



ANNUAL REPORT

12/13

STOCK CODE: 999

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TREND SETTER

I.T is well established as a

in fashion apparel retail market in Hong Kong with stores in the PRC, Taiwan, Macau, Thailand, the Philippines, Singapore, South Korea, France, England and Canada. The Group has an extensive self managed retail network extending to nearly 600 stores across Greater China with staff around 6,300.

**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

Alexander McQueen

Maison Martin Margiela

Jil Sander

Comme des Garçons

Mercibeaucoup

Tsumori Chisato

Saint Laurent Paris

Lanvin

Ann Demeulemeester

Isabel Marant

Dior Homme

Visvim

Moncler

Givenchy

Valentino

Dsquared2

Thom Browne

In-house brands include izzue, b+ab, 5cm, fingercroxx, :CHOCOLATE, 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 joint ventures with: French Connection in Hong Kong, Macau and the PRC; Zadig & Voltaire in Hong Kong; Camper in the PRC; and Galeries Lafayette to establish and manage department stores under the trademark of “Galeries Lafayette” in the PRC.

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
Head of Investor Relations
Tel: 3197-1126
Fax: 2237-6616
Email: ir_mail@ithk.com

Corporate Website

www.ithk.com

I.T POSITIONING

Store Coverage

	A. No. of stores			
	Self-managed		Franchised	
	28 February 2013	29 February 2012	28 February 2013	29 February 2012
Greater China:				
Hong Kong				
I.T	295	266	–	–
FCUK IT ⁽¹⁾	6	7	–	–
ZIT H.K. ⁽¹⁾	3	3	–	–
Mainland China				
I.T	237	217	126	78
FCIT China ⁽¹⁾	18	14	–	–
Camper I.T China ⁽¹⁾	4	–	–	–
Taiwan	21	19	–	–
Macau				
I.T	10	9	–	–
FCIT Macau ⁽¹⁾	1	1	–	–
Overseas:				
Japan	23	25	–	–
USA	1	1	–	–
Thailand	–	–	17	13
Europe ⁽²⁾	–	–	2	5
The Philippines	–	–	1	2
Singapore	–	–	1	1
South Korea	–	–	1	1
Canada	–	–	1	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 ambience

	B. Sales footage ⁽³⁾			
	Self-managed		Franchised	
	28 February 2013	29 February 2012	28 February 2013	29 February 2012
Greater China:				
Hong Kong				
I.T	621,147	581,141	–	–
FCUK IT ⁽¹⁾	7,253	9,838	–	–
ZIT H.K. ⁽¹⁾	3,597	3,597	–	–
Mainland China				
I.T	704,819	604,834	144,604	87,661
FCIT China ⁽¹⁾	26,512	22,175	–	–
Camper I.T China ⁽¹⁾	2,408	–	–	–
Taiwan	39,696	30,532	–	–
Macau				
I.T	32,526	28,964	–	–
FCIT Macau ⁽¹⁾	3,330	3,330	–	–
Overseas:				
Japan	53,414	56,945	–	–
USA	3,313	3,313	–	–
Thailand	–	–	15,890	12,750
Europe ⁽²⁾	–	–	929	2,166
The Philippines	–	–	573	1,280
Singapore	–	–	2,040	2,016
South Korea	–	–	2,156	2,130
Canada	–	–	3,615	3,615

Notes:

- ⁽¹⁾ a 50% owned joint venture of the Company
⁽²⁾ includes England and France
⁽³⁾ represents gross area

MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

The year 2012 was a year fuelled by particularly difficult macroeconomic conditions. The longevity of Eurozone break-up discussions and the U.S. budget ceiling debate had created a difficult trading environment for many global retail players, giving them an even more challenging year than 2011. Mainland China unavoidably was growing at the slowest pace since the past decade, alongside other emerging markets, affected by the low export demand by many European and American countries. Consumer markets in our key operating regions, namely Hong Kong and Mainland China, remained volatile since they had turnaround negatively in the last quarter of FY11/12. A clear sign of recovery in customer traffic and spending momentum in these regions was yet to be seen. Despite the formidable economic backdrop, both our turnover and trading area further increased at a double-digit percentage manner compared to the same period last year. These achievements were attributed to the dedication of our committed teams, the strong leadership of senior management, the professionalism of board members, and finally the continuous support and recognition by our business partners.

The increasing number of new market entrants to the retail spaces in our principal markets has inflated the operating costs for most of the existing players during recent years. And in response to the sluggish retail environment, the group offered multiple promotional activities and aggressive markdowns throughout the year to stimulate sales growth, which thus led to margin erosion. As a result of these dual pressures of rising costs and eroded margins, net profit for the period under review recorded a diminishment compared to the same period last year. Nonetheless, I am very pleased to report that I.T continues to stand strong in this turbulent market, whilst continuing to maintain the leadership role and gain market share in its key operating regions. In addition, the group was on course to improve stock turnover efficiency through a multiple of initiatives such as new product-promotional activities and stock ordering arrangement for the forthcoming seasons. These initiatives have started to generate a return, achieving a noticeable enhancement in stock turnover efficiency. This indicates that the right strategies have been used and the quality of our wide range of products is in good order.

The coming fiscal year is going to be a very special one for I.T. Our teams and I are looking forward to this exciting year fuelled by new seasons' collections, new fashion trends, new lines of existing products, brand collaborations, and a series of marketing campaigns to celebrate our 25th anniversary. Other key projects such as the opening of our joint venture business with Galeries Lafayette in Beijing scheduled for the second half of this year is also a highlight of our 2013 development plan.



Sham Kar Wai
Chairman

3 May 2013

FINANCIAL HIGHLIGHTS

- Total turnover of the Group increased by 14.0% to HK\$6,543.1 million.
- Total retail sales in Hong Kong increased by 8.9% to HK\$3,687.7 million at comparable store sales growth rate of +1.2%. Total retail sales in Mainland China increased by 30.7% to HK\$1,864.6 million at comparable store sales growth rate of +8.0%.
- Japan landed at total retail sales of HK\$464.9 million, representing a 4.0% decrease from last year.
- Total retail sales in other regions (namely Macau and Taiwan) increased by 24.4% to HK\$284.3 million.
- Gross profit of the Group increased by 8.7% to HK\$3,849.6 million at gross profit margin of 58.8% (FY11/12: 61.7%).
- Net profit of the Group decreased by 18.6% to HK\$385.0 million.
- Basic earnings per share decreased by 20.5% to HK\$0.31. Diluted earnings per share decreased by 18.9% to HK\$0.30.
- Final dividend of 3.0 HK cents (FY11/12: 12.9 HK cents) per share is proposed representing a total payout of HK\$36.8 million (FY11/12: HK\$157.5 million).

Per share data	FY12/13	FY11/12	Change
EPS-basic (HK\$)	0.31	0.39	-20.5%
EPS-diluted (HK\$)	0.30	0.37	-18.9%
Dividend (HK cents)	3.0	15.4	-80.5%
Book value (HK\$) ⁽¹⁾	2.08	1.86	+11.8%

Key statistics	FY12/13	FY11/12	Change
Inventory turnover (Days) ⁽²⁾	165.9	164.1	+1.1%
Cash and cash equivalent (HK\$ million)	961.2	626.9	+53.3%
Net debt (HK\$ million) ⁽³⁾	73.0	73.3	-0.4%
Debt to equity ratio (%) ⁽⁴⁾	40.5	30.9	+31.1%
Return on equity ratio (%) ⁽⁵⁾	15.9	22.9	-30.6%

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⁾ Cash and cash equivalents less bank borrowings.

⁽⁴⁾ Bank borrowings divided by total equity at the end of the year.

⁽⁵⁾ Profit attributable to equity holders of the Company for the year divided by average of the total equity at the beginning and at the end of the year.



IS FASHION

shaping the fashion scene in Greater China

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

(a) Group

The year ended 28 February 2013 was a challenging period for most economies around the World. It was a year characterized by difficult global economic conditions. The slow recovery pace in the U.S., the instability of Europe caused by debt-ridden Greece, alongside the diminishing economic growth in Mainland China due to insufficient export demand by America and European countries adversely impacted the recovery of consumer sentiment in Asian retail space. As a result, after an exceptionally high growth in FY11/12, our principal operating markets (namely Hong Kong and Mainland China) experienced a noticeable slowdown in terms of customer traffic and spending momentum. Nevertheless, the Group managed to deliver another year of turnover growth at HK\$6,543.1 million, representing a 14.0% growth over last year, with positive sales growth achieved in our key operating regions. The growth was mainly fuelled by multiple marketing strategies, active promotional activities and aggressive discount offers. However, the dual pressures of shrinking margins as a result of proactive markdowns to boost sales and surging operating costs driven by the hyper competitive consumer market diminished the growth of our net profit over last year.

Turnover by Markets

Hong Kong remained the Group's principal market and the largest sales/profit contributor. Total turnover in Hong Kong amounted to HK\$3,708.0 million in FY12/13, representing a 8.8% increase over last year, accounted for 56.7% of total Group turnover.

Total turnover of our Mainland China businesses achieved another year of strong growth to HK\$2,036.4 million, representing a 31.8% increase compared to the same period last year. It contributed 31.1% to total Group turnover. Despite the challenging market environment in Mainland China, the Group continued to expand its retail network at the fastest pace among all operating regions.

Turnover of our Japan businesses grew in a diminishing manner on the back of a higher base FY11/12, landed at HK\$514.4 million, an 8.1% decline compared to last year, contributing 7.9% to total Group turnover.

Breakdown of turnover by region of operation:

	Turnover			Group Participation	
	FY12/13 HK\$ million	FY11/12 HK\$ million	Change	FY12/13	FY11/12
Hong Kong	3,708.0	3,408.5	+8.8%	56.7%	59.4%
<i>Retail sales only</i>	<i>3,687.7</i>	<i>3,385.5</i>	<i>+8.9%</i>		
Mainland China	2,036.4	1,544.5	+31.8%	31.1%	26.9%
<i>Retail sales only</i>	<i>1,864.6</i>	<i>1,426.6</i>	<i>+30.7%</i>		
Japan	514.4	560.0	-8.1%	7.9%	9.8%
Others	284.3	228.6	+24.4%	4.3%	3.9%
Total	6,543.1	5,741.6	+14.0%	100.0%	100.0%

Brand Mix

Exploring new potential brands from around the World to strengthen our brand portfolio, bringing the latest inspiring fashion to customers are our all-time missions. During the year, multiple marketing campaigns and store opening strategies were employed to further leverage the brand equity of our product lines which include international, in-house and licensed brand products. Our in-house brand businesses continued to enjoy the highest year-on-year sales growth at 16.4% with the Group sales participation rate increasing to 59.1% (FY11/12: 57.9%).

Breakdown of retail sales by brand category:

	Retail Sales		Change	Group Participation	
	FY12/13 HK\$ million	FY11/12 HK\$ million		FY12/13	FY11/12
In-house brands	3,721.8	3,198.6	+16.4%	59.1%	57.9%
International brands	2,439.4	2,135.7	+14.2%	38.7%	38.6%
Licensed brands	139.2	190.7	-27.0%	2.2%	3.5%
	6,300.4	5,525.0	+14.0%	100.0%	100.0%

Dynamics in Margin and Cost

Following double-digit percentage growth in turnover, gross profit of the Group achieved an 8.7% growth to HK\$3,849.6 million, while gross profit margin reduced by 2.9 percentage points to 58.8%. The margin erosion was a result of aggressive sales promotions and markdowns to defend market shares in the challenging retail climate.

Total operating cost ratio remained stable at 51.5% (FY11/12: 51.6%) despite escalating operating cost pressure and effects related to some long-term investments which include the revamp of our flagship stores in Mainland China. These long-term investments increased short-term operating costs but we trust that they were both necessary and worth doing so, as these investments are expected to further strengthen our brand equity and position in the region, thereby creating a positive effect on future profits. Staff cost (excluding share option expenses) ratio decreased slightly to 15.1% (FY11/12: 15.4%) while the rent (including rental charges, management fee, rates and government rent) ratio increased to 23.3% (FY11/12: 21.3%).

Under the pressure of margin erosion discussed above, operating profit for the year was HK\$476.1 million (FY11/12: HK\$575.3 million), resulting in a reduced operating margin to 7.3% (FY11/12: 10.0%).

(b) Hong Kong

The global economic uncertainties not only weighed on the economy of Hong Kong through falling export demand by the U.S. and EU markets, it also dampened the consumer sentiment in Hong Kong as well as Mainland China. Mainland China tourists, being a considerably significant group of sales contributor to Hong Kong retail sector, cut back their spending on luxury goods during the fiscal year. As a result, Hong Kong's retail market experienced a noticeable slowdown throughout the year. In spite of these adverse market conditions, the Group managed to deliver an 8.8% growth in turnover to HK\$3,708.0 million and an 8.9% growth in retail sales to HK\$3,687.7 million, with comparable-store-sales growth rate registered at 1.2%. These increments were achieved by our continuous efforts in upgrading the shopping experience for our customers through a wide range of the latest fashion products and better services. Apart from driving the sales productivity of our existing shops, we continued to expand our retail network to further strengthen our market dominance in Hong Kong. Our total trading area in Hong Kong increased by 6.9% (or a net increase of 29 shops) compared to last year.

Operating profit decreased by 23.4% to HK\$274.1 million at 7.4% operating margin (FY11/12: 10.5%). The decline was mainly caused by the impact of narrowed gross margin percentage of 58.0% (FY11/12: 61.0%) driven by more aggressive discount offers. Operating cost ratio remained flat at 50.4% (FY11/12: 50.4%).

(c) Mainland China

Similarly, the consumer market in Mainland China was also affected by the difficult macroeconomic environment during the fiscal year. The global economic headwinds adversely impacted the formerly bullish Chinese market and hence consumer confidence. Notwithstanding this, we continued our expansion with the total trading area further increasing by 16.5% on top of a high growth rate of 51.5% in last year, representing our strong commitment to this region.

Total revenue for Mainland China was HK\$2,036.4 million, representing a 31.8% growth over last year. Total retail sales increased by 30.7% to HK\$1,864.6 million at a comparable store sales growth rate of 8.0%. Gross margin narrowed to 57.9% (FY11/12: 62.5%) as a result of extra promotional activities and markdowns to stimulate sales growth. The inflated operating costs of running existing stores and expanding our store network, alongside other long-term investments related to the revamp of some of our flagship stores (e.g. **i.t** in Beijing Oriental Plaza, **I.T** in Shanghai Plaza 66 and **i.t** in Shanghai Cloud Nine Shopping Mall) drove up the total operating costs for the year. These long-term investments did not generate any revenue during the revamp periods but have created cost increases. As a result, total operating cost ratio increased slightly to 53.3% in FY12/13 (FY11/12: 53.1%). However, these long-term investments were necessary as they aim to further enhance brand equity, which in turn will stimulate network growth and profits. The dual effect of gross margin shrinkage and operating costs escalation mentioned above caused operating profit to drop 36.4% to HK\$92.5 million (FY11/12: HK\$145.4 million).

(d) Japan

Sales in Japan dropped by 8.1% to HK\$514.4 million in FY12/13, which was still considered to be satisfactory in view of the fact that a high growth was achieved in the previous year and the sluggish trading environment in the region during the fiscal year. Operating efficiency enhancement was further achieved resulting in another year of operating profit of HK\$54.3 million, representing a 285.1% increase over last year.

(e) Others

Total retail sales in other regions (namely Macau and Taiwan) increased by 24.4% to HK\$284.3 million while operating profit dropped by 4.3% to HK\$55.3 million. Strong inbound tourist traffic from Mainland China in particular and the steady local economic growth remained the key sales growth drivers for our Macau business. On the other hand, the Taiwan consumer market was still under the stress of the formidable economic backdrop. Retail traffic and consumption sentiment in Taiwan remained relatively slow.

Share of Results of Jointly Controlled Entities

Mainly attributed to the pre-operating expenses of the jointly controlled entity, Galeries Lafayette (China) Limited, a share of loss of jointly controlled entities amounting to HK\$11.5 million was recorded for the year ended 28 February 2013 (FY11/12: a share of profit of jointly controlled entities of HK\$4.1 million).

Inventory

Multiple aggressive promotional activities and extra markdowns were offered during the fiscal year to stimulate sales volume. As a result, inventory turnover days of the Group remained marginally stable, standing at 165.9 days in FY12/13 (FY11/12: 164.1 days) in this volatile trading environment. It was 30.8 days lower than 196.7 days recorded for the six months ended 31 August 2012.

Cash Flows & Financial Position

The Group's cash and bank balances as at 28 February 2013 were HK\$961.2 million compared to HK\$626.9 million last year and its net debt balance of HK\$73.0 million (net debt is defined as cash and cash equivalents of HK\$961.2 less bank borrowings of HK\$1,034.2 million as shown in the consolidated balance sheet) compared to net debt balance of HK\$73.3 million last year.

Cash inflow from operating activities for the year ended 28 February 2013 amounted to HK\$525.4 million (FY11/12: HK\$361.7 million).

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\$2,060.6 million (2012: HK\$1,531.1 million) as at 28 February 2013, of which approximately HK\$937.1 million (2012: HK\$718.0 million) was unutilized. The Group's gearing ratio which was determined by total bank borrowings divided by total equity was 40.5% (2012: 30.9%).

Charges of Assets

As at 28 February 2013, bank borrowings are secured on land and building with a carrying amount of HK\$222.6 million (FY11/12: HK\$229.1 million).

Contingent Liabilities

As at 28 February 2013, 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 the Hong Kong Dollar. Management monitors the foreign exchange risks of the Group on a regular basis and enters into forward exchange contracts and foreign currency swap contracts with major and reputable financial institutions for foreign exchange risk hedging.

Employment, Training and Development

The Group had a total of 6,314 employees as at 28 February 2013 (FY11/12: 6,089). The Group invests in regular training and other development courses for employees to enhance their technical and product knowledge as well as management skills. The Group offered competitive remuneration packages to its employees, including basic salary, allowances, insurance and commission/bonuses.

Future Outlook

Looking ahead, the mounting uncertainties regarding global economies in 2012 may continue to affect the consumer markets in many of the countries around the World in 2013 as volatile consumer sentiment seems to be persisting. However, we remain cautiously optimistic with respect to the growth of consumer demand in Asian markets, Mainland China in particular, as the size of the middle-income class and the disposable income per capita household, as well as the demand for fashion and luxury products have all been growing very steadily in the past decade. We will continue to consolidate our leadership role and dominance in the fashion retail market in Hong Kong while pragmatically expanding our footprints in Mainland China.

Introducing new brands, bringing in the latest fashion trends from the rest of the World to cater for the increasing demand and rapid changing market are our all-time duties. Furthermore, we will continue to invest in our teams, our existing brands, and our store formats so as to offer continuous shopping excitement, professional customer services, and a wide range of inspiring fashion products to our customers. We will also stay focused on store productivity and operating efficiency as we aim to secure future profit maximization.

In addition, we have lined up multiple marketing campaigns, brand collaboration and crossovers to celebrate our 25th anniversary and the 20th anniversary of our brand "A Bathing Ape" that we acquired in early 2011. The opening of our joint venture business with Galeries Lafayette scheduled for the second half of FY12/13 will also be another highlight of the year; we are excited and looking forward to this new fiscal year.

Lastly, we are confident that the strength of our brands, the concrete trend-setting icon position around the region alongside the proven success of our "multi-brand, multi-layer" business model will remain the foundation of our long-term success.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT TEAM

Executive Directors

Mr. SHAM Kar Wai

Aged 46, 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 25 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 43, 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 25 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 72, 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 also an independent non-executive director of Louis XIII Holdings Limited (formerly known as "Paul Y. Engineering Group Limited") and Natural Beauty Bio-Technology Limited, both companies are 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 52, was appointed an Independent Non-executive Director in August 2007. He also serves as the Chairman of the Company's Audit 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 ("Stock Exchange"). Dr. Wong is the chairman of The Hong Kong Institute of Directors, a non-executive director of the Securities and Futures Commission ("SFC"), a member of the Main Board and GEM Listing Committee of the Stock Exchange, a member of the SFC (HKEC Listing) Committee, 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, a board director of Hong Kong Sports Institute Limited, a council advisor and past chairman of the Hong Kong Chinese Orchestra Limited and a member of the OECD/World Bank Asian Corporate Governance Roundtable. 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.

Mr. MAK Wing Sum, Alvin

Aged 60, 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 and the Chairman of the Nomination Committee. Mr. Mak is also an independent non-executive director of Luk Fook Holdings (International) Limited and Lai Fung Holdings Limited, both companies are listed on The Stock Exchange of Hong Kong Limited. Mr. Mak, after working in Citibank for over 26 years, went into his retirement in 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. CHAN Wai Kwan, Kenny

Aged 42, is the Managing Director – I.T China. He joined the Group in January 2006 and is responsible for managing Group's business and operation in the PRC. Mr. Chan has over 20 years PRC experience gained from multinational companies across fashion retailing, garment sourcing and production sectors. Mr. Chan is a Fellow Member of the Hong Kong Institute of Certified Public Accountants, he holds a Master degree in Business Administration from the University of Hull and a Bachelor's degree of Arts (Honour) in Accountancy from The Hong Kong Polytechnic University.

Miss HO Suk Han, Sophia

Aged 44, is the Company Secretary. She joined the Group in May 2005 and is also responsible for overseeing the legal issues in the PRC. She 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 20 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

Corporate Governance Practices

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 of directors of the Company (the "Board"), the Company has applied and complied with the code provision of the Code on Corporate Governance Practices for the period from 1 March 2012 to 31 March 2012 and the Corporate Governance Code for the period from 1 April 2012 to 28 February 2013 (collectively "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 28 February 2013, except for the deviations as mentioned below:-

Chairman and Chief Executive Officer

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

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. None of them appointed alternate director.

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 in compliance with Rule 3.13 of the Listing Rules 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 and are subject to the re-election provisions laid down in the Company's Bye-laws.

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 Directors' service term. 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 formulating the Group's strategic objectives; considering and deciding the Group's significant operational and financial matters, including but not limited to substantial mergers and acquisitions and disposals; overseeing the Group's corporate governance practices; ensuring a risk management control system is in place; directing and monitoring senior management in pursuit of the Group's strategic objectives; and determining the remuneration packages of all directors and senior management, including benefits in kind, pension rights and compensation payments for loss or termination of their office or appointment. Implementation and execution of Board policies and strategies and daily administrative matters are delegated to the respective Board Committees 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 five times, nine resolution-in-writing were signed by all the Board members and two resolution-in-writing were signed by all Independent Non-executive Directors in the year ended 28 February 2013.

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; to oversee the audit process; to review the Company's compliance with the CG Code; and to perform other duties assigned by the Board. From 1 January to 30 March 2012, there were 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. Currently, the Audit Committee comprises three Independent Non-executive Directors, namely Dr. Wong Tin Yau, Kelvin (Chairman of the Committee), Mr. Francis Goutenmacher and Mr. Mak Wing Sum, Alvin. All Committee members possess appropriate professional qualifications, accounting or related financial management expertise as required under the Listing Rules.

The terms of reference of the Audit Committee which was revised and adopted on 3 May 2013 are in line with the requirements of the Listing Rules. Details of the terms of reference of the Audit Committee can be viewed on the website of the Company (www.ithk.com) and the Stock Exchange (<http://www.hkexnews.hk/index.htm>).

The Audit Committee met two times and three resolution-in-writing were signed by all the Committee members in the year ended 28 February 2013. During the year ended 28 February 2013, the Committee has reviewed the interim and annual financial results of the Group, 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 comprised three members, majority of which are Independent Non-executive Directors, save for the period from 1 January to 30 March 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. Mak Wing Sum, Alvin, an Independent Non-executive Director, and Mr. Sham Kar Wai, an Executive Director, are the Committee members.

The primary duties of the Remuneration Committee are to make recommendation to the Board on the Company's policy and structure of all remuneration of Directors and senior management and the establishment of a formal and transparent procedure for developing policy on such remuneration.

The terms of reference of the Remuneration Committee which was revised and adopted on 19 March 2012 are in line with the requirements of the Listing Rules. Details of the terms of reference of the Remuneration Committee can be viewed on the website of the Company (www.ithk.com) and the Stock Exchange (<http://www.hkexnews.hk/index.htm>).

According to the terms of reference of the Remuneration Committee, the Remuneration Committee makes recommendation to the Board for Board's final determination of the remuneration packages of all Executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment; and make recommendations to the Board of the directors' fee of non-executive directors. The Remuneration Committee would take into consideration factors such as salaries paid by comparable companies, responsibilities and performance of the Directors and senior management.

The Remuneration Committee members met once and passed seven resolutions-in-writing in the year ended 28 February 2013. During the year ended 28 February 2013, the Committee has discussed, reviewed the performance and the remuneration packages for the Directors and management team, administered the share options grant and reviewed of its terms of reference. 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 reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board having regard to the Company's business activities, assets and management portfolio; selecting Board members and ensuring transparency of the selection process; and reviewing and monitoring the training and continuous professional development of Directors and senior management. 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.

The terms of reference of the Nomination Committee which was revised and adopted on 19 March 2012 are in line with the requirements of the Listing Rules. Details of the terms of reference of the Nomination Committee can be viewed on the website of the Company (www.ithk.com) and the Stock Exchange (<http://www.hkexnews.hk/index.htm>).

During the year ended 28 February 2013, the Nomination Committee passed one resolution-in-writing updating the Committee's terms of reference and Committee members reviewed constantly the expertise, experience and commitment of each Director.

There are three members in the Nomination Committee. Currently, Mr. Mak Wing Sum, Alvin, being an Independent Non-executive Director, acts as Chairman, and Mr. Francis Goutenmacher, an Independent Non-executive Director, and Mr. Sham Kar Wai, an Executive Director, as the Committee members.

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 twenty-eight times in the year ended 28 February 2013.

The terms of reference of the Executive Committee which was revised and adopted on 19 March 2012 are in line with the requirements of the Listing Rules. Details of the terms of reference of the Executive Committee can be viewed on the website of the Company (www.ithk.com).

Details of Directors' attendance of the Board meetings, four Committees meetings and the annual general meetings held during the year ended 28 February 2013 are set out as follows:–

	Meetings attendance					Annual General Meeting held on 17 August 2012
	Board (Note 6)	Executive Committee	Audit Committee (Note 7)	Remuneration Committee (Note 8)	Nomination Committee (Note 9)	
Executive Directors						
Mr. Sham Kar Wai (Notes 1 & 2)	5/5	28/28	N/A	1/1	1/1	1/1
Mr. Sham Kin Wai (Note 1)	5/5	28/28	N/A	N/A	N/A	1/1
Independent Non-executive Directors						
Mr. Francis Goutenmacher (Notes 1 & 3)	5/5	N/A	2/2	1/1	1/1	1/1
Dr. Wong Tin Yau, Kelvin (Notes 1 & 4)	5/5	N/A	2/2	N/A	1/1	1/1
Mr. Mak Wing Sum, Alvin (Notes 1 & 5)	5/5	N/A	2/2	1/1	N/A	1/1

Note 1: Save that Mr. Sham Kar Wai and Mr. Sham Kin Wai are brothers, there are no other relationships (including financial, business, family or other material/relevant relationships) among the members of the Board.

Note 2: Mr. Sham Kar Wai is the Chairman of the Board and Chief Executive Officer.

Note 3: Mr. Francis Goutenmacher is the Chairman of Remuneration Committee.

Note 4: Dr. Wong Tin Yau, Kelvin is the Chairman of Audit Committee.

Note 5: Mr. Mak Wing Sum, Alvin was appointed as Independence Non-executive Director and a member of Audit Committee and Remuneration Committee with effect from 31 March 2012; and as the Chairman of Nomination Committee with effect from 3 May 2013.

Note 6: This column only records the attendance of Board meetings duly convened and held. In addition to this, nine resolution-in-writing were signed by all the-then Directors and two resolution-in-writing were signed by all Independent Non-executive Directors during the year ended 28 February 2013.

Note 7: This column only records the attendance of Committee meetings duly convened and held. In addition to this, three resolution-in-writing were signed by all the Committee members during the year ended 28 February 2013.

Note 8: This column only records the attendance of Committee meetings duly convened and held. In addition to this, seven resolution-in-writing were signed by all the Committee members during the year ended 28 February 2013.

Note 9: By resolution-in-writing signed by all the Committee members.

Corporate Governance Functions

The Board did not establish a corporate governance committee but has delegated its responsibility for performing corporate governance duties to the respective Board Committees. During the year ended 28 February 2013, the Board and Board Committees have reviewed the Company's policies and practices on corporate governance and made recommendations to the Board; reviewed and monitored the training and continuous professional development of Directors and senior management; reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements; reviewed and monitored the code of conduct applicable to employees and Directors; and reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

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 inside 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.

Directors' Training

All Directors participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure their contribution to the Board remains informed and relevant. Directors provide their records of training to the Company on a regularly basis. All Directors, namely Mr. Sham Kar Wai, Mr. Sham Kin Wai, Mr. Francis Goutenmacher, Dr. Wong Tin Yau, Kelvin and Mr. Mak Wing Sum, Alvin, participated in this continuous professional development exercise by way of attending in-house training and/or seminars organized by other listed companies or professional organizations and keep themselves update on the roles, functions and duties of a listed company director.

Company Secretary

Company Secretary is to ensure there is a good information flow within the Board and between the Board and senior management, provides advice to the Board in relation to directors' obligations under the Listing Rules and applicable laws and regulations and assists the Board in implementing the corporate governance practices. Company Secretary has provided her training records to the Company indicating her compliance with the training requirement under Rule 3.29 of the Listing Rules.

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 54.

During the year ended 28 February 2013, the fees paid or payable to PricewaterhouseCoopers were approximately HK\$4,370,000 for audit services and approximately HK\$786,500 for non-audit services (for the review of the interim results of the Company for the period ended 31 August 2012) 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 28 February 2013, 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, the 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 the 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 28 February 2013, the Board, (i) through the Audit Committee with the assistance of the 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.

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 28 February 2013, over 130 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.

Constitutional Documents

The Bye-laws of the Company have been amended at the 2012 annual general meeting held on 17 August 2012 so as to bring the Bye-laws in line with the current revised requirements of the Listing Rule and certain changes to the laws of Bermuda. The amendments were disclosed in detail on pages 16 to 32 of the Company's circular to shareholders published on 22 June 2012.

An updated version of the Memorandum of Association and Bye-laws of the Company is available on the website of the Company (www.ithk.com) and the Stock Exchange (<http://www.hkexnews.hk/index.htm>).

Shareholders' Rights

Convening of special general meeting on requisition by shareholders

Pursuant to Bye-law 58 of the Company, shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene a special general meeting, the requisitionist(s), or any of them representing more than one half of the total voting rights of all of them, may themselves convene a special general meeting, but any special general meeting so convened shall not be held after the expiration of three months from the said date.

Procedures for putting enquiries to the Board

Shareholder(s) may at any time send their enquiries to the Board in writing through the Company Secretary whose contact details are as follows:-

Company Secretary
I.T Limited
31/F., Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong
Tel: (852)3197-1109
Email: sophiah@ithk.com

The Company adheres the importance of the shareholders' privacy and will not disclose such information without their consent, unless required by law, the Stock Exchange, order or requirement of any court or other competent authority.

Procedures for putting forward proposals at general meetings

The following shareholder(s) are entitled to put forward a proposal (which may properly be put to the meeting) for consideration at a general meeting of the Company:-

1. any shareholder(s) representing not less than one-twentieth of the total voting rights of the Company on the date of the requisition; or
2. not less than one hundred shareholders.

The requisition specifying the proposal, duly signed by the shareholders concerned, together with a statement with respect to the matter referred to in the proposal must be deposited at the registered office of the Company in the case of:

- (1) a requisition requiring notice of a resolution, not less than six weeks before the meeting; and
- (2) any other requisition, not less than one week before the meeting.

The Company would take appropriate actions and make necessary arrangements, and the shareholders concerned would be responsible for the expenses incurred in giving effect thereto in accordance with the requirements under Sections 79 and 80 of the Companies Act 1981 of Bermuda (as amended) once valid documents received.

Communication with Shareholders

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 dialogues with the Board. The Chairman of the Board as well as Chairmen of the respective Board Committees are available to answer questions at the shareholders' meetings. External auditor also attends annual general meetings or special general meeting (if necessary) to address shareholders' enquiries.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the shareholders at general meetings would be taken by poll.

No shareholders' enquiry was received during the year ended 28 February 2013.

SOCIAL RESPONSIBILITIES

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

A BATHING APE CHARITY T-SHIRT FOR JAPAN EARTHQUAKE RELIEF

Joining other brands in helping to raise funds for disaster relief in Japan, A BATHING APE showed support to the victims of the crisis and released a charity tee adorned with a "Rescue and Rebuild" print, aimed at supporting the recovering of the country. The net sale proceeds were donated to Salvation Army.

MAISON MARTIN MARGIELA AIDS T-SHIRT PHOTO EXHIBITION – DONATION TO CHI HENG FOUNDATION ("CHF")

Valuing the conscious of AIDS in the society, the Maison Martin Margiela Aids T-shirt has become a well-known form to express the support of raising social awareness to help the diseased; I.T was keen to keep the fundraising spirit for the CHF. Donations were made to the CHF from partial sales of the Aids T-shirt for valuable causes to help the infected ones by improving their living conditions.

IZZUE X ORBIS CHARITY TEE FOR SIGHT-SAVING PROJECT

In supporting Orbis to bring light to the blind across the world, IZZUE joined hands with Orbis to launch a limited edition charity print tee for the Orbis 30th sight-saving project. The tees were first revealed in I.T HYSAN ONE by the sight ambassadors Paul Wong and Pakho Chow. Donation was contributed to the Orbis's global sight saving mission.

REPORT OF THE DIRECTORS

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 28 February 2013.

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 28 February 2013 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 55.

The Board has resolved to recommend the payment of a final dividend of 3.0 HK cents per share for the year ended 28 February 2013. (2012: 12.9 HK cents).

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$592,000 (2012: HK\$610,000).

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 28 February 2013, the Company's reserve available for cash distribution, as computed in accordance with The Companies Act 1981 of Bermuda (as amended), amounted to HK\$468,766,000, of which HK\$36,846,000 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 101 and 102.

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.

REPORT OF THE DIRECTORS (Continued)

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

In accordance with Clause 87 of the Company's Bye-laws, Mr. Sham Kin Wai and Mr. Francis Goutenmacher, will retire by rotation at the forthcoming annual general meeting of the Company, offer themselves 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 2013 while Mr. Mak Wing Sum, Alvin's on 30 March 2014. The Company has received from each of its Independent Non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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.

REPORT OF THE DIRECTORS (Continued)

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 2012 are set out below:–

Name of Director	Details of changes
	The Group's annual remuneration review was conducted in April 2013.
<i>Executive Director</i> Mr. Sham Kar Wai	– the monthly salary and housing allowance was revised to HK\$685,300 commenced from 1 April 2013.
Mr. Sham Kin Wai	– the monthly salary and housing allowance was revised to HK\$495,600 commenced from 1 April 2013.
<i>Independent Non-executive Director</i> Mr. Francis Goutenmacher	– appointed as an independent non-executive director of Louis XIII Holdings Limited (formerly known as "Paul Y. Engineering Group Limited") with effect from 19 February 2013. – the directors' fee was revised to HK\$255,000 per annum commenced from 1 April 2013.
Dr. Wong Tin Yau, Kelvin	– the directors' fee was revised to HK\$255,000 per annum commenced from 1 April 2013. – ceased to be a member and the Chairman of the Nomination Committee of the Board of Directors of the Company with effect from 3 May 2013.
Mr. Mak Wing Sum, Alvin	– appointed as an independent non-executive director of Lai Fung Holdings Limited with effect from 1 November 2012. – appointed as an independent non-executive director of Luk Fook Holdings (International) Limited with effect from 31 December 2012. – the directors' fee was revised to HK\$255,000 per annum commenced from 1 April 2013. – became a member and the Chairman of the Nomination Committee of the Board of Directors of the Company with effect from 3 May 2013.

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 28 February 2013, 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

Director	Beneficiary of trust (Note 1)	Interest in underlying shares/equity derivatives (Note 2)	No. of shares held		Percentage of issued share capital
			Direct interest	Total	
Sham Kar Wai (Note 3)	698,564,441	38,458,359	6,834,000	743,856,800	60.56%
Sham Kin Wai (Note 3)	698,564,441	38,458,359	6,834,000	743,856,800	60.56%

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.

REPORT OF THE DIRECTORS (Continued)

(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
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 28 February 2013.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from those disclosed in the section headed "Share Options" under this report on page 46, 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 might 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 was to be paid on acceptance of the grant of options.

No participant with options granted was 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 17 September 2012, the Company granted options under the New Share Option Scheme to two Directors to subscribe for an aggregate of 24,560,000 shares in the Company at a price of HK\$3.42 per share. The options shall be vested on the sixth anniversary date of the date of grant and exercisable from 17 September 2018 to 16 September 2022. The closing price of the Company's shares immediately before the date on which the options were granted was HK\$3.40.

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 Shares 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.

As at the date of this report, the total number of Shares available for issue under the New Share Option Scheme and any other share option schemes of the Company is 55,226,003, representing 4.49% of the issued share capital of the Company.

REPORT OF THE DIRECTORS (Continued)

Details of the movements in share options to subscribe for shares in the Company during the year ended 28 February 2013 are set out below:

	Date of grant	Exercise period	Exercise price per share HK\$	As at 1 March 2012	Number of Share Options			As at 28 February 2013	Notes
					Granted during the year	Exercised during the year	Lapsed during the year		
Director									
Sham Kar Wai	14 April 2008	14 April 2008 to 13 April 2013	2.41	6,821,980	–	(3,412,000)	–	3,409,980	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	
	17 September 2012	17 September 2018 to 16 September 2022	3.42	–	12,280,000	–	–	12,280,000	4
Sham Kin Wai	14 April 2008	14 April 2008 to 13 April 2013	2.41	6,821,980	–	(3,412,000)	–	3,409,980	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	
	17 September 2012	17 September 2018 to 16 September 2022	3.42	–	12,280,000	–	–	12,280,000	4
Continuous contract employees	14 April 2008	14 April 2008 to 13 April 2013	2.20	1,274,352	–	(694,146)	–	580,206	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	
				<u>111,510,207</u>	<u>24,560,000</u>	<u>(7,518,146)</u>	<u>–</u>	<u>128,552,061</u>	

Notes:

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

Vesting date	Exercise period	Number of Share Options		
		As at 1 March 2012	Exercised during the year (Note (a))	As at 28 February 2013
14 April 2009	14 April 2009 to 13 April 2012	3,410,735	(3,410,735)	–
14 April 2010	14 April 2010 to 13 April 2013	3,411,245	(1,265)	3,409,980
		<u>6,821,980</u>	<u>(3,412,000)</u>	<u>3,409,980</u>

Note (a) The weighted average closing price of the shares immediately before the date on which the options were exercised was HK\$4.52.

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 2012	Exercised during the year (Note (a))	As at 28 February 2013
14 April 2009	14 April 2009 to 13 April 2012	522,570	(522,570)	–
14 April 2010	14 April 2010 to 13 April 2013	751,782	(171,576)	580,206
		<u>1,274,352</u>	<u>(694,146)</u>	<u>580,206</u>

Note (a) The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$4.80.

REPORT OF THE DIRECTORS (Continued)

- 3 On 4 June 2012, the Company offered 12,280,000 options to each of Mr. Sham Kar Wai and Mr. Sham Kin Wai, Directors, to subscribe for shares in the Company at an exercise price of HK\$3.58 per share. The said options were termed to be vested on the sixth anniversary date and exercisable before the tenth anniversary date of the date of grant. The closing price of the Company's shares immediately before the date on which the options were offered was HK\$3.31. The Company did not receive acceptance from both Mr. Sham before the acceptance period as stipulated in the offer letters and the offer was deemed to have been irrevocably declined and lapsed automatically pursuant to the terms of the New Share Option Scheme. The options offered have no fair value.
- 4 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 17 September 2012 were as follows:

Share price at the grant date	HK\$3.36
Exercise price per share	HK\$3.42
Expected volatility	61.59%
Expected life of options	10.0 years
Expected dividend yield	4.58%
Annual risk free rate	0.808%

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

As at 28 February 2013, 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	743,856,800	60.56%	Long
Wong Choi Shan (Note 2)	Beneficiary of a trust/Interest of spouse	743,856,800	60.56%	Long
Effective Convey Limited (Note 3)	Beneficial owner and interest in corporation	698,564,441	56.87%	Long
Dynamic Vitality Limited (Note 4)	Interest in corporation	698,564,441	56.87%	Long
HSBC International Trustee Limited (Note 4)	Interest in corporation	698,564,441	56.87%	Long
Fine Honour Limited (Note 3)	Beneficial owner	169,197,830	13.98%	Long
Templeton Asset Management Ltd.	Investment manager	123,585,595	10.06%	Long
JPMorgan Chase & Co. (Notes 5)	Investment manager and custodian corporation/approved lending agent	85,538,568	6.96%	Long/ lending pool
Glorious Sun Trading (HK) Limited	Beneficial owner	68,827,473	5.77%	Long
Glorious Sun Enterprises (BVI) Limited (Note 6)	Interest in corporation	68,827,473	5.77%	Long
Glorious Sun Enterprises Limited (Note 6)	Interest in corporation	68,827,473	5.77%	Long
Glorious Sun Holdings (BVI) Limited (Note 7)	Interest in corporation	68,827,473	5.77%	Long
Yeung Chun Kam (Note 7)	Interest in controlled company	68,827,473	5.77%	Long
Yeung Chun Fan (Note 7)	Interest in controlled company	68,827,473	5.77%	Long
Cheung Wai Yee (Note 8)	Interest in controlled company	68,827,473	5.77%	Long

Notes:

- Spouse of Mr. Sham Kar Wai (Director of the Company). Out of the 743,856,800 Shares, Ms. Yau held 45,292,359 Shares in the capacity of interest of spouse and the balance being 698,564,441 Shares, in the capacity of beneficiary of a trust.
- Spouse of Mr. Sham Kin Wai (Director of the Company). Out of the 743,856,800 Shares, Ms. Wong held 45,292,359 Shares in the capacity of interest of spouse and the balance being 698,564,441 Shares, in the capacity of beneficiary of a trust.
- Fine Honour Limited, Fortune Symbol Limited, Fresh Start Holdings Limited and Sure Elite Limited (collectively the "Companies") are wholly-owned subsidiaries of Effective Convey Limited. Effective Convey Limited is therefore deemed interested in the Shares held by the Companies. Fortune Symbol Limited, Fresh Start Holdings Limited and Sure Elite Limited each held 60,028,130 Shares as at 28 February 2013.
- Effective Convey Limited is a wholly-owned subsidiary of Dynamic Vitality Limited, which is wholly-owned by The ABS 2000 Trust. The ABS 2000 Trust was established on 14 September 2000 as an irrevocable discretionary trust for the benefit of Mr. Sham Kar Wai and Mr. Sham Kin Wai, and their respective family members. HSBC International Trustee Limited is the trustee of The ABS 2000 Trust. Each of Dynamic Vitality Limited and HSBC International Trustee Limited is therefore deemed interested in the Shares held by Effective Convey Limited.
- Out of the 85,538,568 Shares, JPMorgan Chase & Co held 19,370,000 Shares in the capacity of investment manager and the balance, being 66,168,568 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, JPMorgan Asset Management (UK) Limited, JPMorgan Asset Management Holdings (UK) Limited and JPMorgan Asset Management International Limited.
- Glorious Sun Trading (HK) Limited is a wholly-owned subsidiary of Glorious Sun Enterprises (BVI) Limited, which is wholly-owned by Glorious Sun Enterprises Limited. Each of Glorious Sun Enterprises (BVI) Limited and Glorious Sun Enterprises Limited is therefore deemed interested in the Shares held by Glorious Sun Trading (HK) Limited.
- Glorious Sun Holdings (BVI) Limited holds 39.16% interest in Glorious Sun Enterprises Limited. Dr. Yeung Chun Kam and Mr. Yeung Chun Fan respectively holds 51.93% and 48.07% interest in Glorious Sun Holdings (BVI) Limited. Therefore, each of Glorious Sun Holdings (BVI) Limited, Dr. Yeung Chun Kam and Mr. Yeung Chun Fan is deemed interested in the Shares held by Glorious Sun Trading (HK) Limited.
- Spouse of Mr. Yeung Chun Fan.

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.

REPORT OF THE DIRECTORS (Continued)

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 28 February 2013, 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 28 February 2013.

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 40.

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, 3 May 2013

ITS

a fashion icon

TREND SETTING

inspiration

a lifestyle

MOVING FORWARD

INDEPENDENT AUDITOR'S REPORT



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 55 to 100, which comprise the consolidated and company balance sheets as at 28 February 2013, 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 28 February 2013 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, 3 May 2013

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 28 February 2013

	Note	2013 HK\$'000	2012 HK\$'000
Turnover	5	6,543,109	5,741,642
Cost of sales	7	(2,693,460)	(2,201,683)
Gross profit		3,849,649	3,539,959
Other loss	6	(6,221)	(2,776)
Operating expenses	7	(3,367,346)	(2,961,879)
Operating profit		476,082	575,304
Finance income	10	10,649	6,385
Finance costs	10	(27,554)	(11,993)
Share of (loss)/profit of jointly controlled entities	18	(11,461)	4,086
Profit before income tax		447,716	573,782
Income tax expense	11	(62,685)	(100,652)
Profit for the year		385,031	473,130
Other comprehensive income:			
Currency translation differences		(8,977)	27,157
Total comprehensive income for the year		376,054	500,287
Profit attributable to:			
– Equity holders of the Company	12	383,697	471,300
– Non-controlling interests		1,334	1,830
		385,031	473,130
Total comprehensive income attributable to:			
– Equity holders of the Company		374,507	498,476
– Non-controlling interests		1,547	1,811
		376,054	500,287
Earnings per share for profit for the year (expressed in HK\$ per share)			
– basic	13	HK\$0.31	HK\$0.39
– diluted	13	HK\$0.30	HK\$0.37
Dividends	14	36,846	187,967

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

CONSOLIDATED BALANCE SHEETS

As at 28 February 2013

	Note	As at 28 February 2013 HK\$'000	As at 29 February 2012 HK\$'000 (Restated)	As at 1 March 2011 HK\$'000 (Restated)
ASSETS				
Non-current assets				
Property, furniture and equipment	15	934,128	880,887	727,022
Intangible assets	16	359,338	373,018	370,722
Investments in and amounts due from jointly controlled entities	18	199,074	118,059	63,730
Rental deposits	21	298,675	277,738	199,414
Prepayments for furniture and equipment	21	5,868	4,437	–
Deferred income tax assets	27	116,154	77,782	51,389
		1,913,237	1,731,921	1,412,277
Current assets				
Inventories	19	1,211,240	1,237,808	736,717
Trade and other receivables	20	133,736	155,450	121,371
Amounts due from jointly controlled entities	18	25,388	23,648	21,995
Prepayments and other deposits	21	221,299	216,063	217,358
Derivative financial instruments	26	1,163	116	–
Cash and cash equivalents	22	961,158	626,944	775,841
		2,553,984	2,260,029	1,873,282
LIABILITIES				
Current liabilities				
Bank borrowings	23	(365,661)	(263,088)	(296,542)
Trade and bill payables	24	(273,552)	(409,038)	(278,914)
Accruals and other payables	25	(476,177)	(463,583)	(349,524)
Derivative financial instruments	26	(1,600)	–	–
Amounts due to jointly controlled entities	18	(51,549)	(50,064)	(45,055)
Current income tax liabilities		(23,585)	(48,754)	(42,460)
		(1,192,124)	(1,234,527)	(1,012,495)
Net current assets		1,361,860	1,025,502	860,787
Total assets less current liabilities		3,275,097	2,757,423	2,273,064
Non-current liabilities				
Bank borrowings	23	(668,462)	(437,126)	(379,234)
Accruals	25	(14,140)	(18,079)	(21,935)
Derivative financial instruments	26	(6,140)	(2,639)	–
Deferred income tax liabilities	27	(32,984)	(30,801)	(28,683)
		(721,726)	(488,645)	(429,852)
Net assets		2,553,371	2,268,778	1,843,212
EQUITY				
Capital and reserves				
Share capital	28	122,818	122,067	119,725
Reserves	29	2,430,553	2,148,649	1,727,236
Non-controlling interests		–	(1,938)	(3,749)
Total equity		2,553,371	2,268,778	1,843,212



SHAM KAR WAI
Chairman



SHAM KIN WAI
Director

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

BALANCE SHEETS

As at 28 February 2013

	Note	2013 HK\$'000	2012 HK\$'000
ASSETS			
Non-current assets			
Investments in and amounts due from subsidiaries	17	<u>1,556,131</u>	<u>1,563,483</u>
Current assets			
Prepayments and other deposits	21	<u>168</u>	<u>168</u>
Cash and cash equivalents	22	<u>250</u>	<u>1,079</u>
		<u>418</u>	<u>1,247</u>
Net current assets		<u>418</u>	<u>1,247</u>
Total assets less current liabilities		<u>1,556,549</u>	<u>1,564,730</u>
Net assets		<u>1,556,549</u>	<u>1,564,730</u>
EQUITY			
Capital and reserves			
Share capital	28	<u>122,818</u>	<u>122,067</u>
Reserves	29	<u>1,433,731</u>	<u>1,442,663</u>
Total equity		<u>1,556,549</u>	<u>1,564,730</u>



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 28 February 2013

	Note	Attributable to equity holders of the Company		Non-	Total
		Share capital HK\$'000	Reserves HK\$'000	controlling interests HK\$'000	
Balance at 1 March 2012		122,067	2,148,649	(1,938)	2,268,778
Comprehensive income:					
– Profit for the year		–	383,697	1,334	385,031
Other comprehensive income:					
– Currency translation differences		–	(9,190)	213	(8,977)
Total comprehensive income		–	374,507	1,547	376,054
Transaction with owners:					
Final dividend for the year ended 29 February 2012		–	(158,430)	–	(158,430)
Exercise of share options	28 & 29	751	17,177	–	17,928
Share option scheme					
– value of employment services	29	–	20,442	–	20,442
Tax credit from exercise of share options		–	32,834	–	32,834
Acquisition of non-controlling interests		–	(4,626)	391	(4,235)
		751	(92,603)	391	(91,461)
Balance at 28 February 2013		122,818	2,430,553	–	2,553,371
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	28 & 29	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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 28 February 2013

	Note	2013 HK\$'000	2012 HK\$'000
Cash flows from operating activities			
Cash generated from operations	30(a)	646,312	491,729
Interest paid		(27,554)	(11,993)
Hong Kong profits tax paid		(81,826)	(60,857)
Overseas income tax paid		(11,486)	(57,205)
Net cash generated from operating activities		525,446	361,674
Cash flows from investing activities			
Purchase of property, furniture and equipment		(314,017)	(387,191)
Purchase of intangible assets		(7,073)	(4,845)
Proceeds from disposal of property, furniture and equipment	30(b)	2,090	8,545
Capital injection in a jointly controlled entity		(89,168)	–
Shareholders' loans to jointly controlled entities		–	(59,046)
Dividend received from jointly controlled entities		11,000	10,000
Interest received		8,849	2,977
Net cash used in investing activities		(388,319)	(429,560)
Cash flows from financing activities			
Proceeds from exercise of share options		17,928	52,954
Repayments of bank borrowings		(261,253)	(433,093)
Proceeds from bank borrowings		605,132	450,194
Acquisition of non-controlling interests		(4,235)	–
Dividends paid		(158,430)	(157,407)
Net cash generated from/(used in) financing activities		199,142	(87,352)
Net increase/(decrease) in cash and cash equivalents		336,269	(155,238)
Cash and cash equivalents, beginning of the year		626,944	775,841
Currency translation differences		(2,055)	6,341
Cash and cash equivalents, end of the year	30(d)	961,158	626,944

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

NOTES TO THE 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 3 May 2013.

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 2012, but are currently not relevant to the Group:

HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters
HKFRS 7 (Amendment)	Disclosures – Transfers of financial assets
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets

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

HKFRS 1 Amendment	Government Loans (effective for annual period beginning on or after 1 January 2013)
HKFRS 7 Amendment	Disclosures – Offsetting Financial Assets and Financial Liabilities (effective for annual period beginning on or after 1 January 2013)
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 10, HKFRS 11 and HKFRS 12 Amendment	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (effective for annual period beginning on or after 1 January 2013)
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendment	Investment 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)
HKAS 1 Amendment	Presentation of Items of Other Comprehensive Income (effective for annual period beginning on or after 1 July 2012)
HKAS 19 (2011)	Employee Benefits (effective for annual period beginning on or after 1 January 2013)
HKAS 27 (2011)	Separate Financial Statements (effective for annual period beginning on or after 1 January 2013)
HKAS 28 (2011)	Investments in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2013)
HKAS 32 Amendment	Offsetting Financial Assets and Financial Liabilities (effective for annual period beginning on or after 1 January 2014)
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)
Annual Improvements Project	Annual Improvements 2009-2011 Cycle (effective for annual period beginning on or after 1 January 2013)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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)

The Group has not early adopted these new standards, amendments and interpretations to existing standards in the financial statements for the year ended 28 February 2013. The adoption of the above new standards, amendments and interpretations to existing standards in future periods is not expected to result in substantial changes to the Group's accounting policies.

In addition, the 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 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.

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 CONSOLIDATION (Continued)

(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 brand 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.

(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.

Licence rights are amortised using the straight-line method to allocate the cost over their estimated useful lives (1 to 3 years).

(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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 INTANGIBLE ASSETS (Continued)

(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 consolidated 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. Changes in the fair value of these derivative instruments are recognised immediately in the statement of comprehensive income.

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, 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 and deposits held at call with banks 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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 EMPLOYEE BENEFITS (Continued)

(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) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(e) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 LEASES

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.

Leases of property, furniture and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

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.

2.22 COMPARATIVES FIGURES

Certain figures for bank borrowings and trade and bills payables have been reclassified to be consistent with the current year presentation. The following is the summary of the effects of the reclassification on the consolidated balance sheet as at 29 February 2012 and 1 March 2011; and on the consolidated statement of cash flows for the year ended 29 February 2012:

	As at 29 February 2012 HK\$'000	As at 1 March 2011 HK\$'000
Consolidated balance sheet		
Increase/(decrease) in:		
Current liabilities		
Bank borrowings	78,910	81,631
Trade and bill payables	(78,910)	(81,631)
	<u> </u>	<u> </u>
	–	–
	<u> </u>	<u> </u>
		2012 HK\$'000
Consolidated statement of cash flows		
Increase in net cash generated from operating activities		2,721
Increase in net cash used in financing activities		(2,721)
		<u> </u>
		–
		<u> </u>

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 foreign exchange contracts and currency swap 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 28 February 2013, 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\$1,952,000 (2012: HK\$57,000) lower/higher mainly as a result of foreign exchange differences on translation of United States Dollar-denominated bank balances of certain subsidiaries whose functional currency is Chinese Renminbi.

At 28 February 2013, 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\$196,000 lower/higher (2012: HK\$2,944,000 higher/lower) mainly as a result of foreign exchange differences on translation of Euro-denominated bank balances, trade payables, derivative financial instruments and bank borrowings.

At 28 February 2013, 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\$1,361,000 (2012: HK\$3,579,000) higher/lower mainly as a result of foreign exchange differences on translation of Japanese Yen-denominated bank balances, trade payables, derivative financial instruments and bank borrowings.

At 28 February 2013, 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\$9,719,000 (2012: HK\$19,892,000) lower/higher mainly as a result of foreign exchange differences on translation of Chinese Renminbi denominated bank balances and derivative financial instruments.

At 28 February 2013, if Japanese Yen 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\$2,555,000 (2012: HK\$3,061,000) lower/higher mainly as a result of foreign exchange differences on translation of Japanese Yen denominated payables.

At 28 February 2013, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(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 28 February 2013, 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 28 February 2013, 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.

As at 28 February 2013, the Company provided financial guarantees of HK\$1,034,123,000 (2012: HK\$690,419,000) 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.

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.

(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	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 28 February 2013					
Term loan subject to a repayment on demand clause	31,679	–	–	–	31,679
Borrowings and interest payment	356,550	327,292	285,654	94,127	1,063,623
Trade and bill payables	273,552	–	–	–	273,552
Accruals and other payables	476,177	–	–	–	476,177
Due to jointly controlled entities	51,549	–	–	–	51,549
Foreign exchange forward contract	147,138	–	–	–	147,138
Interest rate swap contract	1,243	1,228	782	–	3,253
Currency swap contract	27,728	27,728	136,502	–	191,958
	<u>1,365,616</u>	<u>356,248</u>	<u>422,938</u>	<u>94,127</u>	<u>2,238,929</u>
As at 29 February 2012					
Borrowings and interest payment	267,461	171,079	178,040	95,460	712,040
Trade and bill payables	409,038	–	–	–	409,038
Accruals and other payables	463,583	–	–	–	463,583
Due to jointly controlled entities	50,064	–	–	–	50,064
Foreign exchange forward contract	110,400	–	–	–	110,400
Currency swap contract	20,796	27,728	164,230	–	212,754
	<u>1,321,342</u>	<u>198,807</u>	<u>342,270</u>	<u>95,460</u>	<u>1,957,879</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(c) Liquidity risk

The following table summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amount includes interest payments computed using contractual rates. Taking into account the Group's net assets, the directors do not consider that it is probable that the bank will exercise its discretion to immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Maturity Analysis – term loans subject to a repayment on demand clause based on scheduled repayments

	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 28 February 2013	916	30,763	–	–	31,679

The Group's gross settled derivative financial instruments include foreign exchange contracts and foreign currency swap contract. The foreign exchange contracts require undiscounted contractual cash inflows of HK\$147,073,000 (2012: HK\$110,435,000) and undiscounted contractual cash outflows of HK\$147,137,000 (2012: HK\$110,400,000). The foreign currency swap contract requires undiscounted contractual cash inflows of HK\$190,902,000 (2012: HK\$209,614,000) and undiscounted contractual cash outflows of HK\$191,958,000 (2012: HK\$212,754,000).

The Group's net settled derivative includes interest rate swap contract. The interest rate swap contract requires undiscounted contractual cash inflows of HK\$2,731,000 (2012: nil) and undiscounted contractual cash outflows of HK\$5,984,000 (2012: nil).

(d) Cash flow and fair value interest rate risk

To manage their interest rate risk arising from certain future commercial transactions and recognised liabilities, entities in the Group use interest rate swap contracts, transacted with external financial institutions.

Except for the short-term bank deposits as at 28 February 2013 of HK\$126,503,000 (2012: HK\$75,032,000), held at effective interest rate of 0.6% per annum (2012: 0.6% per annum), and the bank borrowings as at 28 February 2013 of HK\$1,034,123,000 (2012: HK\$700,214,000) held at effective interest rate of 2.3% (2012: 1.9%) 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 28 February 2013, 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\$730,000 (2012: HK\$733,000) lower/higher. 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.

3.2 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 28 February 2013, the Group has foreign exchange forward contracts, foreign currency swap and interest rate swap with notional principal amount of HK\$147,137,000 (2012: HK\$110,400,000), HK\$129,570,000 (2012: HK\$129,570,000) and HK\$275,000,000 (2012: nil) respectively, which were measured by level 2 of the fair value measurement hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 FAIR VALUE ESTIMATION (Continued)

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 amounts 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:

	2013	2012
Cash and cash equivalents (HK\$'000)	961,158	626,944
Current ratio (Current assets divided by current liabilities)	<u>2.14</u>	<u>1.83</u>

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.

As at 28 February 2013, 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(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 value-in-use calculations. These estimations require the use of assumptions and judgements.

As at 28 February 2013, 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 gross margin, 1% decrease in long-term 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 28 February 2013, 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 28 February 2013, 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.

Details of the income taxes expenses are disclosed in Note 11.

(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.

As at 28 February 2013, the carrying amounts of deferred income tax assets and liabilities are disclosed in Note 27.

(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.

Details of the share-based payments are disclosed in Note 8.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5 TURNOVER AND SEGMENT INFORMATION

(a) Analysis of revenue by category

	2013 HK\$'000	2012 HK\$'000
Turnover		
– Sales of fashion wears and accessories	<u>6,543,109</u>	<u>5,741,642</u>

(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 (loss)/profit 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 28 February 2013 and 29 February 2012 is as follows:

	Hong Kong		Mainland China		Japan		Others		Total	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Turnover	<u>3,708,039</u>	3,408,539	<u>2,036,381</u>	1,544,457	<u>514,434</u>	560,013	<u>284,255</u>	228,633	<u>6,543,109</u>	5,741,642
EBITDA	<u>414,023</u>	479,027	<u>171,052</u>	215,274	<u>86,557</u>	53,072	<u>64,959</u>	71,270	<u>736,591</u>	818,643
Depreciation and amortisation	<u>(139,089)</u>	(114,091)	<u>(78,596)</u>	(69,836)	<u>(32,306)</u>	(34,787)	<u>(8,870)</u>	(13,446)	<u>(258,861)</u>	(232,160)
Impairment of property, furniture and equipment	<u>(836)</u>	(6,971)	–	–	–	(4,208)	<u>(812)</u>	–	<u>(1,648)</u>	(11,179)
Operating profit	<u>274,098</u>	357,965	<u>92,456</u>	145,438	<u>54,251</u>	14,077	<u>55,277</u>	57,824	<u>476,082</u>	575,304
Finance income									<u>10,649</u>	6,385
Finance costs									<u>(27,554)</u>	(11,993)
Share of (loss)/profit of jointly controlled entities									<u>(11,461)</u>	4,086
Profit before income tax									<u>447,716</u>	573,782
Total segment non-current assets	<u>697,255</u>	704,358	<u>657,161</u>	546,795	<u>177,723</u>	231,929	<u>65,870</u>	52,998	<u>1,598,009</u>	1,536,080
Total segment assets	<u>1,831,579</u>	1,904,583	<u>1,747,282</u>	1,328,738	<u>392,272</u>	424,688	<u>155,472</u>	114,452	<u>4,126,605</u>	3,772,461

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5 TURNOVER AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

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

	2013 HK\$'000	2012 HK\$'000
Segment assets for reportable segments	3,971,133	3,658,009
Other segments assets	155,472	114,452
	<u>4,126,605</u>	<u>3,772,461</u>
Unallocated:		
Deferred income tax assets	116,154	77,782
Investments in and amounts due from jointly controlled entities	224,462	141,707
	<u>4,467,221</u>	<u>3,991,950</u>

6 OTHER LOSS

	2013 HK\$'000	2012 HK\$'000
Fair value loss from derivative financial instruments		
– forward foreign exchange contracts	2,720	137
– foreign currency swap contract	140	2,639
– interest rate swap contract	3,361	–
	<u>6,221</u>	<u>2,776</u>

7 EXPENSES BY NATURE

	2013 HK\$'000	2012 HK\$'000
Cost of inventories sold	2,641,425	2,081,466
Write-downs of inventories to net realisable value	6,728	99,673
Employment costs (including directors' emoluments) (Note 8)	1,008,500	912,222
Operating lease rentals of premises		
– minimum lease payments	1,116,412	892,337
– contingent rents	219,274	185,599
Building management fee	154,009	119,044
Advertising and promotion costs	84,321	99,420
Commission expenses	92,159	101,116
Bank charges	73,382	62,391
Utilities expenses	54,156	40,895
Freight charges	52,606	43,568
Depreciation of property, furniture and equipment	245,180	217,340
Impairment of property, furniture and equipment	1,648	11,179
Loss on disposals of property, furniture and equipment	2,288	1,214
Licence fees (included in operating expenses)		
– amortisation of licence rights	4,278	4,760
– contingent licence fees	20,010	20,112
Amortisation of intangible assets (excluding licence fees)	9,403	10,060
(Reversal of)/provision for impairment of trade receivables	(2,450)	3,559
(Reversal of)/provision for impairment of amount due from a jointly controlled entity	(673)	200
Auditor's remuneration	4,370	4,590
Net exchange gains	(14,014)	(23,024)
Other expenses	287,794	275,841
	<u>6,060,806</u>	<u>5,163,562</u>
Total		
Representing:		
Cost of sales	2,693,460	2,201,683
Operating expenses	3,367,346	2,961,879
	<u>6,060,806</u>	<u>5,163,562</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8 EMPLOYMENT COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2013 HK\$'000	2012 HK\$'000
Salaries, commission and allowances	899,732	760,169
(Reversal of bonus)/bonus	(3,303)	47,770
Pension costs – employer's contributions to defined contribution plans and provision for long service payment	84,980	62,851
Share options granted	20,442	29,732
Welfare and other benefits	6,649	11,700
	<u>1,008,500</u>	<u>912,222</u>

(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 (for the period before 31 May 2012) and HK\$1,250 per month (for the period after 1 June 2012) 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 MOP15 per month, while the Group contributes up to MOP30 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 28 February 2013, the amount of the Group's employer contributions to defined contribution plans is approximately HK\$84,980,000 (2012: HK\$62,851,000).

9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of each director of the Company for the year ended 28 February 2013 is set out below:

Name of directors	Fees HK\$'000	Salaries HK\$'000	Bonus HK\$'000	Other benefits (i) HK\$'000	Employer's contributions to pension scheme HK\$'000	Total HK\$'000
<i>Executive directors</i>						
Mr Sham Kar Wai	–	6,908	–	8,107	14	15,029
Mr Sham Kin Wai	–	4,651	–	7,987	14	12,652
<i>Independent non-executive directors</i>						
Mr Francis Goutenmacher	245	–	–	–	–	245
Dr Wong Tin Yau, Kelvin	245	–	–	–	–	245
Mr Mak Wing Sum, Alvin (ii)	226	–	–	–	–	226
	<u>716</u>	<u>11,559</u>	<u>–</u>	<u>16,094</u>	<u>28</u>	<u>28,397</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(a) Directors' emoluments (Continued)

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

Name of directors	Fees HK\$'000	Salaries HK\$'000	Bonus HK\$'000	Other benefits (i) HK\$'000	Employer's contributions to pension scheme HK\$'000	Total HK\$'000
<i>Executive directors</i>						
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
<i>Independent non-executive directors</i>						
Mr Wong Wai Ming (ii)	189	–	–	–	–	189
Mr Francis Goutenmacher	227	–	–	–	–	227
Dr Wong Tin Yau, Kelvin	227	–	–	–	–	227
	<u>643</u>	<u>10,307</u>	<u>30,315</u>	<u>19,599</u>	<u>24</u>	<u>60,888</u>

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 28 February 2013 (2012: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two (2012: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2012: three) individuals are as follows:

	2013 HK\$'000	2012 HK\$'000
Salaries	7,103	7,272
Bonus	–	6,510
Other benefits (i)	10,047	15,759
Employer's contributions to pension scheme	318	279
	<u>17,468</u>	<u>29,820</u>

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 (2012: three) individuals fell within the following bands:

	2013	2012
HK\$4,000,001 – HK\$4,500,000	1	–
HK\$6,000,001 – HK\$6,500,000	–	1
HK\$6,500,001 – HK\$7,000,000	2	–
HK\$10,500,001 – HK\$11,000,000	–	1
HK\$12,500,001 – HK\$13,000,000	–	1
	<u>3</u>	<u>3</u>

- (c) During the year ended 28 February 2013, 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 (2012: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10 FINANCE INCOME AND COSTS

	2013 HK\$'000	2012 HK\$'000
Interest income from		
– bank deposits	8,849	2,977
– amounts due from jointly controlled entities	778	1,067
– others (i)	1,022	2,341
	<u>10,649</u>	<u>6,385</u>
Finance income	10,649	6,385
Interest expense on bank borrowings		
– wholly repayable within five years	(25,851)	(10,401)
– not wholly repayable within five years	(1,703)	(1,592)
	<u>(27,554)</u>	<u>(11,993)</u>
Finance costs	(27,554)	(11,993)
Net finance costs	<u>(16,905)</u>	<u>(5,608)</u>

Note:

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

11 INCOME TAX EXPENSE

The Company is exempted from income taxes in Bermuda until March 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% (2012: 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 of 25% (2012: ranging from 24% to 25%) on the profits of the Group's operations in Mainland China.

Taiwan profits tax has been provided at the rate of 17% (2012: 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% (2012: 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 JPY100 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11 INCOME TAX EXPENSE (Continued)

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

	2013 HK\$'000	2012 HK\$'000
Current income tax		
– Hong Kong profits tax	48,438	76,723
– Mainland China enterprise income tax	30,943	41,345
– Overseas income tax	7,292	6,513
– Over-provision in prior year	(5,683)	(476)
	<u>80,990</u>	<u>124,105</u>
Deferred income tax (Note 27)	(18,305)	(23,453)
	<u>62,685</u>	<u>100,652</u>

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:

	2013 HK\$'000	2012 HK\$'000
Profit before income tax	447,716	573,782
Adjustment: share of loss/(profit) of jointly controlled entities, net of tax	11,461	(4,086)
Adjusted profit before income tax	<u>459,177</u>	<u>569,696</u>
Tax calculated at applicable tax rates	87,526	102,291
Income not subject to tax	(3,274)	(653)
Expenses not deductible for tax purposes	14,707	12,730
Withholding tax on dividend distributable from subsidiaries in Mainland China	1,214	6,378
Tax loss not recognised	1,889	577
Utilisation of previously unrecognised tax losses	(24,701)	(20,195)
Over-provision in prior year	(5,683)	(476)
Tax credit from share option recharge	(8,993)	–
Income tax expense	<u>62,685</u>	<u>100,652</u>

The weighted average applicable tax rate was 19.1% (2012: 18.0%). The increase 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\$111,879,000 (2012: HK\$198,477,000).

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.

	2013	2012
Profit attributable to equity holders of the Company (HK\$'000)	<u>383,697</u>	<u>471,300</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,227,311</u>	<u>1,216,443</u>
Basic earnings per share (HK\$)	<u>0.31</u>	<u>0.39</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13 EARNINGS PER SHARE (Continued)

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Shares issuable under the share option schemes are the only dilutive potential ordinary shares. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average daily quoted market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2013	2012
Profit attributable to equity holders of the Company (HK\$'000)	<u>383,697</u>	<u>471,300</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,227,311</u>	1,216,443
Adjustments for share options ('000)	<u>37,933</u>	<u>45,090</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>1,265,244</u>	<u>1,261,533</u>
Diluted earnings per share (HK\$)	<u>0.30</u>	<u>0.37</u>

14 DIVIDENDS

	2013 HK\$'000	2012 HK\$'000
Interim dividend, paid, of nil HK cents (2012: 2.5 HK cents) per ordinary share	–	30,501
Final dividend, proposed, 3.0 HK cents (2012: 12.9 HK cents) per ordinary share	<u>36,846</u>	<u>157,466</u>
	<u>36,846</u>	<u>187,967</u>

A final dividend relating to the year ended 29 February 2012 amounted to HK\$158,430,000 was fully paid in September 2012.

An interim dividend relating to the six months ended 31 August 2011 amounted to HK\$30,501,000 was paid in December 2011.

The board of directors proposed a final dividend of 3.0 HK cents per ordinary share for the year ended 28 February 2013 on 3 May 2013 (2012: 12.9 HK cents per ordinary share). This proposed final dividend is not reflected as a dividend payable as of 28 February 2013, but will be recorded as a distribution of retained earnings for the year ending 28 February 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 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	<u>279,458</u>	<u>345,051</u>	<u>56,988</u>	<u>45,525</u>	<u>727,022</u>
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	<u>281,033</u>	<u>492,749</u>	<u>68,863</u>	<u>38,242</u>	<u>880,887</u>
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	<u>281,033</u>	<u>492,749</u>	<u>68,863</u>	<u>38,242</u>	<u>880,887</u>
Year ended 28 February 2013					
Opening net book amount	281,033	492,749	68,863	38,242	880,887
Additions	20	276,527	37,411	59	314,017
Disposals	–	(4,014)	(364)	–	(4,378)
Impairment	–	(1,648)	–	–	(1,648)
Depreciation	(6,820)	(202,091)	(28,200)	(8,069)	(245,180)
Exchange differences	(6,507)	(3,530)	921	(454)	(9,570)
Closing net book amount	<u>267,726</u>	<u>557,993</u>	<u>78,631</u>	<u>29,778</u>	<u>934,128</u>
At 28 February 2013					
Cost	283,534	1,203,752	183,302	54,010	1,724,598
Accumulated depreciation and impairment	(15,808)	(645,759)	(104,671)	(24,232)	(790,470)
Net book amount	<u>267,726</u>	<u>557,993</u>	<u>78,631</u>	<u>29,778</u>	<u>934,128</u>

Depreciation and impairment expenses have been included in operating expenses.

As at 28 February 2013, bank borrowings are secured on land and buildings with carrying amounts of HK\$222,580,000 (2012: HK\$229,057,000).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 INTANGIBLE ASSETS – CONSOLIDATED

	Goodwill HK\$'000	Licence rights HK\$'000	Franchise contracts and distribution agreements HK\$'000	Trademark HK\$'000	Other intangible assets HK\$'000	Club debentures HK\$'000	Total HK\$'000
At 1 March 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	<u>307,116</u>	<u>2,839</u>	<u>14,754</u>	<u>35,257</u>	<u>4,658</u>	<u>6,098</u>	<u>370,722</u>
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	<u>318,195</u>	<u>1,538</u>	<u>12,405</u>	<u>32,524</u>	<u>2,258</u>	<u>6,098</u>	<u>373,018</u>
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	<u>318,195</u>	<u>1,538</u>	<u>12,405</u>	<u>32,524</u>	<u>2,258</u>	<u>6,098</u>	<u>373,018</u>
Year ended 28 February 2013							
Opening net book amount	318,195	1,538	12,405	32,524	2,258	6,098	373,018
Additions	–	4,656	–	417	–	2,000	7,073
Amortisation	–	(4,278)	(2,823)	(4,349)	(2,231)	–	(13,681)
Exchange differences	(3,451)	(29)	68	(3,633)	(27)	–	(7,072)
Closing net book amount	<u>314,744</u>	<u>1,887</u>	<u>9,650</u>	<u>24,959</u>	<u>–</u>	<u>8,098</u>	<u>359,338</u>
At 28 February 2013							
Cost	386,419	9,784	21,195	33,290	4,308	8,098	463,094
Accumulated amortisation and impairment	(71,675)	(7,897)	(11,545)	(8,331)	(4,308)	–	(103,756)
Net book amount	<u>314,744</u>	<u>1,887</u>	<u>9,650</u>	<u>24,959</u>	<u>–</u>	<u>8,098</u>	<u>359,338</u>

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 value in use estimations. These estimations use cash flow projections based on financial budgets approved by management covering the subsequent five 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 INTANGIBLE ASSETS – CONSOLIDATED (Continued)

Key assumptions used for value in use estimations

	China		Japan	
	2013	2012	2013	2012
Long-term growth rate	2% to 5%	2% to 5%	1%	1%
Gross margin	35% to 75%	35% to 78%	55%	58%
Discount rate	16%	16%	23%	23%

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

	2013	2012
	HK\$'000	HK\$'000
Unlisted investments, at cost	250,273	229,831
Share-based payment recharge from subsidiaries	(20,398)	–
Amounts due from subsidiaries	1,326,256	1,333,652
	1,556,131	1,563,483

(a) Details of the principal subsidiaries as at 28 February 2013:

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 wears and accessories
I.T (Macau) Limited	Macau	MOP9,270,000	100%	Retail of fashion wears and accessories

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(a) Details of the principal subsidiaries as at 28 February 2013 (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\$12,000,000	100%	Retail of fashion wears and accessories
Mega Charm Apparels (Beijing) Limited (ii)	Mainland China	US\$4,000,000	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	100%	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	US\$750,000	100%	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\$8,000,000	100%	Retail and trading of fashion wears and accessories

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(a) Details of the principal subsidiaries as at 28 February 2013 (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

	2013 HK\$'000	2012 HK\$'000
Share of net assets	172,885	49,621
Amounts due from jointly controlled entities	53,985	95,167
Less: provision for impairment of amount due from a jointly controlled entity	(2,408)	(3,081)
	51,577	92,086
Less: current portion of amounts due from jointly controlled entities	224,462 (25,388)	141,707 (23,648)
	199,074	118,059
Amounts due to jointly controlled entities	(51,549)	(50,064)

(a) Share of net assets of jointly controlled entities

	2013 HK\$'000	2012 HK\$'000
Beginning of the year	49,621	54,138
Share of results of jointly controlled entities		
– (loss)/profit before income tax	(10,823)	6,771
– income tax expense	(638)	(2,685)
– currency translation differences	1,757	1,397
Capital injection in a jointly controlled entity	89,168	–
Conversion of shareholders' loans into capital	54,800	–
Distribution of dividend	(11,000)	(10,000)
End of the year	172,885	49,621

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

	2013 HK\$'000	2012 HK\$'000
Revenues	88,524	81,837
(Loss)/profit	(11,461)	4,086
Non-current assets	74,295	20,398
Current assets	136,553	114,991
Non-current liabilities	(8,114)	(59,625)
Current liabilities	(29,849)	(26,143)
Commitments	–	74,894

The accumulated losses not recognised as at 28 February 2013 were approximately HK\$2,408,000 (2012: HK\$3,081,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Details of the principal jointly controlled entities as at 28 February 2013:

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 Apparel (Shanghai) Limited (i)	Mainland China	US\$3,700,000	50%	Retail of fashion wears and accessories
FCIT (Macau), Limited	Macau	MOP1,030,000	50%	Retail of fashion wears and accessories
Galleries Lafayette (China) Limited	Hong Kong	HK\$311,936,200	50%	Investment holding
Galleries Lafayette (Beijing) Limited (ii)	Mainland China	US\$12,000,000	50%	Operation of a department store
Camper I.T China Limited	Hong Kong	HK\$6,000,000	50%	Investment holding
Camper (Shanghai) Limited (iii)	Mainland China	US\$600,000	50%	Retail of foot wears

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) Galleries Lafayette (Beijing) Limited is a jointly controlled entity, which is a wholly owned foreign enterprise of Galleries Lafayette (China) Limited, established in Beijing, Mainland China to be operated for 30 years up to 2041.
- (iii) Camper (Shanghai) Limited is a jointly controlled entity, which is a wholly owned foreign enterprise of Camper I.T China Limited, established in Shanghai, Mainland China to be operated for 30 years up to 2042.

(b) Balances with jointly controlled entities

Name	2013 HK\$'000	2012 HK\$'000
Due from jointly controlled entities		
ZIT H.K. Limited (i)	10,730	7,287
FCIT China Limited (ii)	28,655	27,749
Glory Premium Limited (iv)	1,442	1,574
FCUK IT Company (iv)	635	374
Galleries Lafayette (China) Limited (iii)	482	55,102
Camper (Shanghai) Limited (iv)	9,633	–
	51,577	92,086
Due to jointly controlled entities		
Kenchart Apparels (Shanghai) Limited (iv)	(49,836)	(48,284)
FCUK IT Company (iv)	(1,713)	(1,780)
	(51,549)	(50,064)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(b) Balances with jointly controlled entities (Continued)

Notes:

- (i) As at 28 February 2013, the amount due from ZIT H.K. Limited of approximately HK\$10,730,000 (2012: HK\$7,164,000) 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 28 February 2013, the amount due from FCIT China Limited of approximately HK\$6,387,000 (2012: HK\$6,172,000) is unsecured, non-interest bearing and fully repayable in 2016. This amount is carried at amortised costs using the effective interest rate of 5% (2012: 5%) per annum. The remaining balance is unsecured, non-interest bearing and repayable on demand.
- (iii) As at 28 February 2013, the amount due from Galeries Lafayette (China) Limited of approximately HK\$482,000 (2012: HK\$55,102,000) is unsecured, bears interest at HIBOR plus 0.3% per annum (2012: 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.

Movement on the provision for impairment of amount due from a jointly controlled entity is as follows:

	2013 HK\$'000	2012 HK\$'000
Beginning of the year	3,081	2,881
(Reversal of provision)/provision for the year	(673)	200
End of the year	<u>2,408</u>	<u>3,081</u>

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

	Carrying amounts		Fair values	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Due from jointly controlled entities	<u>51,577</u>	<u>92,086</u>	<u>52,299</u>	<u>93,358</u>

The fair values of amounts due from jointly controlled entities are based on cash flows discounted using the rate of 1.4% (2012: 1.5%) 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:

	2013 HK\$'000	2012 HK\$'000
Hong Kong Dollar	11,365	7,661
Pound Sterling	5,460	5,460
Euro	997	997
United States Dollar	32,313	76,394
Macau Pataca	1,442	1,574
	<u>51,577</u>	<u>92,086</u>

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

	2013 HK\$'000	2012 HK\$'000
Hong Kong Dollar	1,713	1,780
Chinese Renminbi	49,836	48,284
	<u>51,549</u>	<u>50,064</u>

- (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19 INVENTORIES – CONSOLIDATED

	2013 HK\$'000	2012 HK\$'000
Merchandise stock for resale	1,207,813	1,233,182
Consumables	3,427	4,626
	<u>1,211,240</u>	<u>1,237,808</u>

The cost of inventories recognised as expense and included in cost of sales amounted to approximately HK\$2,641,425,000 (2012: HK\$2,081,466,000).

20 TRADE AND OTHER RECEIVABLES – CONSOLIDATED

	2013 HK\$'000	2012 HK\$'000
Trade receivables – gross	131,813	154,504
Less: provision for impairment of trade receivables	(586)	(3,471)
Trade receivables – net	<u>131,227</u>	<u>151,033</u>
Other receivables	2,509	4,417
Trade and other receivables	<u>133,736</u>	<u>155,450</u>

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

	2013 HK\$'000	2012 HK\$'000
Beginning of the year	3,471	–
(Reversal of provision)/provision for the year	(2,450)	3,559
Exchange differences	(435)	(88)
End of the year	<u>586</u>	<u>3,471</u>

As of 28 February 2013, trade receivables of HK\$586,000 (2012: HK\$3,471,000) were impaired. The amount of the provision was HK\$586,000 as of 28 February 2013 (2012: HK\$3,471,000). The ageing of these receivables is as follows:

	2013 HK\$'000	2012 HK\$'000
Over 90 days	<u>586</u>	<u>3,471</u>

The ageing analysis of trade receivables past due but not impaired as at 28 February 2013 and 29 February 2012 is as follows:

	2013 HK\$'000	2012 HK\$'000
0 to 30 days	2,574	633
31 to 60 days	–	–
61 to 90 days	44	94
Over 90 days	231	142
	<u>2,849</u>	<u>869</u>

There were no other receivables past due but not impaired as at 28 February 2013 and 29 February 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20 TRADE AND OTHER RECEIVABLES – CONSOLIDATED (Continued)

The ageing analysis of trade receivables is as follows:

	2013 HK\$'000	2012 HK\$'000
0 to 30 days	126,369	145,664
31 to 60 days	2,077	3,640
61 to 90 days	996	1,296
Over 90 days	2,371	3,904
	<u>131,813</u>	<u>154,504</u>

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

	2013 HK\$'000	2012 HK\$'000
Chinese Renminbi	84,606	102,627
Hong Kong Dollar	18,503	17,678
Japanese Yen	21,202	20,341
Others	9,425	14,804
	<u>133,736</u>	<u>155,450</u>

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 28 February 2013 and 29 February 2012, 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	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Rental deposits	388,592	354,001	–	–
Prepayments	120,291	121,585	168	168
Utility and other deposits	16,959	22,652	–	–
	<u>525,842</u>	498,238	<u>168</u>	168
Less non-current portion:				
Rental deposits	(298,675)	(277,738)	–	–
Prepayments for furniture and equipment	(5,868)	(4,437)	–	–
	<u>221,299</u>	<u>216,063</u>	<u>168</u>	<u>168</u>

Rental deposits are carried at amortised costs using the effective interest rates ranging from 0.3% to 5% (2012: ranging from 0.3% to 5%) per annum determined at the inception date of the rental agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21 PREPAYMENTS AND OTHER DEPOSITS (Continued)

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

	Consolidated			
	Carrying amounts		Fair values	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Rental deposits	388,592	354,001	387,573	345,321

The fair values of rental deposits are based on cash flows discounted using the rate of 1.4% (2012: 1.5%) 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 28 February 2013 and 29 February 2012, 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	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
	Cash at bank and in hand	834,655	551,912	250
Short-term bank deposits	126,503	75,032	–	–
	961,158	626,944	250	1,079

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 28 February 2013 and 29 February 2012, 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	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
	Hong Kong Dollar	225,093	180,396	250
Euro	14,337	43,063	–	–
Japanese Yen	77,223	108,442	–	–
United States Dollar	9,343	3,094	–	–
Pound Sterling	906	6,857	–	–
Chinese Renminbi	593,798	274,510	–	–
Others	40,458	10,582	–	–
	961,158	626,944	250	1,079

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23 BANK BORROWINGS – CONSOLIDATED

	As at 28 February 2013 HK\$'000	As at 29 February 2012 HK\$'000 (Restated)	As at 1 March 2011 HK\$'000 (Restated)
Non-current bank borrowings	668,462	437,126	379,234
Current bank borrowings			
– Portion of bank borrowings due for repayment within one year	335,661	263,088	296,542
– Portion of bank borrowings due for repayment after one year which contain a repayment on demand clause	30,000	–	–
	365,661	263,088	296,542
	1,034,123	700,214	675,776

The maturity of bank borrowings is as follows:

	2013 HK\$'000	2012 HK\$'000 (Restated)	2011 HK\$'000 (Restated)
Within 1 year	365,661	263,088	296,542
Between 1 and 2 years	309,143	168,580	84,857
Between 2 and 5 years	276,169	174,796	190,027
Wholly repayable within 5 years	950,973	606,464	571,426
Over 5 years	83,150	93,750	104,350
	1,034,123	700,214	675,776

The fair value of borrowings approximates their carrying amount, as the impact of discounting is not significant. The effective borrowing cost was 2.3% (2012: 1.9%) per annum.

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

	2013 HK\$'000	2012 HK\$'000 (Restated)	2011 HK\$'000 (Restated)
Hong Kong Dollar	745,412	446,750	392,550
Renminbi	130,053	–	–
Japanese Yen	109,305	206,101	245,369
Euro	44,708	47,363	37,857
United States Dollar	4,645	–	–
	1,034,123	700,214	675,776

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24 TRADE AND BILL PAYABLES – CONSOLIDATED

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

	2013 HK\$'000	2012 HK\$'000 (Restated)	2011 HK\$'000 (Restated)
0 to 30 days	149,571	159,030	158,716
31 to 60 days	65,950	104,318	71,184
61 to 90 days	33,673	64,889	22,039
91 to 180 days	20,936	73,355	20,416
181 to 365 days	2,636	6,067	4,218
Over 365 days	786	1,379	2,341
	273,552	409,038	278,914

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

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

	2013 HK\$'000	2012 HK\$'000 (Restated)	2011 HK\$'000 (Restated)
Hong Kong Dollar	66,505	88,971	61,575
Euro	20,425	68,208	45,858
Japanese Yen	73,235	125,297	101,892
United States Dollar	28,067	15,024	6,699
Pound Sterling	7,471	11,345	3,364
Chinese Renminbi	77,849	100,048	59,526
Others	–	145	–
	273,552	409,038	278,914

25 ACCRUALS AND OTHER PAYABLES – CONSOLIDATED

	2013 HK\$'000	2012 HK\$'000
Unutilised coupon	11,749	4,853
Accruals		
– Rented premises	227,506	167,206
– Employment costs	41,318	91,393
– Others	63,316	80,251
Other payables	146,428	137,959
	490,317	481,662
Less non-current portion:		
Accruals – Rented premises	(14,140)	(18,079)
	476,177	463,583

Other payables are denominated in the following currencies:

	2013 HK\$'000	2012 HK\$'000
Hong Kong Dollar	37,283	37,042
Chinese Renminbi	97,965	86,120
Japanese Yen	9,999	13,969
Others	1,181	828
	146,428	137,959

The carrying amounts of other payables approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26 DERIVATIVE FINANCIAL INSTRUMENTS – CONSOLIDATED

	2013		2012	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
Current portion:				
Foreign exchange forward contracts, at market value (a)	<u>1,163</u>	<u>(1,600)</u>	<u>116</u>	<u>–</u>
Non-current portion:				
Foreign currency swap contract, at market value (b)	–	(2,779)	–	(2,639)
Interest rate swap contract, at market value (c)	–	(3,361)	–	–
	<u>–</u>	<u>(6,140)</u>	<u>–</u>	<u>(2,639)</u>

Notes:

- (a) As at 28 February 2013, the notional principal amounts of the outstanding forward foreign exchange contracts to buy Japanese Yen, Pound Sterling and Euro 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\$84,616,000, HK\$11,728,000 and HK\$50,793,000 (2012: HK\$110,400,000, Nil and Nil) respectively. The remaining maturities of these contracts are within three months (2012: one month).
- (b) As at 28 February 2013, 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 (2012: HK\$129,570,000). The remaining maturity of the contract is within three years.
- (c) As at 28 February 2013, the notional principal amount of the outstanding interest rate swap contract for economic hedge against interest rate risk exposures relating to liabilities with floating interest rates was HK\$275,000,000 (2012: Nil). The remaining maturity of the contract is within four 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:

	2013 HK\$'000	2012 HK\$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	110,080	70,473
– Deferred income tax assets to be recovered within 12 months	6,074	7,309
	<u>116,154</u>	<u>77,782</u>
Deferred income tax liabilities:		
– Deferred income tax liabilities to be recovered after more than 12 months	(13,421)	(12,009)
– Deferred income tax liabilities to be recovered within 12 months	(19,563)	(18,792)
	<u>(32,984)</u>	<u>(30,801)</u>
Deferred tax income tax assets (net)	<u>83,170</u>	<u>46,981</u>

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

	2013 HK\$'000	2012 HK\$'000
Beginning of the year	46,981	22,706
Recognised in the consolidated statement of comprehensive income (Note 11)	18,305	23,453
Recognised directly in equity	19,922	–
Exchange differences	(2,038)	822
End of the year	<u>83,170</u>	<u>46,981</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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		Share-based payments		Tax losses		Total	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Beginning of the year	14,106	12,770	37,046	12,603	–	–	26,630	26,016	77,782	51,389
Recognised in the consolidated statement of comprehensive income	(3,633)	1,430	14,311	23,339	–	–	10,923	75	21,601	24,844
Recognised directly in equity	–	–	–	–	19,922	–	–	–	19,922	–
Exchange differences	(540)	(94)	269	1,104	–	–	(2,880)	539	(3,151)	1,549
End of the year	9,933	14,106	51,626	37,046	19,922	–	34,673	26,630	116,154	77,782

Deferred tax liabilities –

	Withholding tax		Accelerated tax depreciation		Total	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Beginning of the year	(12,006)	(5,293)	(18,795)	(23,390)	(30,801)	(28,683)
Recognised in the consolidated statement of comprehensive income	(4,336)	(6,378)	1,040	4,987	(3,296)	(1,391)
Exchange differences	146	(335)	967	(392)	1,113	(727)
End of the year	(16,196)	(12,006)	(16,788)	(18,795)	(32,984)	(30,801)

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 28 February 2013, the Group has unrecognised tax losses of HK\$58,584,000 (2012: HK\$116,179,000).

The unrecognised tax losses will expire in the following years:

	2013 HK\$'000	2012 HK\$'000
2014	–	141
2015	–	193
2017	6,986	9,039
2018	4,823	5,052
2019	42,503	100,966
2023	4,272	–
With no expiry date	–	788
	58,584	116,179

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28 SHARE CAPITAL

Movements were:

	Number of ordinary shares '000	Nominal value HK\$'000
Authorised:		
At 1 March 2011, 29 February 2012 and 28 February 2013		
Ordinary shares of HK\$0.1 each	<u>3,000,000</u>	<u>300,000</u>
Issued and fully paid:		
At 1 March 2011	1,197,249	119,725
Issue of shares under share option schemes (i)	<u>23,417</u>	<u>2,342</u>
At 29 February 2012	1,220,666	122,067
Issue of shares under share option schemes (ii)	<u>7,518</u>	<u>751</u>
At 28 February 2013	1,228,184	<u>122,818</u>

Notes:

- (i) 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.
- (ii) During the year ended 28 February 2013, 6,824,000 and 694,000 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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	17 September 2012
Number of share options granted	20,000,000	34,300,000	33,000,000	22,000,000	40,250,000	24,560,000
Exercise price per share (HK\$)	2.47	2.25	1.26	1.46	4.96	3.42
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	17 September 2018 to 16 September 2022
Fair value at grant date (HK\$)	<u>11,406,000</u>	<u>17,326,000</u>	<u>14,634,390</u>	<u>14,220,491</u>	<u>106,260,000</u>	<u>36,594,400</u>

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	<u>20,000,000</u>	

(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	<u>34,300,000</u>	

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	17 September 2012
Share price at the grant date	HK\$2.24	HK\$2.24	HK\$1.25	HK\$1.45	HK\$4.95	HK\$3.36
Exercise price per share	HK\$2.47	HK\$2.25	HK\$1.26	HK\$1.46	HK\$4.96	HK\$3.42
Expected volatility (Note)	43.00%	43.00%	56.80%	57.00%	62.90%	61.59%
Expected life of options	3.0 years	1.0 year	3.1 years	6.3 years	9.2 years	10.0 years
Expected dividend yield	4.00%	4.00%	4.00%	4.00%	2.81%	4.58%
Annual risk free rate	<u>1.99%</u>	<u>1.99%</u>	<u>2.59%</u>	<u>2.87%</u>	<u>2.61%</u>	<u>0.808%</u>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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:

	2013		2012	
	Exercise price per share HK\$	Options '000	Exercise price per share HK\$	Options '000
Beginning of the year	2.77	111,510	1.72	94,678
Granted	3.42	24,560	4.96	40,250
Exercised	2.39	(7,518)	2.26	(23,417)
Forfeited	–	–	2.20	(1)
End of the year	2.92	128,552	2.77	111,510

Options exercised during the year ended 28 February 2013 resulted in 7,518,000 (2012: 23,417,000) shares being issued at a weighted average exercise price of HK\$2.39 (2012: HK\$2.26) each. The related weighted average share price at the time of exercise was HK\$4.39 (2012: HK\$6.51) 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	Average exercise price per share before issue of scrip shares during the year ended 28 February 2011	Share options	
	HK\$	HK\$	2013 '000	2012 '000
13 April 2011	2.32	2.37	–	–
13 April 2012	2.31	2.37	–	7,344
13 April 2013	2.31	2.36	7,400	7,574
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	40,250
16 September 2022	3.42	3.42	24,560	–
			128,552	111,510

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 2012	872,237	55,109	32,337	97,629	27,044	1,064,293	2,148,649
Profit for the year	–	–	–	–	–	383,697	383,697
Transfer to statutory reserve	–	–	–	–	10,268	(10,268)	–
Share option scheme							
– value of employment services	–	20,442	–	–	–	–	20,442
Final dividend for the year ended 29 February 2012	–	–	–	–	–	(158,430)	(158,430)
Exercise of share options	20,725	(3,548)	–	–	–	–	17,177
Currency translation differences							
– Group	–	–	–	(10,947)	–	–	(10,947)
– Jointly controlled entities	–	–	–	1,757	–	–	1,757
Tax credit from exercise of share options	–	–	32,834	–	–	–	32,834
Acquisition of non-controlling interests	–	–	(4,626)	–	–	–	(4,626)
Balance at 28 February 2013	892,962	72,003	60,545	88,439	37,312	1,279,292	2,430,553
Analysed by–							
Company and subsidiaries	892,962	72,003	60,545	81,876	37,312	1,279,292	2,423,990
Jointly controlled entities	–	–	–	6,563	–	–	6,563
Balance at 28 February 2013	892,962	72,003	60,545	88,439	37,312	1,279,292	2,430,553
Representing –							
2013 Final dividend proposed						36,846	
Others						1,242,446	
						1,279,292	
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	

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29 RESERVES (Continued)

(b) Company

	Share premium HK\$'000	Share-based payment reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1 March 2012	872,237	55,109	136,680	378,637	1,442,663
Profit for the year	–	–	–	111,879	111,879
Share option scheme					
– value of employment services	–	20,442	–	–	20,442
Final dividend for the year ended 29 February 2012	–	–	–	(158,430)	(158,430)
Exercise of share options	20,725	(3,548)	–	–	17,177
Balance at 28 February 2013	<u>892,962</u>	<u>72,003</u>	<u>136,680</u>	<u>332,086</u>	<u>1,433,731</u>
Representing –					
2013 Final dividend proposed				36,846	
Others				295,240	
				<u>332,086</u>	
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	<u>872,237</u>	<u>55,109</u>	<u>136,680</u>	<u>378,637</u>	<u>1,442,663</u>
Representing –					
2012 Final dividend proposed				157,466	
Others				221,171	
				<u>378,637</u>	

30 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	2013 HK\$'000	2012 HK\$'000
Profit for the year	385,031	473,130
Adjustments for:		
– Income tax expense	62,685	100,652
– Interest expense	27,554	11,993
– Interest income	(10,649)	(6,385)
– Share of loss/(profit) of jointly controlled entities	11,461	(4,086)
– Depreciation of property, furniture and equipment	245,180	217,340
– Impairment for property, furniture and equipment	1,648	11,179
– Amortisation of intangible assets	13,681	14,820
– Fair value loss on derivative financial instruments	6,221	2,776
– Loss on disposal of property, furniture and equipment	2,288	1,214
– Share option costs	20,442	29,732
	765,542	852,365
Changes in working capital:		
– Decrease/(increase) in inventories	21,748	(488,004)
– Decrease/(increase) in trade and other receivables	19,058	(29,884)
– Increase in prepayments and other deposits	(27,632)	(73,715)
– (Decrease)/increase in trade and bill payables	(129,962)	124,198
– Increase in accruals and other payables	10,335	103,956
– Increase in amounts due from jointly controlled entities	(13,513)	(386)
– Increase in amounts due to jointly controlled entities	736	3,199
Cash generated from operations	<u>646,312</u>	<u>491,729</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

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

	2013	2012
	HK\$'000	HK\$'000
Net book amount (Note 15)	4,378	9,759
Loss on disposal of property, furniture and equipment	(2,288)	(1,214)
	<u>2,090</u>	<u>8,545</u>
Proceeds from disposal of property, furniture and equipment	<u>2,090</u>	<u>8,545</u>

(c) Significant non-cash transactions

On 11 May 2012, shareholders' loans of HK\$54,800,000 granted to a jointly controlled entity were converted into capital of the jointly controlled entity.

(d) Analysis of cash and cash equivalents:

	2013	2012
	HK\$'000	HK\$'000
Cash and bank deposits	<u>961,158</u>	<u>626,944</u>

31 BANKING FACILITIES AND PLEDGE OF ASSETS

As at 28 February 2013, the Group had aggregate banking facilities of approximately HK\$2,060,557,000 (2012: HK\$1,531,113,000) at floating rate for overdrafts, bank loans and trade financing, of which approximately HK\$937,121,000 (2012: HK\$718,003,000) 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 28 February 2013, the Company provided financial guarantees of HK\$1,034,123,000 (2012: HK\$690,419,000) 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	
	2013	2012
	HK\$'000	HK\$'000
Authorised but not contracted for		
– capital contribution to a jointly controlled entity	–	88,200
Contracted but not provided for		
– fixture and furniture	<u>1,409</u>	<u>1,218</u>
	<u>1,409</u>	<u>89,418</u>

(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	
	2013	2012
	HK\$'000	HK\$'000
Not later than one year	<u>1,118,414</u>	<u>968,236</u>
Later than one year and not later than five years	<u>1,878,352</u>	<u>1,960,866</u>
Later than five years	<u>140,543</u>	<u>195,212</u>
	<u>3,137,309</u>	<u>3,124,314</u>

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

There are no operating lease commitments relating to the Company as at 28 February 2013 (2012: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 RELATED PARTY TRANSACTIONS – CONSOLIDATED

As at 28 February 2013, the Group was controlled by Effective Convey Limited (incorporated in the British Virgin Islands), which directly and indirectly owns a total of 56.87% 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:

	2013 HK\$'000	2012 HK\$'000
Interest income from ⁽²⁾		
– FCIT China Limited ⁽¹⁾	339	322
– ZIT H.K. Limited ⁽¹⁾	456	443
– Galeries Lafayette (China) Limited ⁽¹⁾	–	302
Reimbursement of operating expenses by ⁽³⁾		
– FCUK IT Company ⁽¹⁾	8,360	8,757
– FCIT China Limited ⁽¹⁾	56	122
– ZIT H.K. Limited ⁽¹⁾	1,982	1,903
– FCIT (Macau), Limited ⁽¹⁾	596	453
	<u>31,852</u>	<u>62,933</u>

Notes:

- (1) FCUK IT Company, FCIT China Limited, ZIT H.K. Limited, FCIT (Macau), Limited and Galeries Lafayette (China) Limited are jointly controlled entities of the Group.
- (2) 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% (2012: 5%) per annum.
- Interest income on amount due from ZIT H.K. Limited is charged at 5% (2012: 5%) per annum.
- For the year ended 29 February 2012, interest income on amount due from Galeries Lafayette (China) Limited is charged at HIBOR plus 0.3% per annum.
- (3) Reimbursement of operating expenses is recharged at terms agreed by the parties.

(b) Key management compensation

	2013 HK\$'000	2012 HK\$'000
Directors' fees	716	643
Salaries and allowances	17,530	15,141
Bonus	–	30,675
Pension costs – employer's contributions	51	40
Share options granted	12,855	16,434
	<u>31,152</u>	<u>62,933</u>

FIVE YEAR FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	Year ended 28 February 2013 HK\$'000	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
Turnover	6,543,109	5,741,642	3,834,422	2,995,952	2,733,256
Cost of sales	(2,693,460)	(2,201,683)	(1,405,482)	(1,176,707)	(1,121,570)
Gross profit	3,849,649	3,539,959	2,428,940	1,819,245	1,611,686
Other income-incentive income	–	–	–	13,200	–
Other (losses)/gains	(6,221)	(2,776)	(7,544)	3,791	(11,123)
Impairment of goodwill	–	–	–	(4,217)	(59,569)
Operating expenses	(3,367,346)	(2,961,879)	(1,958,255)	(1,524,760)	(1,468,877)
Operating profit	476,082	575,304	463,141	307,259	72,117
Finance income	10,649	6,385	5,100	5,250	6,205
Finance cost	(27,554)	(11,993)	(2,900)	(2,567)	(3,419)
Share of (loss)/profit of jointly controlled entities	(11,461)	4,086	15,923	5,432	3,948
Profit before income tax	447,716	573,782	481,264	315,374	78,851
Income tax expense	(62,685)	(100,652)	(93,118)	(52,686)	(36,296)
Profit for the year	385,031	473,130	388,146	262,688	42,555
Dividend	36,846	187,967	174,737	121,279	–

FIVE YEAR FINANCIAL SUMMARY (Continued)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 28 February 2013 HK\$'000	As at 29 February 2012 HK\$'000 (Restated)	As at 28 February 2011 HK\$'000 (Restated)	As at 28 February 2010 HK\$'000	As at 28 February 2009 HK\$'000
ASSETS					
Non-current assets					
Property, furniture and equipment	934,128	880,887	727,022	233,395	229,124
Intangible assets	359,338	373,018	370,722	259,823	267,633
Investments in and amounts due from jointly controlled entities	199,074	118,059	63,730	39,338	32,564
Rental deposits	298,675	277,738	199,414	121,711	91,065
Prepayment for furniture and equipment	5,868	4,437	–	–	–
Deferred income tax assets	116,154	77,782	51,389	31,282	32,211
	<u>1,913,237</u>	<u>1,731,921</u>	<u>1,412,277</u>	<u>685,549</u>	<u>652,597</u>
Current assets					
Inventories	1,211,240	1,237,808	736,717	394,520	411,145
Trade and other receivables	133,736	155,450	121,371	120,080	67,289
Amounts due from jointly controlled entities	25,388	23,648	21,995	27,045	27,323
Prepayments and other deposits	221,299	216,063	217,358	122,747	104,011
Derivative financial instruments	1,163	116	–	–	–
Pledged bank deposits	–	–	–	–	750
Cash and cash equivalents	961,158	626,944	775,841	622,238	441,264
	<u>2,553,984</u>	<u>2,260,029</u>	<u>1,873,282</u>	<u>1,286,630</u>	<u>1,051,782</u>
LIABILITIES					
Current liabilities					
Bank borrowings	(365,661)	(263,088)	(296,542)	(47,400)	(47,400)
Trade and bill payables	(273,552)	(409,038)	(278,914)	(149,488)	(155,993)
Accruals and other payables	(476,177)	(463,583)	(349,524)	(178,245)	(135,677)
Amounts due to jointly controlled entities	(51,549)	(50,064)	(45,055)	(22,699)	(9,206)
Derivative financial instruments	(1,600)	–	–	(1,001)	(3,452)
Current income tax liabilities	(23,585)	(48,754)	(42,460)	(29,811)	(24,261)
	<u>(1,192,124)</u>	<u>(1,234,527)</u>	<u>(1,012,495)</u>	<u>(428,644)</u>	<u>(375,989)</u>
Net current assets	<u>1,361,860</u>	<u>1,025,502</u>	<u>860,787</u>	<u>857,986</u>	<u>675,793</u>
Total assets less current liabilities	<u>3,275,097</u>	<u>2,757,423</u>	<u>2,273,064</u>	<u>1,543,535</u>	<u>1,328,390</u>
Non-current liabilities					
Bank borrowings	(668,462)	(437,126)	(379,234)	(35,200)	(82,600)
Accruals	(14,140)	(18,079)	(21,935)	(26,030)	(30,136)
Derivative financial instruments	(6,140)	(2,639)	–	–	–
Deferred income tax liabilities	(32,984)	(30,801)	(28,683)	(4,582)	(3,945)
	<u>(721,726)</u>	<u>(488,645)</u>	<u>(429,852)</u>	<u>(65,812)</u>	<u>(116,681)</u>
Net assets	<u>2,553,371</u>	<u>2,268,778</u>	<u>1,843,212</u>	<u>1,477,723</u>	<u>1,211,709</u>
EQUITY					
Capital and reserves					
Share capital	122,818	122,067	119,725	115,504	115,504
Reserves	2,430,553	2,148,649	1,727,236	1,362,219	1,096,205
Non-controlling interests	–	(1,938)	(3,749)	–	–
Total equity	<u>2,553,371</u>	<u>2,268,778</u>	<u>1,843,212</u>	<u>1,477,723</u>	<u>1,211,709</u>