividend yield	4.00%	4.00%	4.00%	4.00%	2.81%
Annual risk free rate	1.99%	1.99%	2.59%	2.87%	2.61%

Note:

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of weekly share prices over three years preceding the grant date.

28 SHARE CAPITAL (Continued)

Share options (Continued)

Movements in the number of options under the Share Option Scheme and the exercise prices of the related share options are as follows:

	2012 Exercise price per share HK$	2012 Options '000	2011 Exercise price per share HK$	2011 Options '000
Beginning of the year	**1.72**	**94,678**	1.82	104,400
Granted	**4.96**	**40,250**	–	–
Exercised	**2.26**	**(23,417)**	2.23	(11,498)
Forfeited	**2.20**	**(1)**	2.25	(600)
Adjustment due to issue of scrip shares	**–**	**–**	1.74	2,376
End of the year	**2.77**	**111,510**	1.72	94,678

Options exercised during the year ended 29 February 2012 resulted in 23,417,000 (2011: 11,498,000) shares being issued at a weighted average exercise price of HK$2.26 (2011: HK$2.23) each. The related weighted average share price at the time of exercise was HK$6.51 (2011: HK$3.84) per share.

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

Expiry date	Average exercise price per share after issue of scrip shares during the year ended 28 February 2011 HK$	Average exercise price per share before issue of scrip shares during the year ended 28 February 2011 HK$	Share options 2012 '000	Share options 2011 '000
13 April 2011	2.32	2.37	**–**	12,314
13 April 2012	2.31	2.37	**7,344**	12,676
13 April 2013	2.31	2.36	**7,574**	13,346
27 December 2019	1.23	1.26	**33,805**	33,805
11 February 2020	1.43	1.46	**22,537**	22,537
17 March 2021	4.96	4.96	**40,250**	–
			111,510	94,678

29 RESERVES

(a) Consolidated

	Share premium HK$'000	Share-based payment reserve HK$'000	Capital reserve HK$'000	Translation reserve HK$'000	Statutory reserve (i) HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 March 2011	810,947	36,055	32,337	70,453	15,128	762,316	1,727,236
Profit for the year	–	–	–	–	–	471,300	471,300
Transfer to statutory reserve	–	–	–	–	11,916	(11,916)	–
Share option scheme							
– value of employment services	–	29,732	–	–	–	–	29,732
Final dividend for the year ended 28 February 2011	–	–	–	–	–	(126,906)	(126,906)
Interim dividend for the year ended 29 February 2012	–	–	–	–	–	(30,501)	(30,501)
Exercise of share options	61,290	(10,678)	–	–	–	–	50,612
Currency translation differences							
– Group	–	–	–	25,779	–	–	25,779
– Jointly controlled entities	–	–	–	1,397	–	–	1,397
Balance at 29 February 2012	872,237	55,109	32,337	97,629	27,044	1,064,293	2,148,649
Analysed by –							
Company and subsidiaries	872,237	55,109	32,337	92,823	27,044	1,064,293	2,143,843
Jointly controlled entities	–	–	–	4,806	–	–	4,806
Balance at 29 February 2012	872,237	55,109	32,337	97,629	27,044	1,064,293	2,148,649
Representing –							
2012 Final dividend proposed						157,466	
Others						906,827	
						1,064,293	
Balance at 1 March 2010	700,699	26,742	32,337	41,645	–	560,796	1,362,219
Profit for the year	–	–	–	–	–	387,948	387,948
Transfer to statutory reserve	–	–	–	–	15,128	(15,128)	–
Share option scheme							
– value of employment services	–	15,050	–	–	–	–	15,050
Forfeiture of share options	–	(292)	–	–	–	292	–
Final dividend for the year ended 28 February 2010	–	–	–	–	–	(121,369)	(121,369)
Interim dividend for the year ended 28 February 2011	–	–	–	–	–	(50,223)	(50,223)
Issue of scrip shares	80,339	–	–	–	–	–	80,339
Exercise of share options	29,909	(5,445)	–	–	–	–	24,464
Currency translation differences							
– Group	–	–	–	27,456	–	–	27,456
– Jointly controlled entities	–	–	–	1,352	–	–	1,352
Balance at 28 February 2011	810,947	36,055	32,337	70,453	15,128	762,316	1,727,236
Analysed by –							
Company and subsidiaries	810,947	36,055	32,337	67,044	15,128	735,078	1,696,589
Jointly controlled entities	–	–	–	3,409	–	27,238	30,647
Balance at 28 February 2011	810,947	36,055	32,337	70,453	15,128	762,316	1,727,236
Representing –							
2011 Final dividend proposed						124,514	
Others						637,802	
						762,316	

Note:

(i) These funds are set up by way of appropriation from the profit after taxation of the respective companies established and operating in the Mainland China, in accordance with the relevant laws and regulations.

29 RESERVES (Continued)

(b) Company

	Share premium	Share-based payment reserve	Contributed surplus	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 March 2011	810,947	36,055	136,680	337,567	1,321,249
Profit for the year	–	–	–	198,477	198,477
Share option scheme – value of employment services	–	29,732	–	–	29,732
Final dividend for the year ended 28 February 2011	–	–	–	(126,906)	(126,906)
Interim dividend for the year ended 29 February 2012	–	–	–	(30,501)	(30,501)
Exercise of share options	61,290	(10,678)	–	–	50,612
Balance at 29 February 2012	872,237	55,109	136,680	378,637	1,442,663
Representing –					
2012 Final dividend proposed				157,466	
Others				221,171	
				378,637	
Balance at 1 March 2010	700,699	26,742	136,680	299,211	1,163,332
Profit for the year	–	–	–	209,656	209,656
Share option scheme – value of employment services	–	15,050	–	–	15,050
Final dividend for the year ended 28 February 2010	–	–	–	(121,369)	(121,369)
Interim dividend for the year ended 28 February 2011	–	–	–	(50,223)	(50,223)
Issue of scrip shares	80,339	–	–	–	80,339
Exercise of share options	29,909	(5,445)	–	–	24,464
Forfeiture of share options	–	(292)	–	292	–
Balance at 28 February 2011	810,947	36,055	136,680	337,567	1,321,249
Representing –					
2011 Final dividend proposed				124,514	
Others				213,053	
				337,567	

30 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	2012 HK$'000	2011 HK$'000
Profit for the year	**473,130**	388,146
Adjustments for:		
– Income tax expense	**100,652**	93,118
– Interest expense	**11,993**	2,900
– Interest income	**(6,385)**	(5,100)
– Share of profit of jointly controlled entities	**(4,086)**	(15,923)
– Depreciation of property, furniture and equipment	**217,340**	127,387
– Impairment for property, furniture and equipment	**11,179**	–
– Amortisation of intangible assets	**14,820**	6,352
– Fair value loss on derivative financial instruments	**2,776**	7,544
– Loss on disposal of property, furniture and equipment	**1,214**	1,870
– Share option costs	**29,732**	15,050
	852,365	621,344
Changes in working capital:		
– Increase in inventories	**(488,004)**	(246,899)
– (Increase)/decrease in trade and other receivables	**(29,884)**	36,629
– Increase in prepayments and other deposits	**(73,715)**	(102,364)
– Increase in trade and bill payables	**121,477**	131,057
– Increase in accruals and other payables	**103,956**	58,533
– (Increase)/decrease in amounts due from jointly controlled entities	**(386)**	5,543
– Increase in amounts due to jointly controlled entities	**3,199**	20,850
Cash generated from operations	**489,008**	524,693

(b) In the consolidated statement of cash flows, proceeds from disposal of property, furniture and equipment comprises:

	2012 HK$'000	2011 HK$'000
Net book amount (Note 15)	**9,759**	1,904
Loss on disposal of property, furniture and equipment	**(1,214)**	(1,870)
Proceeds from disposal of property, furniture and equipment	**8,545**	34

(c) Analysis of cash and cash equivalents:

	2012 HK$'000	2011 HK$'000
Cash and bank deposits	**626,944**	775,841

31 BANKING FACILITIES AND PLEDGE OF ASSETS

As at 29 February 2012, the Group had aggregate banking facilities of approximately HK$1,531,113,000 (2011: HK$1,025,354,000) for overdrafts, bank loans and trade financing, of which approximately HK$718,003,000 (2011: HK$254,443,000) was unutilised as at the same date. These facilities are secured by corporate guarantees provided by the Company, certain subsidiaries and pledged of certain property, furniture and equipment.

As at 29 February 2012, the Company provided financial guarantees of HK$611,509,000 (2011: HK$427,741,000) for the bank borrowings drawn by its subsidiaries. The Board of Directors is of the opinion that it is not probable that the above guarantees will be called upon.

32 COMMITMENTS – CONSOLIDATED

(a) Capital commitments

	Consolidated	
	2012	2011
	HK$'000	HK$'000
Authorised but not contracted for		
– capital contribution to a jointly controlled entity	**88,200**	135,000
Contracted but not provided for		
– fixture and furniture	**1,218**	–
	89,418	135,000

There are no capital commitments relating to the Company as at 29 February 2012 (2011: Nil).

(b) Operating 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 minimum lease payments are as follows:

	Consolidated	
	2012	2011
	HK$'000	HK$'000
Not later than one year	**968,236**	698,554
Later than one year and not later than five years	**1,960,866**	1,301,167
Later than five years	**195,212**	126,770
	3,124,314	2,126,491

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.

There are no operating lease commitments relating to the Company as at 29 February 2012 (2011: Nil).

33 RELATED PARTY TRANSACTIONS – CONSOLIDATED

As at 29 February 2012, the Group was controlled by Effective Convey Limited (incorporated in the British Virgin Islands), which directly and indirectly owns a total of 57.22% 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.

(a) Details of significant transactions with related parties:

	2012 **HK$'000**	2011 HK$'000
Sales of fashion wears and accessories to (2)		
– FCUK IT Company (1)	**–**	4
– FCIT (Macau), Limited (1)	**–**	390
Interest income from (3)		
– FCIT China Limited (1)	**322**	305
– ZIT H.K. Limited (1)	**443**	305
– Galeries Lafayette (China) Limited (1)	**302**	–
Reimbursement of operating expenses by (4)		
– FCUK IT Company (1)	**8,757**	15,985
– FCIT China Limited (1)	**122**	281
– ZIT H.K. Limited (1)	**1,903**	1,219
– FCIT (Macau), Limited (1)	**453**	321

Notes:

(1) FCUK IT Company, FCIT China Limited, ZIT H.K. Limited, FCIT (Macau), Limited Galeries Lafayette (China) Limited are jointly controlled entities of the Group.

(2) Sales of fashion wears and accessories were made at cost.

(3) Interest income on amount due from FCIT China Limited is arisen from the amortisation of amount due from FCIT China Limited recognised at amortised cost at an effective interest rate of 5% (2011: 5%) per annum.

Interest income on amount due from ZIT H.K. Limited is charged at 5% (2011: 5%) per annum.

Interest income on amount due from Galeries Lafayette (China) Limited is charged at HIBOR plus 0.3% (2011: Nil) per annum.

(4) Reimbursement of operating expenses is recharged at terms agreed by the parties.

(b) Key management compensation

	2012 **HK$'000**	2011 HK$'000
Directors' fees	**643**	624
Salaries and allowances	**15,141**	13,139
Bonus	**30,675**	34,860
Pension costs – employer's contributions	**40**	36
Share options granted	**16,434**	7,350
	62,933	56,009

34 EVENT AFTER THE BALANCE SHEET DATE

On 23 May 2012, the Group entered into an equity transfer agreement with minority shareholders of Nowhere Co., Ltd, to acquire their entire 9.73% equity interest in Nowhere Co., Ltd., at a cash consideration of approximately Japanese Yen 43,200,000. Thereafter, Nowhere Co., Ltd becomes a wholly owned subsidiary of the Group.

FIVE YEAR FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	Year ended 29 February 2012 HK$'000	Year ended 28 February 2011 HK$'000	Year ended 28 February 2010 HK$'000	Year ended 28 February 2009 HK$'000	Year ended 29 February 2008 HK$'000
Turnover	**5,741,642**	3,834,422	2,995,952	2,733,256	2,021,283
Cost of sales	**(2,201,683)**	(1,405,482)	(1,176,707)	(1,121,570)	(819,423)
Gross profit	**3,539,959**	2,428,940	1,819,245	1,611,686	1,201,860
Other income-incentive income	**–**	–	13,200	–	–
Other (losses)/gains	**(2,776)**	(7,544)	3,791	(11,123)	1,900
Impairment of goodwill	**–**	–	(4,217)	(59,569)	–
Operating expenses	**(2,961,879)**	(1,958,255)	(1,524,760)	(1,468,877)	(1,002,046)
Operating profit	**575,304**	463,141	307,259	72,117	201,714
Finance income	**6,385**	5,100	5,250	6,205	14,417
Finance cost	**(11,993)**	(2,900)	(2,567)	(3,419)	(827)
Share of profit/(loss) of jointly controlled entities	**4,086**	15,923	5,432	3,948	(4,828)
Profit before income tax	**573,782**	481,264	315,374	78,851	210,476
Income tax expense	**(100,652)**	(93,118)	(52,686)	(36,296)	(39,505)
Profit for the year	**473,130**	388,146	262,688	42,555	170,971
Dividend	**187,967**	174,737	121,279	–	119,982

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 29 February 2012 HK$'000	As at 28 February 2011 HK$'000	As at 28 February 2010 HK$'000	As at 28 February 2009 HK$'000	As at 29 February 2008 HK$'000
ASSETS					
Non-current assets					
Property, furniture and equipment	**880,887**	727,022	233,395	229,124	179,850
Intangible assets	**373,018**	370,722	259,823	267,633	317,928
Investments in and amounts due from jointly controlled entities	**118,059**	63,730	39,338	32,564	21,974
Rental deposits	**277,738**	199,414	121,711	91,065	77,424
Prepayments for furniture and equipment	**4,437**	–	–	–	–
Deferred income tax assets	**77,782**	51,389	31,282	32,211	24,412
	1,731,921	1,412,277	685,549	652,597	621,588
Current assets					
Inventories	**1,237,808**	736,717	394,520	411,145	323,724
Trade and other receivables	**155,450**	121,371	120,080	67,289	39,645
Amounts due from jointly controlled entities	**23,648**	21,995	27,045	27,323	41,080
Prepayments and other deposits	**216,063**	217,358	122,747	104,011	98,920
Derivative financial instruments	**116**	–	–	–	2,539
Pledged bank deposits	**–**	–	–	750	750
Cash and cash equivalents	**626,944**	775,841	622,238	441,264	424,173
	2,260,029	1,873,282	1,286,630	1,051,782	930,831
LIABILITIES					
Current liabilities					
Bank borrowings	**(184,178)**	(214,911)	(47,400)	(47,400)	(10,000)
Trade and bill payables	**(487,948)**	(360,545)	(149,488)	(155,993)	(121,840)
Accruals and other payables	**(463,583)**	(349,524)	(178,245)	(135,677)	(140,200)
Amount due to a jointly controlled entities	**(50,064)**	(45,055)	(22,699)	(9,206)	(15,583)
Derivative financial instruments	**–**	–	(1,001)	(3,452)	–
Current income tax liabilities	**(48,754)**	(42,460)	(29,811)	(24,261)	(30,510)
	(1,234,527)	(1,012,495)	(428,644)	(375,989)	(318,133)
Net current assets	**1,025,502**	860,787	857,986	675,793	612,698
Total assets less current liabilities	**2,757,423**	2,273,064	1,543,535	1,328,390	1,234,286
Non-current liabilities					
Bank borrowings	**(437,126)**	(379,234)	(35,200)	(82,600)	–
Accruals	**(18,079)**	(21,935)	(26,030)	(30,136)	(8,925)
Derivative financial instruments	**(2,639)**	–	–	–	–
Deferred income tax liabilities	**(30,801)**	(28,683)	(4,582)	(3,945)	(4,524)
	(488,645)	(429,852)	(65,812)	(116,681)	(13,449)
Net assets	**2,268,778**	1,843,212	1,477,723	1,211,709	1,220,837
EQUITY					
Capital and reserves					
Share capital	**122,067**	119,725	115,504	115,504	115,468
Reserves	**2,148,649**	1,727,236	1,362,219	1,096,205	1,105,369
Non-controlling interests	**(1,938)**	(3,749)	–	–	–
Total equity	**2,268,778**	1,843,212	1,477,723	1,211,709	1,220,837