I.T

ANNUAL REPORT

13/14

STOCK CODE: 999

I.T LIMITED ANNUAL REPORT 13/14

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I.T is well established as a

TREND SETTER

in fashion apparel retail market in Hong Kong with stores in the PRC, Taiwan, Macau, Thailand, the Philippines, Singapore, South Korea, France, England, USA and Canada. The Group has an extensive self managed retail network extending to around 560 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

Comme des Garcons

Mercibeaucoup

Tsumori Chisato

Saint Laurent

Lanvin

Ann Demeulemeester

Isabel Marant

Dior Homme

Visvim

Moncler

Valentino

ACNE STUDIOS

Thom Browne

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

I.T has established 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, Singapore, South Korea, France, England, USA and Canada. More shops will be opened in the South East Asia 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, JP
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
Hongkong and Shanghai Banking Corporation
Standard Chartered Bank

Principal Share Registrar
Codan Services Limited

Hong Kong Branch Share Registrar
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F., Hopewell Centre
183 Queen's Road East
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Hong Kong
Tel: 2862-8555

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Mr. FONG Wai Bun, Benny
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Corporate Website
www.ithk.com

Stock Code
Shares: 00999
Senior Notes due 2018: 85923 (I.T N1805-R)

I.T POSITIONING

Store Coverage

A. No. of stores

	Self-managed 28 February 2014	Self-managed 28 February 2013	Franchised 28 February 2014	Franchised 28 February 2013
Greater China:				
Hong Kong				
I.T	275	295	–	–
FCUK IT[1]	5	6	–	–
ZIT H.K.[1]	3	3	–	–
Mainland China				
I.T	253	237	113	126
FCIT China[1]	20	18	–	–
Camper I.T China[1]	10	4	–	–
Taiwan	26	21	2	2
Macau				
I.T	10	10	–	–
FCIT Macau[1]	1	1	–	–
Overseas:				
Japan	24	25	–	–
USA	1	1	–	–
Thailand	–	–	15	17
Europe[2]	–	–	4	2
The Philippines	–	–	1	1
Singapore	–	–	3	1
South Korea	–	–	4	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 ambiance

B. Sales footage[3]

	Self-managed 28 February 2014	Self-managed 28 February 2013	Franchised 28 February 2014	Franchised 28 February 2013
Greater China:				
Hong Kong				
I.T	626,258	621,147	–	–
FCUK IT[1]	6,196	7,253	–	–
ZIT H.K.[1]	3,597	3,597	–	–
Mainland China				
I.T	871,518	704,819	137,653	144,604
FCIT China[1]	29,450	26,512	–	–
Camper I.T China[1]	6,939	2,408	–	–
Taiwan	46,066	39,696	7,372	7,372
Macau				
I.T	31,985	32,526	–	–
FCIT Macau[1]	3,330	3,330	–	–
Overseas:				
Japan	52,685	53,744	–	–
USA	3,313	3,313	–	–
Thailand	–	–	15,504	15,890
Europe[2]	–	–	2,650	929
The Philippines	–	–	573	573
Singapore	–	–	17,016	2,040
South Korea	–	–	2,778	2,156
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 2013 has marked another difficult year for many global retail players, as it was a year characterized by slow recovery of developed countries and increasing worries about the growth of emerging market economies. The retail environment across the Group's operating regions particularly Hong Kong and Mainland China was adversely impacted by the persisting contraction in the spending momentum (on discretionary products in particular) and rising operating costs. Nevertheless, the Group has achieved another year of turnover and sales area growth, despite these peripheral economic challenges.

During the year, the Group has continued to enhance the brand equity of its product lines and company heritage through multiple brand building activities and marketing campaigns. A lift in gross profit margin was achieved by avoiding proactive discounting throughout the year. However, the surging cost of operations, which still remains a key challenge to many retail players, has caused reduction in our net profit over the previous year. On a positive note, the dual effects of more strategic stock ordering to align with our sales target and effective promotional efforts to digest off-season inventories have led to another year of stock turnover efficiency enhancement.

Whilst questions still remain regarding the macro-economic environment, our store expansion will continue in 2014 for our existing brands as well as new concepts, through various distribution channels such as multi-branded and single-branded store formats. We have a strong belief in our offerings and are convinced that we will further extend our leading position in the fashion industry and broaden our market presence around the regions in the coming years. Mainland China, where the emergence of middle-income group is expected to accelerate in the next decade, should be growing at a fast pace among the Group's operating regions. As a result, a number of development projects in partnership with various renowned shopping mall operators across Mainland China (including Chengdu, Shenyang, Hangzhou, Nanjing and Guangzhou) are expected to be completed in 2014.

The year 2013 was a very special and memorable year for our team as it marked the 25th anniversary of the Group. I look forward to working with my dedicated team again in the coming seasons with an aim to deliver a wide range of the latest and distinctive fashion products, from in-house brands to renowned international brands, from classics to trendy fashions, and from value-for-money to affordable luxury or premium goods, to our customers and fashion enthusiasts in particular. And on behalf of the board of directors of the Company, I would like to express my most sincere gratitude to our shareholders and our staff for their meticulous efforts during the year.

Sham Kar Wai
Chairman

22 May 2014

FINANCIAL HIGHLIGHTS

- Total turnover of the Group increased by 3.1% to HK$6,746.9 million.
- Total retail sales in Hong Kong decreased by 3.3% to HK$3,565.5 million at comparable store sales growth rate of -4.0%. Total floor area of retail stores in Hong Kong increased by 0.8% to 626,258 square feet.
- Total retail sales in Mainland China increased by 16.3% to HK$2,168.5 million whilst its comparable store sales growth rate remained flat. Total floor area of retail stores in Mainland China increased by 23.7% to 871,518 square feet.
- Japan landed at total retail sales of HK$411.3 million or JPY5,268.1 million, representing a 7.8% increase in its base currency from last year. But, due to weakening of the Japanese Yen, the total retail sales in HK$ dropped by 11.5%.
- Total retail sales in Macau and other regions increased by 7.2% to HK$304.6 million.
- Gross profit of the Group increased by 5.1% to HK$4,044.4 million at gross profit margin of 59.9% (FY12/13: 58.8%).
- Net profit of the Group decreased by 27.3% to HK$280.0 million.
- Basic earnings per share decreased by 25.8% to HK$0.23. Diluted earnings per share decreased by 26.7% to HK$0.22.
- Final cash dividend of 10.0 HK cents (FY12/13: 3.0 HK cents) per share is proposed, representing a total payout of HK$122.9 million (FY12/13: HK$36.8 million).

Per share data	FY13/14	FY12/13	Change
EPS-basic (HK$)	0.23	0.31	-25.8%
EPS-diluted (HK$)	0.22	0.30	-26.7%
Dividend (HK cents)	10.0	3.0	233.3%
Book value (HK$)(1)	2.28	2.08	9.6%

Key statistics	FY13/14	FY12/13	Change
Inventory turnover (Days)(2)	157.1	165.9	-5.3%
Cash and cash equivalent (HK$ million)	2,315.5	961.2	+2.4%
Net cash/(debt) (HK$ million)(3)	324.5	(73.0)	N/A
Debt to equity ratio (%)(4)	71.2	40.5	+75.8%
Return on equity ratio (%)(5)	10.5	15.9	-34.0%

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 borrowings.
(4) 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.

I.T IS FASHION

shaping the fashion scene in Greater China

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

(a) Group

The business environment during the first half of the fiscal year was particularly difficult. The prevailing challenging macro-economic conditions, which were characterized by the slow recovery of developed countries and the increasing risk of diminishing growth in emerging market economies, continued to put pressure on the global retail recovery. Consumer retail markets across the Group's principal operating regions namely Hong Kong and Mainland China were unavoidably affected by the slower sales growth which was to a large extent due to the general contraction in consumer sentiment (towards discretionary products in particular) during this prolonged downward economic cycle. Whilst a level of economic progress was seen in the second half of the fiscal year, making these macro-economic issues seem less threatening, a global economic recovery was yet to be seen. Nevertheless, the Group continues to stand strong in this turbulent market with its unique positioning and branding, managing to deliver another year of turnover growth (particularly in Mainland China) to HK$6,746.9 million, representing 3.1% growth over last year. However, the downward pricing pressure, including markdowns by many industry players, alongside the continuously surging operating costs led to net margin shrinkage. As a result, net profit decreased by 27.3% over last year.

Turnover by Markets

Turnover in Hong Kong continued to represent the major source of revenue. Hong Kong achieved total turnover of HK$3,625.0 million in FY13/14, accounting for 53.7% of total Group turnover. This represents a 2.2% decline over last year due to slow recovery of consumer sentiment in Hong Kong.

Mainland China remained the Group's second largest market, contributing 35.2% of total Group turnover in FY13/14. It achieved another year of noticeable growth, representing a 16.5% increase compared to last year, to HK$2,371.8 million. In spite of the weak consumption patterns in Mainland China, the Group continued to strategically focus on this market by expanding its retail network.

Turnover of our Japan businesses grew by 5.5% in its base currency, landing at JPY5,705.9 million or HK$445.5 million. However, owing to the weakening of Japanese Yen, the turnover in HK$ decreased by 13.4% compared to last year, contributing 6.6% of total turnover. This market remained the Group's third largest operating region.

Breakdown of turnover by region of operation:

	Turnover			**% of Turnover**	
	FY13/14 HK$ million	FY12/13 HK$ million	Change	**FY13/14**	FY12/13
Hong Kong	**3,625.0**	3,708.0	-2.2%	**53.7%**	56.7%
Retail sales only	*3,565.5*	*3,687.7*	*-3.3%*		
Mainland China	**2,371.8**	2,036.4	+16.5%	**35.2%**	31.1%
Retail sales only	*2,168.5*	*1,864.6*	*+16.3%*		
Japan	**445.5**	514.4	-13.4%	**6.6%**	7.9%
Retail sales only	*411.3*	*464.9*	*-11.5%*		
Macau	**217.8**	200.0	+8.9%	**3.2%**	3.1%
Other	**86.8**	84.3	+3.0%	**1.3%**	1.2%
Total	**6,746.9**	6,543.1	+3.1%	**100.0%**	100.0%

Brand Mix

The Group strongly believes that innovation is one of the keys to success; it helps to maintain the long-term competitiveness of the Group and to further enhance its differentiated market position as a fashion leader across the regions. At this juncture, the Group has continued to invest in various aspects such as human resources, brand-building and marketing activities with an aim to deliver the latest inspiring fashion products to our increasingly sophisticated customers through our international, in-house and licensed brand businesses. In FY13/14, our in-house brand businesses continued to represent the key source of revenue, representing 59.0% (FY12/13: 59.1%) of the total turnover.

Breakdown of retail sales by brand category:

	Retail Sales			**% of Retail Sales**	
	FY13/14 HK$ million	FY12/13 HK$ million	Change	**FY13/14**	FY12/13
In-house brands	**3,805.4**	3,721.8	+2.2%	**59.0%**	59.1%
International brands	**2,558.3**	2,439.4	+4.9%	**39.7%**	38.7%
Licensed brands	**86.2**	139.2	-38.1%	**1.3%**	2.2%
	6,449.9	6,300.4	+2.4%	**100.0%**	100.0%

Dynamics in Margin and Cost

Following 3.1% turnover growth, gross profit of the Group recorded an increase of 5.1% compared to last year, with gross margin climbing 1.1 percentage points to 59.9%. The improvement in gross margin was mainly achieved by the reduction in price discounting campaigns offered during the year.

Nonetheless, the uplift in gross margin has yet to fully offset the impact of the increasing cost of running existing stores and new store expansion. The rise in operating expenses continued to squeeze retailers' profitability, which remains a key concern in the industry as a whole. Rent (including rental charges and building management fees) remained a considerably significant portion of our total operating expenses, accounting for 23.8% of total turnover (FY12/13: 22.8%). Staff costs (excluding share option expenses), unavoidably impacted by the continuous upward pressure on wages, continued to rise and accounted for 15.8% (FY12/13: 15.1%) of the total turnover. As a result, total operating expenses increased in FY13/14, representing 53.8% (FY12/13: 51.5%) of our total turnover.

Under the upward pressure on operating costs discussed above, operating profit for the year ended 28 February 2014 declined by 12.2% over last year, landing at HK$418.1 million (FY12/13: HK$476.1 million), with operating margin dropping to 6.2% (FY12/13: 7.3%).

(b) Hong Kong

The adverse macro-economic conditions continued to weigh on the already dampened apparel retail market in Hong Kong during the year. Whilst a modest recovery in turnover growth and comparable store sales growth were recorded during the second half of the fiscal year, concrete signs of recovery with respect to customer traffic and spending momentum among local consumers and in-bound visitors were yet to be seen. Consumers remained cautious generally in view of the unfavorable global economic conditions which are expected to be persisting in the near term. As a result, our Hong Kong businesses recorded a 2.2% decline in turnover to HK$3,625.0 million and a 3.3% decline in retail sales to HK$3,565.5 million, with comparable store sales growth of -4.0% for the year. During the year, the Group took a cautious approach in relation to store network expansion, with an aim to uphold its dominant market presence by maintaining the current level of retail channels in the light of the turbulent business environment. As a result, our total trading area in Hong Kong only increased slightly by 0.8% to 626,258 square feet.

Gross margin increased 1.3 percentage points to 59.3%, mainly attributed to the less proactive discounts offered during the fiscal year. However, the uplift in gross margin was not sufficient to fully offset the increase in various operating expenses, such as rental and staff costs which remained as the Group's most significant expenses. The operating cost to sales ratio (which is defined as operating expenses divided by turnover) increased to 53.7% (FY12/13: 50.4%). As a result of the turnover shrinkage and operating costs hike discussed above, operating profit decreased by 23.3% to HK$210.2 million at a 5.8% operating margin (FY12/13: 7.4%).

(c) Mainland China

Our China businesses achieved another year of noticeable growth in turnover at 16.5% over last year, landing at HK$2,371.8 million. Total retail sales also increased in a similar manner by 16.3% to HK$2,168.5 million whilst comparable store sales growth remained flat (FY12/13: 8.0%). The increase in turnover and retail sales was significantly driven by store network expansion during the fiscal year, with total trading area further increasing to 871,518 square feet, representing an increase of 23.7% over last year. The increase in sales square footage also represents our strong commitment to the region in spite of the general contraction in consumer spending. The Group will continue to make the best effort to replicate our success in Hong Kong and to reinforce our influence in Mainland China in view of the growing affluence of general households with respect to the rising disposable income per capita, as well as their growing interest in developing their own personal style, thus creating high investment and consumption potential in the long run.

With regard to the operating profit, the Group has turned it around positively in contrast to an operating loss recorded in the first half of the fiscal year, landing at HK$47.1 million, which represented a 49.0% decline over last year. The decline in profitability was significantly affected by the dual pressures of a slight decrease in gross margin to 57.3% (FY12/13: 57.9%) and a higher operating cost ratio of 55.1% (FY12/13: 53.3%), as a result of the elevated cost of running existing stores and new store expansion.

(d) Japan

For our Japan businesses, whilst sales in Japanese Yen increased by 5.5% to JPY5,705.9 million, it dropped by 13.4% to HK$445.5 million in HK$ term in FY13/14 mainly due to weakening of Japanese Yen. A higher incidence of operating efficiency was achieved, resulting in another year of operating profit of HK$99.6 million, representing 83.7% growth over last year.

(e) Macau

Total retail sales in Macau increased by 8.9% to HK$217.8 million with an operating profit amounting to HK$75.4 million, representing growth of 18.7% over last year. The Group continues to enjoy the steady economic growth in Macau and the increasing in-bound tourist traffic from Mainland China in particular.

Share of Results of Joint Ventures

Our business with Galeries Lafayette, which is a material joint venture of the Group, commenced operation in mid-October 2013. Apart from the pre-opening expenses, the expenditure of running this joint venture business drove up the total operating expenses. Such expenditure was considered a longer-term investment which was not expected to be offset by the amount of revenue generated at the early stage. As a result of the loss incurred by this joint venture, total share of loss of joint ventures amounting to HK$41.8 million was recorded for the year ended 28 February 2014 (FY12/13: HK$11.5 million).

Inventory

Inventory turnover days of the Group were shortened to 157, representing a reduction of 9 days over last year. This inventory turnover enhancement was achieved through multiple promotional activities alongside a more strategic measure in stock ordering to align with sales levels and targets.

Cash Flows and Financial Position

The Group's cash and bank balances as at 28 February 2014 were HK$2,315.5 million (FY12/13: HK$961.2 million) and its net cash balance amounted to HK$324.5 million (net cash is defined as cash and cash equivalents of HK$2,315.5 million less bank borrowings of HK$741.5 million and RMB Senior Notes of HK$1,249.5 million) compared to the net debt balance of HK$73.0 million as at 28 February 2013.

Cash inflow from operating activities for the year ended 28 February 2014 amounted to HK$704.7 million (FY12/13: HK$525.4 million).

Liquidity and Banking Facilities

As at 28 February 2014, the Group had aggregate banking facilities of approximately HK$2,045.3 million (2013: approximately HK$2,060.6 million) for overdrafts, bank loans and trade financing, of which approximately HK$1,187.9 million (2013: approximately HK$937.1 million) was unutilized as at the same date. These facilities are secured by corporate guarantees provided by the Company and certain subsidiaries.

Charges of Assets

As at 28 February 2014, bank borrowings were secured on land and buildings with a carrying amount of HK$216.1 million (2013: HK$222.6 million).

Contingent Liabilities

As at 28 February 2014, 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 may enter into forward exchange contracts and foreign currency swap contracts with major and reputable financial institutions for foreign exchange risk hedging.

Employment, Training and Development

The Group had a total of 6,395 employees as at 28 February 2014 (FY12/13: 6,314). The Group invests in regular training and other development courses for employees to enhance their technical and product knowledge as well as management skills. The Group offers competitive remuneration packages to its employees, including basic salary, allowances, insurance and commission/bonuses.

Future Outlook

Notwithstanding an indication of economic growth across many countries in the Eurozone and the United States witnessed towards the end of 2013, with global consumer retail markets appearing to be on a more certain front, the coming year is still expected to be fuelled by myriad economic challenges. At this juncture, the Group continues to take a cautiously optimistic view with respect to the future outlook of apparel retail markets in its operating regions.

The Group will continue to maintain its leading position in the fashion industry of Hong Kong while leveraging its unique positioning through a wide range of the latest and most distinctive fashion products, from apparel and accessories to beauty products. Multiple cross-border brand collaboration and marketing strategies are already in place for promotion of upmarket brands in the coming year. The Group will also continue to uphold its dominant market presence in its home town, Hong Kong, while exploring opportunities to further expand our businesses in a strategic manner.

Whilst Mainland China is in the midst of undergoing economic transition with general consumer confidence remaining soft, the Group remains positive with regard to this region due to the anticipated economic improvement in the longer term, characterized by the rising disposable income per capita and the demographic of the middle-income group, alongside their increasing interest in building up their own personal style. The Group with its unique "multi-brand, multi-layer" business model is positioned to capitalize on this anticipated advancement in consumer spending through the offer of quality and distinctive products and services. With regard to our growing plan, multiple development projects are working in progress with various renowned shopping mall operators. These projects are expected to complete by the end of the coming fiscal year with the aim to further strengthen our brand awareness in Mainland China.

The Group is very pleased to report that its joint venture business with Galeries Lafayette in relation to the first department store in Mainland China was opened in mid-October 2013 in Beijing. We are also glad that it has been well received and our customers are delighted by hundreds of European brands that have been introduced to the market. However, the business is still operating at its early stage where revenue is yet to cover the cost of operations; the Group will continue to refine the product mix and service level pragmatically with an aim to have the business break even within the scheduled time frame.

On a final note, the Group will continue to make its best effort to develop the fashion business among its operating regions as well as new markets. We will also continue to invest through various means to further enhance our merchandizing ability, design skills, inventory management, shopping experience and retail channel management so that the entire business will be operated in a way that is productively and efficiently sustainable in different economic environments.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT TEAM

Executive Directors

Mr. SHAM Kar Wai
Aged 47, 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, is responsible for the overall management and strategic development of the Group. Mr. Sham Kar Wai has over 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 44, is an Executive Director of the Company. Since founding the Group with his brother, Mr. Sham Kar Wai, in November 1988, his principal focus has been on merchandising and product design for the Company. As the Chief Creative Officer of the Company, Mr. Sham Kin Wai has over 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 as an Independent Non-executive Director in August 2006. He also serves as the Chairman of the Company's Remuneration Committee and a member of Audit Committee and Nomination Committee. Mr. Goutenmacher is an independent non-executive director, a member of each of the audit committee and nomination committee of Louis XIII Holdings Limited and an independent non-executive director and a member of each of the audit committee, remuneration committee, executive committee and nomination committee of 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, JP
Aged 53, was appointed as 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 (the "Stock Exchange"). Dr. Wong is the chairman of The Hong Kong Institute of Directors, a non-executive director of the Securities and Futures Commission, a former member of the Main Board and GEM Listing Committee of the Stock Exchange, a convenor-cum-member of the Financial Reporting Review Panel, 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 council member of The Hong Kong Management Association, a board director of the 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 ZhengTong Auto Services Holdings Limited and Xinjiang Goldwind Science & Techonology Co., Ltd. and an independent non-executive director of CIG Yangtze Ports PLC. He was also an independent non-executive director and chairman of the audit committee of China Metal International Holdings Inc. All the aforementioned companies are listed on the Stock Exchange. Dr. Wong was appointed as a Justice of the Peace by The Government of the HKSAR in 2013.

Mr. MAK Wing Sum, Alvin
Aged 61, was appointed as 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, a chairman of audit committee and a member of remuneration committee and nomination committee of Goldpac Group Limited and an independent non-executive director and a member of audit committee, nomination committee and remuneration committee of Hong Kong Television Network Limited and Luk Fook Holdings (International) Limited and an independent non-executive director of Lai Fung Holdings Limited, all 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. TSANG Hing Hung Eymon
Aged 45, is the Chief Financial Officer. He is responsible for financial management and reporting, corporate finance and investors relations and also assists Chief Executive Officer in formulating and implementing corporate strategies. Joined the Group in February 2014, Mr. Tsang has over 20 years of experience in strategic management, corporate finance, investor relations, accounting and finance. Mr. Tsang holds a Bachelor of Social Sciences degree from the University of Hong Kong, a Master of Science in Strategic Focus degree and a Master of Business Administration degree from Heriot-Watt University and a Master of Laws degree from Northumbria University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Association of Corporate Treasurers; and a member of the Institute of Chartered Accountants in England and Wales and the American Institute of Certified Public Accountants. He is also a chartered financial analyst of the CFA Institute, a certified financial risk manager of the Global Association Risk Professionals and a project management professional of the Project Management Institute.

Mr. CHAN Wai Kwan, Kenny
Aged 43, 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 45, is the Company Secretary. She joined the Group in May 2005 and is also responsible for overseeing the legal issues in the PRC. 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 provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 28 February 2014, except for the deviations as stated hereinafter.

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
The Board currently comprises five members, two of them being Executive Directors and three of them being Independent Non-executive Directors. Biographical details of the Directors are set out in the section headed "*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 six times and eight resolution-in-writing were signed by all the Board members in the year ended 28 February 2014.

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. Currently, the Audit Committee comprises three Independent Non-executive Directors, namely Dr. Wong Tin Yau, Kelvin, JP (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 Audit Committee and the Board review the terms of reference of the Audit Committee at least annually. The terms of reference of the Audit Committee 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 websites of the Company (www.ithk.com) and the Stock Exchange (http://www.hkexnews.hk/index.htm).

The Audit Committee met four times and four resolution-in-writing were signed by all the Committee members in the year ended 28 February 2014. During the year ended 28 February 2014, the Committee has reviewed the financial results of the Group on a quarterly basis, 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. 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, as the Committee members.

The primary duties of the Remuneration Committee are to make recommendations 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 Remuneration Committee and the Board review the terms of reference of the Remuneration Committee at least annually. The terms of reference of the Remuneration Committee 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 websites 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 three times and passed three resolutions-in-writing in the year ended 28 February 2014. During the year ended 28 February 2014, the Committee has discussed and reviewed the Executive Directors' services contract and performance and the remuneration packages for the Directors and the management team. 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 based benefits 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 business, inflation rates, industry trends and performance of the Company 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 Board's structure, size, composition and diversity against factors including but not limited to gender, age, nationality, cultural and educational background, professional experience, skills, knowledge, industry experience and length of services, having regard to the Company's business activities, assets and management portfolio; selecting Board members and ensuring transparency of the selection process; reviewing and monitoring the training and continuous professional development of Directors and senior management; and assessing the independence of independent non-executive directors, having regard to the requirements under the Listing Rules. 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 nomination for directorships.

The Nomination Committee and the Board review the terms of reference of the Nomination Committee at least annually. The terms of reference of the Nomination Committee 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 websites of the Company (www.ithk.com) and the Stock Exchange (http://www.hkexnews.hk/index.htm).

The Nomination Committee met twice and passed five resolution-in-writing in the year ended 28 February 2014. During the year ended 28 February 2014, the Committee has discussed and reviewed the Board's structure, size, composition and diversity, the extension of term of service of the Independent Non-executive Directors and the nomination of candidate to the Board for consideration and appointment as Chief Financial Officer.

There are three members in the Nomination Committee. On 3 May 2013, Mr. Mak Wing Sum, Alvin replaced Dr. Wong Tin Yau, Kelvin, JP as the Chairman and member of the Nomination Committee. Currently, Mr. Mak Wing Sum, Alvin, being an Independent Non-executive Director, acts as the 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 Chief Executive Officer and one Executive Director from time to time. The Committee met twenty-six times in the year ended 28 February 2014.

The Executive Committee and the Board review the terms of reference of the Executive Committee at least annually. The terms of reference of the Executive Committee 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 meeting held during the year ended 28 February 2014 are set out as follows:–

	Meetings attendance					
	Board (Note 7)	**Executive Committee**	**Audit Committee** (Note 8)	**Remuneration Committee** (Note 9)	**Nomination Committee** (Note 10)	**Annual General Meeting held on 25 June 2013**
Executive Directors						
Mr. Sham Kar Wai (Notes 1 & 2)	6/6	26/26	N/A	1/3	1/2	1/1
Mr. Sham Kin Wai (Note 1)	4/6	26/26	N/A	N/A	N/A	0/1
Independent Non-executive Directors						
Mr. Francis Goutenmacher (Notes 1 & 3)	6/6	N/A	4/4	3/3	2/2	1/1
Dr. Wong Tin Yau, Kelvin, JP (Notes 1, 4 & 6)	6/6	N/A	4/4	N/A	NIL	1/1
Mr. Mak Wing Sum, Alvin (Notes 1, 5 & 6)	6/6	N/A	4/4	3/3	2/2	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, JP is the Chairman of Audit Committee.

Note 5: Mr. Mak Wing Sum, Alvin is the Chairman of Nomination Committee.

Note 6: Mr. Mak Wing Sum, Alvin replaced Dr. Wong Tin Yau, Kelvin, JP as a member and Chairman of the Nomination Committee with effect from 3 May 2013.

Note 7: This column only records the attendance of Board meetings duly convened and held. In addition to this, eight resolution-in-writing were signed by all the Directors during the year ended 28 February 2014.

Note 8: This column only records the attendance of Committee meetings duly convened and held. In addition to this, four resolution-in-writing were signed by all the Committee members during the year ended 28 February 2014.

Note 9: 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 2014.

Note 10: This column only records the attendance of Committee meetings duly convened and held. In addition to this, five resolution-in-writing were signed by all the Committee members during the year ended 28 February 2014.

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 2014, 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.

Board Diversity Policy
The Company is dedicated to having a diverse Board which can enable corporate issues be considered from different perspectives and appropriate level of examination and evaluation be conducted. In this connection, the Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board (the "Diversity Policy").

Pursuant to the Diversity Policy, the Company considers Board diversity from a number of perspectives, including but not limited to gender, age, nationality, cultural and educational background, professional experience, skills, knowledge, industry experience and length of service. The ultimate decision would be based on merit and contribution the selected candidates would bring to the Board.

The Nomination Committee opined that the Company has a diverse Board.

The Nomination Committee and the Board would review the Diversity Policy at least annually.

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 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 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, JP 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 professional organizations and reading materials updating on new rules and regulations to 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 2014, the fees paid or payable to PricewaterhouseCoopers were approximately HK$3,842,000 for audit services and approximately HK$4,144,000 for non-audit services (for the review of the interim results of the Company for the period ended 31 August 2013, tax consultancy services and internal control review) 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 2014, 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 defined organizational structure with limit of authority, a budget and performance evaluating system, a management reporting system and conduct 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 2014, 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 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 2014, meetings with more than 200 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
There is no change in the Company's constitutional documents during the year ended 28 February 2014.

The Memorandum of Association and Bye-laws of the Company is available on the websites 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 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 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: cosec@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 2014.

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

IZZUE X TSINGHUA FASHION DESIGN AWARD – DONATION TO ACADEMY OF ART & DESIGN, TSINGHUA UNIVERSITY

Throughout the years, IZZUE continues its pursuit of fashion concepts in the global context. Joining forces with Tsinghua University Fashion Education and in collaboration with international renowned fashion institutions, the IZZUE x Tsinghua Fashion Design Award is created for young talents to unleash their creative minds and served as a bridge between schools and fashion industry. Donation of RMB350,000 was made to the Academy of Art & Design, Tsinghua University to incubate fashion design talents and foster development of fashion industry in China.

THE COMMUNITY CHEST WHEELOCK SWIM FOR A MILLION

AAPE supported 'The Community Chest Wheelock Swim for a Million' organised by The Community Chest on 27 October 2013 in Repulse Bay. All donations without deduction of administrative expenses, would be allocated to 156 member social welfare agencies of The Community Chest.

DONATION TO FIRST INITIATIVE FOUNDATION "HONG KONG! HONG KONG!"

First Initiative Foundation ("FIF") is committed to promoting the City as a creative hub and nurturing young artistic talent. "Hong Kong! Hong Kong! "is an evening's celebration in support of FIF's charitable outreach to benefit music, arts and the Hong Kong community. I.T has made the donation to FIF on 29 May 2013 for them to promote education and creativity in the arts, design and all other areas.

I.T CELEBRITY SECOND HAND CHARITY SALE – DONATION TO ONE FOUNDATION

Severe freezing disaster hits Guizhou province and I.T hosted a celebrity second hand charity sale at I.T Citic Square Shanghai and Parkview Green Beijing in November 2013. All sales proceed were donated to ONE FOUNDATION for post-calamity reconstruction project in Guizhou. More than 20 well-known celebrities such as Zhou Xun, Hu Ge, Yang Mi, Zhou Bibi, and Wu Qi Long joined the meaningful event with I.T.

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 2014.

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 2014 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 of directors of the Company (the "Board") has resolved to recommend the payment of a final dividend of 10.0 HK cents per share for the year ended 28 February 2014. (2013: 3.0 HK cents).

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$519,000 (2013: HK$592,000).

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 2014, the Company's reserve available for cash distribution, as computed in accordance with The Companies Act 1981 of Bermuda (as amended), amounted to HK$1,256,663,000, of which HK$122,876,000 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 113 and 114.

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

The Company has not redeemed any of its shares or 6.25 per cent. Senior Notes due 2018 (the "Notes") during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares or the Notes during the year.

In March 2014, the Company purchased the Notes in the principal amount aggregated up to CNY99,000,000, representing approximately 9.9% of the Notes in the principal amount of CNY1,000,000,000 when issued. This CNY99,000,000 purchased Notes was then duly cancelled pursuant to the terms and conditions of the Notes. Up to the date of this report, the aggregate principal amount of the Notes which remains outstanding and subject to the terms of the indenture governing the Notes is CNY901,000,000.

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, JP
Mr. Mak Wing Sum, Alvin

In accordance with Clause 87 of the Company's Bye-laws, Mr. Sham Kar Wai and Dr. Wong Tin Yau, Kelvin, JP, will retire by rotation at the forthcoming annual general meeting of the Company (the "2014 AGM") and being eligible, 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, JP will expire on 31 July 2014 while Mr. Mak Wing Sum, Alvin's on 30 March 2015. 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 2014 AGM 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 and the Board which are detailed in the paragraph headed "Remuneration Committee" under the Corporate Governance Report on page 36.

PENSION-DEFINED CONTRIBUTION PLANS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

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

The changes in the information of the Directors of the Company since the publication of the interim report of the Company for the six months ended 31 August 2013 are set out below:–

Name of Directors	**Details of changes**
	The Group's annual remuneration review was conducted in April 2014.
Executive Directors	
Mr. Sham Kar Wai	– the monthly salary and housing allowance was revised to HK$699,006 commenced from 1 April 2014.
Mr. Sham Kin Wai	– the monthly salary and housing allowance was revised to HK$505,512 commenced from 1 April 2014.
Independent Non-executive Directors	
Dr. Wong Tin Yau, Kelvin, JP	– ceased as a member of The Board of Review (Inland Revenue Ordinance) with effect from 31 December 2013.
Mr. Mak Wing Sum, Alvin	– appointed as an independent non-executive director, a chairman of audit committee and a member of remuneration committee and nomination committee of Goldpac Group Limited with effect from 15 November 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 2014, the interests and short positions of the Directors and Chief Executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

(a) Long positions in the shares of the Company

	No. of shares held				
Directors	**Beneficiary of trust** (Note 1)	**Interest in underlying shares/equity derivatives** (Note 2)	**Direct interest**	**Total**	**Percentage of issued share capital**
Sham Kar Wai (Note 3)	698,564,441	35,048,379	6,834,000	740,446,820	60.25%
Sham Kin Wai (Note 3)	698,564,441	35,048,379	6,834,000	740,446,820	60.25%

Notes:

(1) Mr. Sham Kar Wai and Mr. Sham Kin Wai are both beneficiaries of The ABS 2000 Trust, which is an irrevocable discretionary trust. Fine Honour Limited, Fortune Symbol Limited, Fresh Start Holdings Limited and Sure Elite Limited are wholly-owned subsidiaries of Effective Convey Limited (collectively the "Immediate Holding Companies"). Effective Convey Limited is wholly-owned by Dynamic Vitality Limited, which is in turn wholly-owned by The ABS 2000 Trust. Each of Mr. Sham Kar Wai and Mr. Sham Kin Wai is therefore deemed to be interested in the interests of the Immediate Holding Companies in the Company.

(2) Detailed in the section headed "*Share Options*" below.

(3) Ms. Yau Shuk Ching, Chingmy, spouse of Mr. Sham Kar Wai, is deemed to be interested in the same number of shares held by Mr. Sham Kar Wai. Ms. Wong Choi Shan, spouse of Mr. Sham Kin Wai, is deemed to be interested in the same number of shares held by Mr. Sham Kin Wai. Their interests in the shares and underlying shares of the Company are recorded in the register maintained by the Company under Section 336 of the SFO.

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

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

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

Directors	**Name of associated corporations**	**Capacity**	**Percentage of shareholding**
Sham Kar Wai (Note 2)	3WH Limited	Beneficial owner	50% (Note 1)
	Income Team Limited	Interests in controlled company	100%
	Online Profit Limited	Interests in controlled company	100%
	Popbest Limited	Interests in controlled company	100%
	Shine Team Development Limited	Interests in controlled company	100%
	Veston Limited	Interests in controlled company	100%
	Young Ranger Investment Limited	Interests in controlled company	100%
	Sure Elite Limited	Beneficiary of a trust	100%
	Fresh Start Holdings Limited	Beneficiary of a trust	100%
	Fortune Symbol Limited	Beneficiary of a trust	100%
	Fine Honour Limited	Beneficiary of a trust	100%
	Effective Convey Limited	Beneficiary of a trust	100%
	Dynamic Vitality Limited	Beneficiary of a trust	100%
Sham Kin Wai	3WH Limited	Beneficial owner	50%
	Income Team Limited	Interests in controlled company	100%
	Online Profit Limited	Interests in controlled company	100%
	Popbest Limited	Interests in controlled company	100%
	Shine Team Development Limited	Interests in controlled company	100%
	Veston Limited	Interests in controlled company	100%
	Young Ranger Investment Limited	Interests in controlled company	100%
	Sure Elite Limited	Beneficiary of a trust	100%
	Fresh Start Holdings Limited	Beneficiary of a trust	100%
	Fortune Symbol Limited	Beneficiary of a trust	100%
	Fine Honour Limited	Beneficiary of a trust	100%
	Effective Convey Limited	Beneficiary of a trust	100%
	Dynamic Vitality Limited	Beneficiary of a trust	100%

Notes:

(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.

(2) Mr. Sham Kar Wai interested in shares of I.T Limited's associated corporation, Elite Core Limited, with effect from 10 April 2014.

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 2014.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from those disclosed in the sections headed "*Share Options*" under this report on page 45, 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 annual general meeting of the Company held on 30 June 2008 (the "2008 Annual General Meeting"), 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 remained unexpired prior to the termination of the First Share Option Scheme continued to be exercisable in accordance with their terms of issue after the termination of the First Share Option Scheme.

All the unexpired options granted prior to the termination of the First Share Option Scheme were either exercised or lapsed.

(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.

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.

Details of the movements in share options to subscribe for shares in the Company during the year ended 28 February 2014 are set out below:

	Date of grant	Exercise period	Exercise price per share HK$	Number of Share Options As at 1 March 2013	Granted during the year	Exercised during the year	Lapsed during the year	As at 28 February 2014	Notes
Directors									
Sham Kar Wai	14 April 2008	14 April 2008 to 13 April 2013	2.41	3,409,980	–	–	(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	
Sham Kin Wai	14 April 2008	14 April 2008 to 13 April 2013	2.41	3,409,980	–	–	(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	
Continuous contract employees	14 April 2008	14 April 2008 to 13 April 2013	2.20	580,206	–	(579,353)	(853)	–	(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	
				128,552,061	–	(579,353)	(6,820,813)	121,151,895	

Notes:

1 The vesting date was 14 April 2010. The exercise period was from 14 April 2010 to 13 April 2013.

2 The vesting date and exercise period of the options were as follows:–

Vesting date	Exercise period	Number of Share Options As at 1 March 2013	Exercise during the year (Note (a))	Lapsed during the year	As at 28 February 2014
14 April 2010	14 April 2010 to 13 April 2013	580,206	(579,353)	(853)	–

Note (a): The weighted average closing price of the shares immediately before the date on which the options were exercised was HK$3.11.

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

As at 28 February 2014, 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
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/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	71,671,495	5.83%	Long
Yeung Chun Kam (Note 5)	Interest in controlled company/Joint interest	68,827,473	5.60%	Long
Yeung Chun Fan (Note 5)	Interest in controlled company/Joint interest	68,827,473	5.60%	Long
Cheung Wai Yee (Note 6)	Interest of spouse	68,827,473	5.60%	Long

Notes:

1. 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.

2. 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.

3. Fine Honour Limited, Fortune Symbol Limited, Fresh Start Holdings Limited and Sure Elite Limited (collectively the "Companies") are wholly-owned subsidiaries of Effective Convey Limited. Effective Convey Limited is therefore deemed interested in the Shares held by the Companies. Fortune Symbol Limited, Fresh Start Holdings Limited and Sure Elite Limited each held 60,028,130 Shares as at 28 February 2014.

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

5. Out of the 68,827,473 Shares, 19,570,000 Shares are held by Dr. Yeung Chun Kam and Mr. Yeung Chun Fan jointly and the balance, being 49,257,473 Shares, in the capacity of interest in controlled company. Dr. Yeung Chun Kam and Mr. Yeung Chun Fan held the shares through their controlled corporations. Glorious Sun Trading (HK) Limited held 49,257,473 Shares and 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.

6. Spouse of Mr. Yeung Chun Fan.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

RELATED PARTY TRANSACTIONS

Significant related party transactions entered by the Group during the year ended 28 February 2014, which did not constitute connected transactions under the Listing Rules, are disclosed in Note 33 to the consolidated financial statements.

CONTINUING DISCLOSURE REQUIREMENTS

(a) The Facilities

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 "Facilities Announcement").

On 24 February 2012, the Company made the Facilities 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 *(Upon the Company's application, Facility B was cancelled effective from 28 June 2013)* 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

(b) The Notes

Terms used herein have the same meaning as those defined in the announcement made by the Company on 8 May 2013 (the "Notes Announcement").

On 8 May 2013, the Company made the Notes Announcement that the Company has entered into the Subscription Agreement with the Joint Lead Managers in relation to the issue of the Notes. Pursuant to the terms and conditions of the Notes, if (among other matters), the Permitted Holders (as explained hereinafter) collectively do not or cease to (i) maintain management control over the management and business of the Group; or (ii) own, directly or indirectly, at least 40% of the beneficial shareholding, carrying at least 40% of the Voting Stock in the Company, free from Security, each holder of the Notes will have the right to require the Company to redeem the Notes at 101% of their principal amount, together with accrued interest. Permitted Holders means any or all of the following: (1) Mr. Sham Kar Wai and Mr. Sham Kin Wai; (2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate in the Notes Announcement) of the Person specified in (1) hereof; and (3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% by Persons specified in (1) and (2) hereof.

Principal terms of the Notes are set out below:

Notes:	principal amount of CNY1,000,000,000 to be matured on 15 May 2018;
Issue Date:	15 May 2013;
Issue Price:	100%;
Interest:	the Notes will bear interest from and including 15 May 2013 at the rate of 6.25% per annum, payable semi-annually in arrears on 15 May and 15 November in each year commencing on 15 November 2013.

In March 2014, the Company purchased the Notes in the principal amount aggregated up to CNY99,000,000 and was then duly cancelled pursuant to the terms and conditions of the Notes. Up to the date of this report, the aggregate principal amount of the Notes which remains outstanding and subject to the terms of the indenture governing the Notes is CNY901,000,000.

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 2014.

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 2014 AGM and being eligible, offer themselves for re-appointment.

On behalf of the Board

Sham Kar Wai
Chairman

Hong Kong, 22 May 2014

I.T IS

a fashion icon

TREND SETTING

inspiration

a lifestyle

MOVING FORWARD

羅兵咸永道

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

We have audited the consolidated financial statements of I.T Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 55 to 112, which comprise the consolidated and company statements of financial position as at 28 February 2014, 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 2014 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, 22 May 2014

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

For the year ended 28 February 2014

	Note	**2014 HK$'000**	2013 HK$'000
Turnover	5	**6,746,874**	6,543,109
Cost of sales	7	**(2,702,521)**	(2,693,460)
Gross profit		**4,044,353**	3,849,649
Other gains/(losses)	6	**7,316**	(6,221)
Impairment of goodwill	16	**(5,557)**	–
Operating expenses	7	**(3,627,994)**	(3,367,346)
Operating profit		**418,118**	476,082
Finance income	10	**44,190**	10,649
Finance costs	10	**(75,210)**	(27,554)
Share of loss of joint ventures	18	**(41,768)**	(11,461)
Profit before income tax		**345,330**	447,716
Income tax expense	11	**(65,298)**	(62,685)
Profit for the year		**280,032**	385,031
Other comprehensive loss:			
Items that may be reclassified to profit or loss			
Currency translation differences		**(11,320)**	(8,977)
Cash flow hedge recognised as finance costs	10	**(292)**	–
Fair value changes on cash flow hedge, net of tax		**(4,808)**	–
Total other comprehensive loss for the year		**(16,420)**	(8,977)
Total comprehensive income for the year		**263,612**	376,054
Profit attributable to:			
– Equity holders of the Company	12	**279,637**	383,697
– Non-controlling interests		**395**	1,334
		280,032	385,031
Total comprehensive income attributable to:			
– Equity holders of the Company		**263,235**	374,507
– Non-controlling interests		**377**	1,547
		263,612	376,054
Earnings per share attributable to equity holders of the Company for the year (expressed in HK$ per share)			
– basic	13	**HK$0.23**	HK$0.31
– diluted	13	**HK$0.22**	HK$0.30
Dividends	14	**122,876**	36,846

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 28 February 2014

	Note	**2014 HK$'000**	2013 HK$'000
ASSETS			
Non-current assets			
Property, furniture and equipment	15	**913,145**	934,128
Intangible assets	16	**343,043**	359,338
Investments in and amounts due from joint ventures	18	**220,396**	199,074
Rental deposits	21	**307,028**	298,675
Prepayments for furniture and equipment	21	**14,862**	5,868
Derivative financial instruments	26	**2,622**	–
Deferred income tax assets	27	**135,722**	116,154
		1,936,818	1,913,237
Current assets			
Inventories	19	**1,116,693**	1,211,240
Trade, bills and other receivables	20	**181,242**	133,736
Amounts due from joint ventures	18	**36,449**	25,388
Prepayments and other deposits	21	**250,611**	221,299
Derivative financial instruments	26	**–**	1,163
Cash and cash equivalents	22	**2,315,498**	961,158
		3,900,493	2,553,984
LIABILITIES			
Current liabilities			
Borrowings	23	**(496,385)**	(365,661)
Trade and bills payables	24	**(357,924)**	(273,552)
Accruals and other payables	25	**(573,909)**	(476,177)
Derivative financial instruments	26	**–**	(1,600)
Amounts due to joint ventures	18	**(24,022)**	(51,549)
Current income tax liabilities		**(32,373)**	(23,585)
		(1,484,613)	(1,192,124)
Net current assets		**2,415,880**	1,361,860
Total assets less current liabilities		**4,352,698**	3,275,097
Non-current liabilities			
Borrowings	23	**(1,494,642)**	(668,462)
Accruals	25	**(9,893)**	(14,140)
Derivative financial instruments	26	**(6,691)**	(6,140)
Deferred income tax liabilities	27	**(45,155)**	(32,984)
		(1,556,381)	(721,726)
Net assets		**2,796,317**	2,553,371
EQUITY			
Capital and reserves			
Share capital	28	**122,876**	122,818
Reserves	29	**2,672,756**	2,430,553
Non-controlling interests		**685**	–
Total equity		**2,796,317**	2,553,371

SHAM KAR WAI
Chairman

SHAM KIN WAI
Director

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

STATEMENT OF FINANCIAL POSITION

As at 28 February 2014

	Note	**2014 HK$'000**	2013 HK$'000
ASSETS			
Non-current assets			
Investments in and amounts due from subsidiaries	17	**2,764,233**	1,556,131
Current assets			
Prepayments and other deposits	21	**6,261**	168
Cash and cash equivalents	22	**873,310**	250
		879,571	418
Current liabilities			
Accruals and other payables	25	**(22,713)**	–
Current income tax liabilities		**(2,345)**	–
		(25,058)	–
Net current assets		**854,513**	418
Total assets less current liabilities		**3,618,746**	1,556,549
Non-current liabilities			
Borrowings	23	**(1,249,520)**	–
Financial instrument liabilities	26	**(4,808)**	–
		(1,254,328)	–
Net assets		**2,364,418**	1,556,549
EQUITY			
Capital and reserves			
Share capital	28	**122,876**	122,818
Reserves	29	**2,241,542**	1,433,731
Total equity		**2,364,418**	1,556,549

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 2014

		Attributable to equity holders of the Company			
	Note	Share capital HK$'000	Reserves HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 March 2013		122,818	2,430,553	–	2,553,371
Comprehensive income:					
– Profit for the year		–	279,637	395	280,032
Other comprehensive income:					
– Currency translation differences		–	(11,302)	(18)	(11,320)
– Cash flow hedge recognised as a finance cost		–	(292)	–	(292)
– fair value changes on cash flow hedge, net of tax		–	(4,808)	–	(4,808)
Total comprehensive income		–	263,235	377	263,612
Transactions with equity holders:					
Final dividend for the year ended 28 February 2013		–	(36,863)	–	(36,863)
Exercise of share options	28 & 29	58	1,216	–	1,274
Share option scheme					
– value of employment services	29	–	25,513	130	25,643
Reversal of tax credit from exercise of share options		–	(10,720)	–	(10,720)
Change in ownership interest in a subsidiary without change of control		–	(178)	178	–
Total transactions with equity holders		58	(21,032)	308	(20,666)
Balance at 28 February 2014		122,876	2,672,756	685	2,796,317
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
Transactions with equity holders:					
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)
Total transactions with equity holders		751	(92,603)	391	(91,461)
Balance at 28 February 2013		122,818	2,430,553	–	2,553,371

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 28 February 2014

	Note	2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
Cash generated from operations	30(a)	**831,971**	646,312
Interest paid		**(50,079)**	(27,554)
Hong Kong profits tax paid		**(45,448)**	(81,826)
Overseas income tax paid		**(31,778)**	(11,486)
Net cash generated from operating activities		**704,666**	525,446
Cash flows from investing activities			
Purchase of property, furniture and equipment		**(258,531)**	(314,017)
Purchase of intangible assets		**(4,520)**	(7,073)
Proceeds from disposal of property, furniture and equipment	30(b)	**98**	2,090
Capital injection in a joint venture		**(56,774)**	(89,168)
Dividend received from joint ventures		**4,500**	11,000
Interest received		**40,257**	8,849
Net cash used in investing activities		**(274,970)**	(388,319)
Cash flows from financing activities			
Proceeds from exercise of share options		**1,274**	17,928
Proceeds from borrowings		**1,326,122**	605,132
Repayments of borrowings		**(362,326)**	(261,253)
Acquisition of non-controlling interests		**–**	(4,235)
Dividends paid		**(36,863)**	(158,430)
Net cash generated from financing activities		**928,207**	199,142
Net increase in cash and cash equivalents		**1,357,903**	336,269
Cash and cash equivalents, beginning of the year		**961,158**	626,944
Currency translation differences		**(3,563)**	(2,055)
Cash and cash equivalents, end of the year	30(c)	**2,315,498**	961,158

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

1 GENERAL INFORMATION

I.T Limited (the "Company") is an investment holding company and its subsidiaries (together with the Company are collectively referred to as the "Group") are principally engaged in the sales of fashion wears and accessories.

The Company was incorporated in Bermuda on 18 October 2004 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

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

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

These consolidated financial statements have been approved for issue by the board of directors on 22 May 2014.

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) Effect of adopting new standards, amendments to standards and interpretations

The following new standards and amendments to standards are mandatory for the financial year beginning 1 March 2013:

Amendment to HKAS 1, "Financial statements presentation" regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

HKAS 27 (revised), "Separate financial statements", includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10.

HKAS 28 (revised), "Investments in associates and joint ventures", includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11.

HKFRS 10, "Consolidated financial statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

HKFRS 11, "Joint arrangements" is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

HKFRS 12, "Disclosures of interests in other entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

HKFRS 13, "Fair value measurement" aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.

Amendment to HKFRS 7, "Financial instruments: Disclosures on asset and liability offsetting". The amendments require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

(a) Effect of adopting new standards, amendments to standards and interpretations (Continued)

Amendments to HKAS 36, "Impairments of Assets", on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in HKAS 36 by the issue of HKFRS 13. The amendment is not manadatory for the Group until 1 March 2014, however the Group has decided to early adopt the amendment as of 1 March 2013.

Other than as disclosed above, there are no HKASs or HKFRSs that are effective for the first time for the financial year beginning on or after 1 March 2013 that would be expected to have a significant impact on the Group.

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

The following relevant HKASs, HKFRSs, amendments to existing HKFRSs and interpretation of HKFRS have been published and are mandatory for accounting periods beginning on or after 1 January 2014 or later periods and have not been early adopted by the Group:

HKAS 32 (Amendment)	Financial instruments: Presentation – offsetting financial assets and financial liabilities [1]
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement – novation of derivatives and continuation of hedging accounting [1]
HKFRS 9	Financial instruments [4]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment)	Investment entities [1]
HKFRS 14	Regulatory deferral accounts [3]
HK(IFRIC) – Int 21	Levies [1]
Annual Improvement Projects	Annual improvement to 2010-2012 cycle and 2011-2013 cycle [2]

1 Effective for the Group for annual period beginning 1 January 2014
2 Effective for the Group for annual period beginning 1 July 2014
3 Effective for the Group for annual period beginning 1 January 2016
4 Effective date to be determined

The Group will apply the above HKFRSs, amendments to existing HKFRSs and interpretation of HKFRS when they become effective. The Group anticipates that the application of the above new, revised or amended standards and interpretations have no material impact on the results and the financial position of the Group.

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 a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 CONSOLIDATION (Continued)

(a) Subsidiaries (Continued)

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.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (Note 2.6). If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

(b) Joint arrangement

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. The change in accounting policy has been applied as from 1 March 2012.

There is no impact on the consolidated financial position, consolidated comprehensive income and the consolidated cash flows of the Group since the joint ventures are accounted for using the equity method before.

Impairment testing of the investments in joint ventures are required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the joint venture 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.

2.3 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 statement of financial position presented are translated at the closing rate at the end of the reporting period;

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

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

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

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

2.5 PROPERTY, FURNITURE AND EQUIPMENT

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 INTANGIBLE ASSETS

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Company'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).

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 end of the reporting period 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, bills and other receivables", "cash and cash equivalents" and "amounts due from joint ventures" in the statement of financial position.

2.9 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction (cash flow hedge).

The Group documents, at the inception of the transaction, the intended relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements in the fair values of hedging derivatives are included within shareholders' equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months. Trading derivatives are classified as a current asset or liability.

(a) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of comprehensive income.

Amounts accumulated in equity are recycled to the consolidated statement of comprehensive income in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in the consolidated statement of comprehensive income within sales. The gain or loss relating to the ineffective portion is recognised in the consolidated statement of comprehensive income within other gains/(losses). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, furniture and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in case of inventory, or in depreciation in case of property, furniture and equipment.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

(b) Derivatives at fair value through profit or loss

Derivatives financial instruments recognised at fair value through profit or loss include certain derivative instruments that do not qualify for hedge accounting. They are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair values of derivative financial instruments are recognised immediately in the consolidated 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, BILLS 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, bills 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, bills 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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 end of the reporting period 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 end of the reporting period 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 joint ventures, 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 end of the reporting period.

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

(b) Pension obligations

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

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

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

(c) Bonus plan

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

(d) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 EMPLOYEE BENEFITS (Continued)

(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.

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.

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. The Group uses derivative financial instruments to hedge certain risk exposures.

(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 Taiwanese Dollar and Chinese Renminbi against Hong Kong Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in operations in Mainland China, Taiwan and Japan.

To manage their foreign exchange risk arising from certain future commercial transactions and recognised liabilities, entities in the Group use forward currency exchange contracts 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 2014, 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$239,000 (2013: HK$1,952,000) 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 2014, 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$1,666,000 higher/lower (2013: HK$196,000 lower/higher) mainly as a result of foreign exchange differences on translation of Euro-denominated bank balances, trade payables and borrowings of certain subsidiaries whose functional currency is Hong Kong Dollar.

At 28 February 2014, if Hong Kong Dollar had strengthened/weakened by 10% against the Japanese Yen with all other variables held constant, profit for the year and equity holders' equity would have been approximately HK$3,845,000 (2013: HK$2,722,000) higher/lower mainly as a result of foreign exchange differences on translation of Japanese Yen-denominated bank balances, trade payables and borrowings of certain subsidiaries whose functional currency is Hong Kong Dollar.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(a) Foreign exchange risk (Continued)

At 28 February 2014, 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$8,374,000 (2013: HK$9,719,000) lower/higher mainly as a result of foreign exchange differences on translation of Chinese Renminbi denominated bank balances, borrowings and derivative financial instruments of certain subsidiaries whose functional currency is Hong Kong Dollar.

At 28 February 2014, if Japanese Yen had weakened/strengthened by 10% against the United States Dollar with all other variables held constant, profit for the year and equity holders' equity would have been approximately HK$3,321,000 (2013: HK$5,110,000) higher/lower mainly as a result of foreign exchange differences on translation of Japanese Yen denominated payables of certain subsidiaries whose functional currency is United States Dollar.

At 28 February 2014, foreign exchange risks on financial assets and liabilities denominated in Macau Pataca, New Taiwanese Dollar and Pound Sterling were insignificant to the Group.

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

(b) Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents, trade, bills and other receivables, rental deposits, derivative financial instruments and amounts due from joint ventures. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets. As at 28 February 2014, 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, bills and other receivables, rental deposits and amount due from joint ventures 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 2014, 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 60 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 2014, the Company provided financial guarantees of HK$741,507,000 (2013: HK$1,034,123,000) for the 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 joint ventures, trade, bills 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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period from the end of the reporting period to their maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, based on floating interest rate or exchange rates (where applicable) prevailing at the end of the reporting period.

Group	**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 2014					
Borrowings subject to a repayment on demand clause	126,875	–	–	–	126,875
Borrowings and interest payment	387,541	140,760	120,066	–	648,367
Senior notes and interest payment	78,095	78,095	1,421,971	–	1,578,161
Trade and bills payables	357,924	–	–	–	357,924
Accruals and other payables	573,909	–	–	–	573,909
Amounts due to joint ventures	24,022	–	–	–	24,022
Interest rate swap contract not qualified for hedge accounting	1,307	731	23	–	2,061
	1,549,673	219,586	1,542,060	–	3,311,319
As at 28 February 2013					
Borrowings subject to a repayment on demand clause	30,916	–	–	–	30,916
Borrowings and interest payment	356,550	327,292	285,654	94,127	1,063,623
Trade and bills payables	273,552	–	–	–	273,552
Accruals and other payables	476,177	–	–	–	476,177
Amounts due to joint ventures	51,549	–	–	–	51,549
Interest rate swap contract not qualified for hedge accounting	1,243	1,228	782	–	3,253
	1,189,987	328,520	286,436	94,127	1,899,070
Company					
As at 28 February 2014					
Senior notes and interest payments	78,095	78,095	1,421,971	–	1,578,161
Accruals and other payables	22,713	–	–	–	22,713
	100,808	78,095	1,421,971	–	1,600,874

As at 28 February 2013, all the Company's financial liabilities with mature within 1 year.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's and the Company's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period from the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, based on interest or exchange rates (where applicable) prevailing at the end of the reporting period.

Group	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 2014					
Currency and interest rate swap contracts – cash flow hedges:					
– outflow	(72,709)	(72,709)	(1,446,272)	–	(1,591,690)
– inflow	78,938	78,938	1,460,344	–	1,618,220
Currency swap contracts – not qualified for hedge accounting:					
– outflow	(27,728)	(136,502)	–	–	(164,230)
– inflow	28,380	139,710	–	–	168,090
As at 28 February 2013					
Currency swap contract not qualified for hedge accounting:					
– outflow	(27,728)	(27,728)	(136,502)	–	(191,958)
– inflow	28,156	28,156	138,604	–	194,916
Foreign exchange forward contract – not qualified for hedge accounting:					
– outflow	(147,137)	–	–	–	(147,137)
– inflow	147,073	–	–	–	147,073

Company	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 2014					
Currency and interest rate swap contracts – cash flow hedges:					
– outflow	(72,709)	(72,709)	(1,446,272)	–	(1,591,690)
– inflow	78,938	78,938	1,460,344	–	1,618,220
As at 28 February 2013					
Currency and interest rate swap contracts – cash flow hedges:					
– outflow	–	–	–	–	–
– inflow	–	–	–	–	–

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(c) Liquidity risk (Continued)

The following table summarises the maturity analysis of borrowings 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 borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Maturity Analysis – borrowings subject to a repayment on demand clause based on scheduled repayments				
	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 2014	11,925	11,925	33,125	81,165	138,140
As at 28 February 2013	916	30,763	–	–	31,679

(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 2014 of HK$1,556,238,000 (2013: HK$126,503,000), held at effective interest rate of 3.0% per annum (2013: 0.6% per annum), the bank borrowings as at 28 February 2014 of HK$741,507,000 (2013: HK$1,034,123,000) held at effective interest rate of 2.5% (2013: 2.3%) per annum and the borrowings in the form of senior notes as at 28 February 2014 of HK$1,249,520,000 (2013: Nil) held at fixed interest rate of 6.25% (2013: Nil) per annum, the Group has no significant interest-bearing assets and liabilities. 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 2014, if interest rates on cash and cash equivalents and floating 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$178,000 higher/lower (2013: HK$730,000 lower/higher). The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the end of the reporting period. 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 the end of the reporting period.

Except for the short-term bank deposits as at 28 February 2014 of HK$871,470,000 (2013: Nil), held at effective interest rate of 3.0% per annum (2013: Nil) and the borrowings in the form of senior notes as at 28 February 2014 of HK$1,249,520,000 (2013: Nil) held at fixed interest rate of 6.25% (2013: Nil) per annum, the Company has no significant interest-bearing assets and liabilities. The Company's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact resulted from the changes in interest rates.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 FAIR VALUE ESTIMATION

The carrying amounts of the Group's current financial assets, including cash and cash equivalents, amounts due from joint ventures, trade, bills and other receivables and rental deposits, and current financial liabilities, including amounts due to joint ventures, trade and bills 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.

The Group measures its fair value of the financial instruments carried at fair value as at 28 February 2014 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's and Company's financial instruments carried at fair value as at 28 February 2014 and 2013:

Group	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 28 February 2014				
Assets				
Currency swap contract not qualified for hedge accounting	–	2,622	–	2,622
Liabilities				
Currency and interest rate swap contracts – cash flow hedges	–	(4,808)	–	(4,808)
Interest rate swap contract not qualified for hedge accounting	–	(1,883)	–	(1,883)
	–	(6,691)	–	(6,691)
As at 28 February 2013				
Assets				
Foreign exchange forward contract – not qualified for hedge accounting	–	1,163	–	1,163
Liabilities				
Currency swap contract not qualified for hedge accounting	–	(2,779)	–	(2,779)
Interest rate swap contract not qualified for hedge accounting	–	(3,361)	–	(3,361)
Foreign exchange forward contract – not qualified for hedge accounting	–	(1,600)	–	(1,600)
	–	(7,740)	–	(7,740)

Company	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 28 February 2014				
Liabilities				
Currency and interest rate swap contracts – cash flow hedges	–	(4,808)	–	(4,808)
As at 28 February 2013				
Liabilities				
Currency and interest rate swap contracts – cash flow hedges	–	–	–	–

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 CAPITAL RISK MANAGEMENT

The Group's objectives on managing capital are to finance its operations with its owned capital and external borrowings, 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 obtain financing from external borrowings 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, current ratio and gearing ratio as shown in and derived from the consolidated statement of financial position. The table below analyses the Group's capital structure:

	2014	2013
Cash and cash equivalents (HK$'000)	**2,315,498**	961,158
Current ratio (Current assets divided by current liabilities)	**2.63**	2.14
Gearing ratio (Cash and cash equivalents less total borrowings, divided by total equity)	**–**	3%

The Group's strategy is to maintain healthy current ratio and gearing ratio, 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 joint ventures, property, furniture and equipment and intangible assets

Investments in joint ventures, 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 2014, the carrying amounts of property, furniture and equipment, intangible assets and investments in joint ventures disclosed in Notes 15, 16 and 18 to the consolidated financial statements respectively are subject to the impairment review.

(b) Impairment of goodwill

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

As at 28 February 2014, the carrying amount of goodwill disclosed in Note 16 to the consolidated financial statements is subject to the impairment review.

(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 the end of the reporting period.

As at 28 February 2014, 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) Provision for impairment of deposits, trade, bills and other receivables and amounts due from joint ventures

The Group's management determines the provision for impairment of deposits, trade, bills and other receivables and amounts due from joint ventures 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 the end of the reporting period.

As at 28 February 2014, the carrying amounts of amounts due from joint ventures, trade, bills and 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 2014, 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.

5 TURNOVER AND SEGMENT INFORMATION

(a) Analysis of revenue by category

	2014 HK$'000	2013 HK$'000
Turnover		
– Sales of fashion wears and accessories	**6,746,874**	6,543,109

(b) Segment information

The chief operating decision maker has been identified as the Board that makes strategic decisions. Management has determined the operating segments based on the internal reporting of the Group for the purposes of assessing performance and allocating resources.

The performance of the operating segments, from the geographical perspective, is 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 of joint ventures. 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 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 joint ventures 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 2014 and 2013 is as follows:

	Hong Kong		Mainland China		Japan		Macau		Other		Total	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Turnover	**3,625,004**	3,708,039	**2,371,786**	2,036,381	**445,489**	514,434	**217,832**	199,958	**86,763**	84,297	**6,746,874**	6,543,109
EBITDA	**351,957**	414,023	**163,355**	171,052	**117,168**	86,557	**82,681**	70,204	**(6,982)**	(5,245)	**708,179**	736,591
Depreciation and amortisation	**(141,025)**	(139,089)	**(107,240)**	(78,596)	**(17,532)**	(32,306)	**(7,315)**	(6,740)	**(7,212)**	(2,130)	**(280,324)**	(258,861)
Impairment of property, furniture and equipment	**(770)**	(836)	**(3,410)**	–	**–**	–	**–**	–	**–**	(812)	**(4,180)**	(1,648)
Impairment of goodwill	**–**	–	**(5,557)**	–	**–**	–	**–**	–	**–**	–	**(5,557)**	–
Operating profit	**210,162**	274,098	**47,148**	92,456	**99,636**	54,251	**75,366**	63,464	**(14,194)**	(8,187)	**418,118**	476,082
Finance income											**44,190**	10,649
Finance costs											**(75,210)**	(27,554)
Share of loss of joint ventures											**(41,768)**	(11,461)
Profit before income tax											**345,330**	447,716
Total segment non-current assets	**605,910**	697,255	**758,532**	657,161	**156,641**	177,723	**40,903**	46,046	**18,714**	19,824	**1,580,700**	1,598,009
Total segment assets	**3,032,831**	1,831,579	**1,909,826**	1,747,282	**340,787**	392,272	**109,452**	103,023	**51,848**	52,449	**5,444,744**	4,126,605

5 TURNOVER AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

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

	2014 HK$'000	2013 HK$'000
Segment assets for reportable segments	**5,392,896**	4,074,156
Other segment assets	**51,848**	52,449
	5,444,744	4,126,605
Unallocated:		
Deferred income tax assets	**135,722**	116,154
Investments in and amounts due from joint ventures	**256,845**	224,462
	5,837,311	4,467,221

6 OTHER GAINS/(LOSSES)

	2014 HK$'000	2013 HK$'000
Fair value gains/(losses) on derivative financial instruments		
– forward foreign exchange contracts	**437**	(2,720)
– foreign currency swap contract	**5,401**	(140)
– interest rate swap contract	**1,478**	(3,361)
	7,316	(6,221)

7 EXPENSES BY NATURE

	2014 HK$'000	2013 HK$'000
Cost of inventories sold	**2,672,974**	2,641,425
(Reversal of write-downs)/write-downs of inventories to net realisable value	**(12,835)**	6,728
Employment costs (including directors' emoluments) (Note 8)	**1,090,513**	1,008,500
Operating lease rentals of premises		
– minimum lease payments	**1,258,137**	1,116,412
– contingent rents	**175,230**	219,274
Building management fee	**175,690**	154,009
Advertising and promotion costs	**104,357**	84,321
Commission expenses	**75,318**	92,159
Bank charges	**75,437**	73,382
Utilities expenses	**61,010**	54,156
Freight charges	**55,415**	52,606
Depreciation of property, furniture and equipment	**270,080**	245,180
Impairment of property, furniture and equipment	**4,180**	1,648
Loss on disposals of property, furniture and equipment	**3,635**	2,288
Licence fees (included in operating expenses)		
– amortisation of licence rights	**3,681**	4,278
– contingent licence fees	**11,980**	20,010
Amortisation of intangible assets (excluding licence fees)	**6,563**	9,403
Provision for/(reversal of provision for) impairment of trade receivables	**529**	(2,450)
Reversal of provision for impairment of amount due from a joint venture	**(2,408)**	(673)
Auditor's remuneration	**4,180**	4,370
Net exchange gains	**(326)**	(14,014)
Other expenses	**297,175**	287,794
Total	**6,330,515**	6,060,806
Representing:		
Cost of sales	**2,702,521**	2,693,460
Operating expenses	**3,627,994**	3,367,346
	6,330,515	6,060,806

8 EMPLOYMENT COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2014 HK$'000	2013 HK$'000
Salaries, commission and allowances	**947,301**	899,732
Bonus/(reversal of bonus)	**12,000**	(3,303)
Pension costs – employer's contributions to defined contribution plans and provision for long service payment	**99,747**	84,980
Share-based payment	**25,643**	20,442
Welfare and other benefits	**5,822**	6,649
	1,090,513	1,008,500

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

(a) Pension – defined contribution plans

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme ("the MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its employees make monthly contributions to the scheme generally at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employee are subject to a maximum contribution of HK$1,250 per month and thereafter contributions are voluntary. The Group has no further obligation for post-retirement benefits beyond the contributions.

As stipulated by rules and regulations in Mainland China, Taiwan and Macau, the Group contributes to state-sponsored retirement plans for employees of its subsidiaries established in Mainland China, Taiwan and Macau. For Mainland China, the employees contribute up to 8% of their basic salaries, while the Group contributes approximately 17% to 22% of such salaries. For Taiwan, employees are not liable to make contribution to the plan, while the Group contributes up to 6% of the employees' salary. For Macau, the employees contribute up to 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 2014, the amount of the Group's employer contributions to defined contribution plans is approximately HK$99,747,000 (2013: HK$84,980,000).

9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of each director of the Company for the year ended 28 February 2014 is set out below:

Name of directors	Fees	Salaries	Bonus	Other benefits (i)	Employer's contributions to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors						
Mr Sham Kar Wai	–	7,209	–	9,786	15	17,010
Mr Sham Kin Wai	–	4,868	–	9,666	15	14,549
Independent non-executive directors						
Dr Wong Tin Yau, Kelvin, JP	254	–	–	–	–	254
Mr Francis Goutenmacher	254	–	–	–	–	254
Mr Mak Wing Sum, Alvin	254	–	–	–	–	254
	762	12,077	–	19,452	30	32,321

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

(a) Directors' emoluments (Continued)

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

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

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.

No directors waived any emoluments during the year ended 28 February 2014 (2013: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two (2013: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2013: three) individuals are as follows:

	2014	2013
	HK$'000	HK$'000
Salaries	**7,439**	7,103
Bonus	**6,232**	–
Other benefits (i)	**10,047**	10,047
Employer's contributions to pension scheme	**334**	318
	24,052	17,468

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 (2013: three) individuals fell within the following bands:

	2014	2013
HK$4,000,001 – HK$4,500,000	**1**	1
HK$6,500,001 – HK$7,000,000	**–**	2
HK$8,500,001 – HK$9,000,000	**1**	–
HK$10,500,001 – HK$11,000,000	**1**	–
	3	3

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

(c) During the year ended 28 February 2014, 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 (2013: Nil).

10 FINANCE INCOME AND COSTS

	2014 **HK$'000**	2013 HK$'000
Interest income from		
– bank deposits	**40,257**	8,849
– amounts due from joint ventures	**813**	778
– others (i)	**3,120**	1,022
Finance income	**44,190**	10,649
Interest expense on borrowings		
– wholly repayable within five years	**(81,211)**	(25,851)
– not wholly repayable within five years	**(1,182)**	(1,703)
Net foreign exchange transaction gain	**6,891**	–
Transfer from hedging reserve		
– interest rate and currency swaps: cash flow hedge	**292**	–
Finance costs	**(75,210)**	(27,554)
Net finance costs	**(31,020)**	(16,905)

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% (2013: 16.5%) on the estimated assessable profits of the Group's operations in Hong Kong.

Mainland China enterprise income tax has been provided at the applicable rates of 25% (2013: 25%) on the profits of the Group's operations in Mainland China.

Taiwan profits tax has been provided at the rate of 17% (2013: 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% (2013: 9% to 12%) on the estimated assessable profit in excess of HK$196,000 (approximately MOP200,000) and below HK$295,000 (approximately MOP300,000) and a fixed rate of 12% on assessable profit in excess of HK$295,000 (approximately MOP300,000).

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

The applicable US enterprise income tax rate for subsidiary operates in the United States of America is 45.03% (2013: 45.03%).

11 INCOME TAX EXPENSE (Continued)

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

	2014 HK$'000	2013 HK$'000
Current income tax		
– Hong Kong profits tax	**62,082**	48,438
– Mainland China enterprise income tax	**11,806**	30,943
– Overseas income tax	**12,290**	7,292
– Over-provision in prior year	**(303)**	(5,683)
	85,875	80,990
Deferred income tax (Note 27)	**(20,577)**	(18,305)
	65,298	62,685

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:

	2014 HK$'000	2013 HK$'000
Profit before income tax	**345,330**	447,716
Adjustment: share of loss of joint ventures, net of tax	**41,768**	11,461
Adjusted profit before income tax	**387,098**	459,177
Tax calculated at applicable tax rates	**89,142**	87,526
Income not subject to tax	**(5,793)**	(3,274)
Expenses not deductible for tax purposes	**12,334**	14,707
Impact of deferred tax not recognised	**(37,255)**	(22,812)
Withholding tax	**7,173**	1,214
Over-provision in prior year	**(303)**	(5,683)
Tax credit from share option recharge	**–**	(8,993)
Income tax expense	**65,298**	62,685

The weighted average applicable tax rate was 23.0% (2013: 19.1%). 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$824,760,000 (2013: HK$111,879,000).

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.

	2014	2013
Profit attributable to equity holders of the Company (HK$'000)	**279,637**	383,697
Weighted average number of ordinary shares in issue ('000)	**1,228,702**	1,227,311
Basic earnings per share (HK$)	**0.23**	0.31

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.

	2014	2013
Profit attributable to equity holders of the Company (HK$'000)	**279,637**	383,697
Weighted average number of ordinary shares in issue ('000)	**1,228,702**	1,227,311
Adjustments for share options ('000)	**27,283**	37,933
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,255,985**	1,265,244
Diluted earnings per share (HK$)	**0.22**	0.30

14 DIVIDENDS

	2014 **HK$'000**	2013 HK$'000
Final dividend, proposed, 10.0 HK cents (2013: 3.0 HK cents) per ordinary share	**122,876**	36,846

A final dividend relating to the year ended 28 February 2013 amounted to HK$36,863,000 was fully paid in July 2013.

The board of directors proposed a final dividend of 10.0 HK cents per ordinary share for the year ended 28 February 2014 on 22 May 2014 (2013: 3.0 HK cents per ordinary share). This proposed final dividend is not reflected as a dividend payable as of 28 February 2014, but will be recorded as a distribution of retained earnings for the year ending 28 February 2015.

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 2012					
Cost	290,071	1,024,335	153,146	54,567	1,522,119
Accumulated depreciation and impairment	(9,038)	(531,586)	(84,283)	(16,325)	(641,232)
Net book amount	281,033	492,749	68,863	38,242	880,887
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	267,726	557,993	78,631	29,778	934,128
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	267,726	557,993	78,631	29,778	934,128
Year ended 28 February 2014					
Opening net book amount	267,726	557,993	78,631	29,778	934,128
Additions	–	226,094	31,902	535	258,531
Disposals	–	(3,187)	(531)	(15)	(3,733)
Impairment	–	(4,180)	–	–	(4,180)
Depreciation	(6,823)	(226,599)	(28,594)	(8,064)	(270,080)
Exchange differences	(4,227)	2,666	358	(318)	(1,521)
Closing net book amount	256,676	552,787	81,766	21,916	913,145
At 28 February 2014					
Cost	279,234	1,396,732	211,306	53,640	1,940,912
Accumulated depreciation and impairment	(22,558)	(843,945)	(129,540)	(31,724)	(1,027,767)
Net book amount	256,676	552,787	81,766	21,916	913,145

Depreciation and impairment expenses have been included in operating expenses.

As at 28 February 2014, bank borrowings are secured on land and buildings with carrying amounts of HK$216,104,000 (2013: HK$222,580,000).

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

16 INTANGIBLE ASSETS – CONSOLIDATED

	Goodwill	Licence rights	Franchise contracts and distribution agreements	Trademark	Other intangible assets	Club debentures	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 March 2012							
Cost	388,866	10,520	21,250	37,555	4,924	6,098	469,213
Accumulated amortisation and impairment	(70,671)	(8,982)	(8,845)	(5,031)	(2,666)	–	(96,195)
Net book amount	318,195	1,538	12,405	32,524	2,258	6,098	373,018
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	314,744	1,887	9,650	24,959	–	8,098	359,338
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	314,744	1,887	9,650	24,959	–	8,098	359,338
Year ended 28 February 2014							
Opening net book amount	314,744	1,887	9,650	24,959	–	8,098	359,338
Additions	–	3,606	–	914	–	–	4,520
Amortisation	–	(3,681)	(2,620)	(3,943)	–	–	(10,244)
Impairment	(5,557)	–	–	–	–	–	(5,557)
Exchange differences	(2,763)	(19)	18	(2,250)	–	–	(5,014)
Closing net book amount	306,424	1,793	7,048	19,680	–	8,098	343,043
At 28 February 2014							
Cost	383,664	5,343	21,097	31,110	3,904	8,098	453,216
Accumulated amortisation and impairment	(77,240)	(3,550)	(14,049)	(11,430)	(3,904)	–	(110,173)
Net book amount	306,424	1,793	7,048	19,680	–	8,098	343,043

Amortisation expense has been included in operating expenses.

16 INTANGIBLE ASSETS – CONSOLIDATED (Continued)

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 following is a summary of goodwill allocation for each operating segment:

2014	Opening	Impairment	Exchange differences	Ending
	HK$'000	HK$'000	HK$'000	HK$'000
China	262,916	(5,557)	2,099	259,458
Japan	51,828	–	(4,862)	46,966
	314,744	(5,557)	(2,763)	306,424

2013	Opening	Impairment	Exchange differences	Ending
	HK$'000	HK$'000	HK$'000	HK$'000
China	258,950	–	3,966	262,916
Japan	59,245	–	(7,417)	51,828
	318,195	–	(3,451)	314,744

The recoverable amounts of the CGUs are determined based on value in use estimations. These estimations use cash flow projections based on financial forecasts 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.

The key assumptions used for value-in-use calculations in 2014 and 2013 are as follows:

	China		Japan	
	2014	2013	**2014**	2013
Long-term growth rate	**2% to 4%**	2% to 5%	**0%**	1%
Gross margin	**27% to 72%**	35% to 75%	**57%**	55%
Discount rate	**16%**	16%	**23%**	23%

Management determined budgeted gross margin and long-term growth rate 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.

The carrying amount of the CGU has been reduced to its recoverable amount through recognition of an impairment loss against goodwill. A loss of HK$5,557,000 (relating to a brand name operated by the Group in Mainland China) has been included in 'impairment of goodwill' in the consolidated statement of comprehensive income.

17 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES – COMPANY

	2014	2013
	HK$'000	HK$'000
Unlisted investments, at cost	**253,672**	250,273
Share-based payment recharge from subsidiaries	**(20,731)**	(20,398)
Amounts due from subsidiaries	**2,531,292**	1,326,256
	2,764,233	1,556,131

(a) Details of the principal subsidiaries as at 28 February 2014:

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

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

(a) Details of the principal subsidiaries as at 28 February 2014 (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$300,000	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
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

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

(a) Details of the principal subsidiaries as at 28 February 2014 (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
Nowhere Co., Ltd.	Japan	JPY77,000,000	99.5%	Investment holding and trading of fashion wears and accessories
USApe LLC	Delaware, U.S.A	USD750,000	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:

(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.

Except for the amounts due from subsidiaries of HK$1,264,500,000 and HK$244,349,000 which are unsecured, have no fixed term of repayment and interest bearing at 5.75% per annum and at HIBOR plus 5.75% per annum respectively, all the remaining amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed term of repayment.

All amounts due from subsidiaries are denominated in HK$.

18 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES – CONSOLIDATED

	2014 HK$'000	2013 HK$'000
Share of net assets	**184,237**	172,885
Amounts due from joint ventures	**72,608**	53,985
Less: provision for impairment of amount due from a joint venture	**–**	(2,408)
	72,608	51,577
	256,845	224,462
Less: current portion of amounts due from joint ventures	**(36,449)**	(25,388)
	220,396	199,074
Amounts due to joint ventures	**(24,022)**	(51,549)

18 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES – CONSOLIDATED (Continued)

(a) Share of net assets of joint ventures

	2014 **HK$'000**	2013 HK$'000
Beginning of the year	**172,885**	49,621
Share of results of joint ventures		
– loss before income tax	**(40,583)**	(10,823)
– income tax expense	**(1,185)**	(638)
– currency translation differences	**846**	1,757
Capital injection in a joint venture	**56,774**	89,168
Conversion of shareholders' loans into capital	**–**	54,800
Distribution of dividend	**(4,500)**	(11,000)
End of the year	**184,237**	172,885

Details of the principal joint ventures as at 28 February 2014:

Name	**Place of incorporation/ establishment and operations**	**Issued and fully paid capital/ registered capital**	**Percentage of equity interest attributable to the Group**	**Principal activities**
FCUK IT Company	Hong Kong	HK$2	50%	Retail of fashion wears and accessories
FCIT China Limited	Hong Kong	HK$2	50%	Investment holding
ZIT H.K. Limited	Hong Kong	HK$1,000,000	50%	Retail of fashion wears and accessories
Glory Premium Limited	Hong Kong	HK$4,500,000	50%	Investment holding
Kenchart Apparels (Shanghai) Limited (i)	Mainland China	US$3,700,000	50%	Retail of fashion wears and accessories
FCIT (Macau), Limited	Macau	MOP$1,030,000	50%	Retail of fashion wears and accessories
Galeries Lafayette (China) Limited	Hong Kong	HK$425,485,166	50%	Investment holding
Galeries Lafayette (Beijing) Limited (ii)	Mainland China	US$12,000,000	50%	Operation of a department store
Macaron (Beijing) Food Limited (iii)	Mainland China	US$100,000	50%	Dormant
Camper I.T China Limited	Hong Kong	HK$6,000,000	50%	Investment holding
Camper (Shanghai) Limited (iv)	Mainland China	US$600,000	50%	Retail of foot wears

Notes:

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

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

(iii) Macaron (Beijing) Food Limited is a joint venture, which is a wholly owned foreign enterprise of Galeries Lafayette (China) Limited, established in Beijing, Mainland China to be operated for 30 years up to 2043.

(iv) Camper (Shanghai) Limited is a joint venture, 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.

18 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES – CONSOLIDATED (Continued)

(a) Share of net assets of joint ventures (Continued)

Galereies Lafayette (China) Limited is the material joint venture of the Group.

Set out below is the summary of combined financial information for all the joint ventures of the Group.

The below financial information of the joint ventures has been consistently measured based on the fair values of the identifiable assets acquired and the liabilities assumed at the date of establishment.

Summarised statement of financial position

	2014 HK$'000	2013 HK$'000
Assets		
Non-current assets	**289,495**	153,675
Current assets		
– Cash and cash equivalents	**191,457**	194,644
– Other current assets	**160,024**	99,615
	351,481	294,259
Total assets	**640,976**	447,934
Liabilities		
Non-current liabilities		
– Financial liabilities (excluding trade and other payables)	**(28,696)**	(28,728)
– Other non-current liabilities (including trade and other payables)	**(1,849)**	(2,395)
	(30,545)	(31,123)
Current liabilities		
– Financial liabilities (excluding trade and other payables)	**(145,805)**	(57,239)
– Other non-current liabilities (including trade and other payables)	**(96,748)**	(18,618)
	(242,553)	(75,857)
Total liabilities	**(273,098)**	(106,980)
Net assets	**367,878**	340,954

Summarised statement of comprehensive income

	2014 HK$'000	2013 HK$'000
Revenue	**452,707**	212,754
Cost of sales	**(242,813)**	(75,060)
Other expenditures	**(289,209)**	(159,260)
Loss after tax	**(79,315)**	(21,566)
Other comprehensive income	**1,692**	3,514
Total comprehensive loss	**(77,623)**	(18,052)

18 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES – CONSOLIDATED (Continued)

(a) Share of net assets of joint ventures (Continued)

Set out below are the assets, liabilities, revenue, losses and dividend of the material joint venture of the Group:

	2014 HK$'000	2013 HK$'000
Revenues	**246,711**	–
Non-current assets	**263,353**	125,739
Current assets	**183,543**	154,287
Non-current liabilities	**–**	(809)
Current liabilities	**(153,035)**	(9,169)
Loss	**(90,871)**	(29,352)
Other comprehensive income	**1,097**	1,236
Total comprehensive loss	**89,774**	(28,116)
Dividend received	**–**	–

The information above reflects the amounts presented in the financial statements of the joint ventures (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the joint ventures.

(b) Balances with joint ventures

	2014 HK$'000	2013 HK$'000
Due from joint ventures		
ZIT H.K. Limited (i)	**11,152**	10,730
FCIT China Limited (ii)	**29,123**	28,655
Glory Premium Limited (iv)	**1,691**	1,442
FCUK IT Company (iv)	**–**	635
Galeries Lafayette (China) Limited (iii)	**1,148**	482
Galeries Lafayette (Beijing) Limited (iv)	**11,973**	–
Camper (Shanghai) Limited (iv)	**17,521**	9,633
	72,608	51,577
Due to joint ventures		
Kenchart Apparels (Shanghai) Limited (iv)	**(22,567)**	(49,836)
FCUK IT Company (iv)	**(1,289)**	(1,713)
ZIT H.K. Limited (iv)	**(166)**	–
	(24,022)	(51,549)

Notes:

(i) As at 28 February 2014, the amount due from ZIT H.K. Limited of approximately HK$11,152,000 (2013: HK$10,730,000) is unsecured, bears interest at 5% per annum and fully repayable at the termination of the joint venture.

(ii) As at 28 February 2014, the amount due from FCIT China Limited of approximately HK$6,853,000 (2013: HK$6,387,000) is unsecured, non-interest bearing and fully repayable in 2016. This amount is carried at amortised costs using the effective interest rate of 5.5% (2013: 5%) per annum. The remaining balance is unsecured, non-interest bearing and repayable on demand.

(iii) As at 28 February 2014, the amount due from Galeries Lafayette (China) Limited of approximately HK$1,148,000 (2013: HK$482,000) is unsecured, bears interest at HIBOR plus 0.3% per annum (2013: HIBOR plus 0.3% per annum) and fully repayable in 2017.

(iv) The remaining balances with joint ventures are unsecured, non-interest bearing and repayable on demand.

18 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES – CONSOLIDATED (Continued)

(b) Balances with joint ventures (Continued)

Movement on the provision for impairment of amount due from a joint venture is as follows:

	2014	2013
	HK$'000	HK$'000
Beginning of the year	**2,408**	3,081
Reversal of provision for the year	**(2,408)**	(673)
End of the year	**–**	2,408

The carrying amounts and fair values of amounts due from joint ventures are as follows:

	Carrying amounts		**Fair values**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due from joint ventures	**72,608**	51,577	**73,625**	52,299

The fair values of amounts due from joint ventures are based on cash flows discounted using the rate of 1.4% (2013: 1.4%) per annum.

The carrying amounts of amounts due to joint ventures approximate their fair values.

The credit quality of the amounts due from joint ventures 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 joint ventures are denominated in the following currencies:

	2014	2013
	HK$'000	HK$'000
Hong Kong Dollar	**6,468**	11,365
Pound Sterling	**5,460**	5,460
Euro	**997**	997
United States Dollar	**29,062**	32,313
Macau Pataca	**1,691**	1,442
Chinese Renminbi	**28,930**	–
	72,608	51,577

Amounts due to joint ventures are denominated in the following currencies:

	2014	2013
	HK$'000	HK$'000
Hong Kong Dollar	**1,455**	1,713
Chinese Renminbi	**22,567**	49,836
	24,022	51,549

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

19 INVENTORIES – CONSOLIDATED

	2014 HK$'000	2013 HK$'000
Merchandise stock for resale	**1,101,212**	1,196,480
Raw materials	**12,400**	11,333
Consumables	**3,081**	3,427
	1,116,693	1,211,240

The cost of inventories recognised as expense and included in cost of sales amounted to approximately HK$2,672,974,000 (2013: HK$2,641,425,000).

20 TRADE, BILLS AND OTHER RECEIVABLES – CONSOLIDATED

	2014 HK$'000	2013 HK$'000
Trade receivables	**134,671**	102,476
Credit card receivables	**31,727**	26,685
Bills receivables	**4,671**	2,652
Less: provision for impairment of trade receivables	**(1,060)**	(586)
Trade receivables – net	**170,009**	131,227
Interest receivables	**9,482**	732
Other receivables	**1,751**	1,777
Trade, bills and other receivables	**181,242**	133,736

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

	2014 HK$'000	2013 HK$'000
Beginning of the year	**586**	3,471
Provision/(reversal of provision) for the year	**529**	(2,450)
Exchange differences	**(55)**	(435)
End of the year	**1,060**	586

As of 28 February 2014, trade receivables of HK$1,060,000 (2013: HK$586,000) were impaired. The ageing of these receivables is as follows:

	2014 HK$'000	2013 HK$'000
Over 90 days	**1,060**	586

The ageing analysis of trade receivables past due but not impaired as at 28 February 2014 and 2013 is as follows:

	2014 HK$'000	2013 HK$'000
0 to 30 days	**406**	2,574
31 to 60 days	**130**	–
61 to 90 days	**–**	44
Over 90 days	**1,273**	231
	1,809	2,849

20 TRADE, BILLS AND OTHER RECEIVABLES – CONSOLIDATED (Continued)

There were no other receivables past due but not impaired as at 28 February 2014 and 2013.

The ageing analysis of trade receivables is as follows:

	2014	2013
	HK$'000	HK$'000
0 to 30 days	**163,083**	126,369
31 to 60 days	**2,949**	2,077
61 to 90 days	**1,275**	996
Over 90 days	**3,762**	2,371
	171,069	131,813

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

	2014	2013
	HK$'000	HK$'000
Chinese Renminbi	**112,818**	84,606
Hong Kong Dollar	**38,209**	18,503
Japanese Yen	**18,153**	21,202
Others	**12,062**	9,425
	181,242	133,736

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

The credit quality of trade, bills 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 2014 and 2013, the maximum exposure to credit risk is the carrying values of trade, bills and other receivables. The Group does not hold any collateral.

21 PREPAYMENTS AND OTHER DEPOSITS

	Consolidated		**Company**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Rental deposits	**405,231**	388,592	**–**	–
Prepayments	**148,080**	120,291	**6,261**	168
Utility and other deposits	**19,190**	16,959	**–**	–
	572,501	525,842	**6,261**	168
Less non-current portion:				
Rental deposits	**(307,028)**	(298,675)	**–**	–
Prepayments for furniture and equipment	**(14,862)**	(5,868)	**–**	–
	250,611	221,299	**6,261**	168

21 PREPAYMENTS AND OTHER DEPOSITS (Continued)

Rental deposits are carried at amortised costs using the effective interest rates ranging from 0.2% to 5% (2013: ranging from 0.3% to 5%) per annum determined at the inception date of the rental agreement.

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

	Consolidated			
	Carrying amounts		Fair values	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Rental deposits	**405,231**	388,592	**404,177**	387,573

The fair values of rental deposits are based on cash flows discounted using the rate of 1.4% (2013: 1.4%) 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 2014 and 2013, 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	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**759,260**	834,655	**1,840**	250
Short-term bank deposits	**1,556,238**	126,503	**871,470**	–
	2,315,498	961,158	**873,310**	250

The interest rates for short-term bank deposits was approximately 3.0% (2013: 0.6%) per annum.

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, all of which had an original maturity of not more than 3 months. Cash at bank earned interest at floating rates based on daily bank deposit rates.

As at 28 February 2014 and 2013, 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	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Chinese Renminbi	**1,889,402**	593,798	**871,639**	–
Hong Kong Dollar	**270,308**	225,093	**1,671**	250
Japanese Yen	**94,220**	77,223	**–**	–
Euro	**4,992**	14,337	**–**	–
United States Dollar	**9,768**	9,343	**–**	–
Pound Sterling	**2,123**	906	**–**	–
Others	**44,685**	40,458	**–**	–
	2,315,498	961,158	**873,310**	250

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

23 BORROWINGS

	Consolidated 2014 HK$'000	Consolidated 2013 HK$'000	Company 2014 HK$'000	Company 2013 HK$'000
Non-current borrowings				
– Bank borrowings	**245,122**	668,462	**–**	–
– Senior Notes (Note i)	**1,249,520**	–	**1,249,520**	–
	1,494,642	668,462	**1,249,520**	–
Current borrowings				
– Portion of bank borrowings due for repayment within one year	**381,435**	335,661	**–**	–
– Portion of bank borrowings due for repayment after one year which contain a repayment on demand clause	**114,950**	30,000	**–**	–
	496,385	365,661	**–**	–
	1,991,027	1,034,123	**1,249,520**	–

Note i:

On 15 May 2013, the Company issued senior notes, with an aggregate nominal value of RMB1,000,000,000 (equivalent to HK$1,264,500,000) at par value (the "Senior Notes"), which bear interest at 6.25% per annum and the interest is payable semi-annually in arrears. The net proceeds, after deducting the direct issuance costs, amounted to approximately RMB987,395,936 (equivalent to HK$1,248,606,276). The Senior Notes will mature on 15 May 2018 and are listed on The Stock Exchange of Hong Kong Limited.

The maturity of borrowings is as follows:

	Consolidated 2014 HK$'000	Consolidated 2013 HK$'000	Company 2014 HK$'000	Company 2013 HK$'000
Within 1 year	**496,385**	365,661	**–**	–
Between 1 and 2 years	**132,908**	309,143	**–**	–
Between 2 and 5 years	**1,361,734**	276,169	**1,249,520**	–
Wholly repayable within 5 years	**1,991,027**	950,973	**1,249,520**	–
Over 5 years	**–**	83,150	**–**	–
	1,991,027	1,034,123	**1,249,520**	–

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

	Consolidated 2014 HK$'000	Consolidated 2013 HK$'000	Company 2014 HK$'000	Company 2013 HK$'000
Renminbi	**1,381,379**	130,053	**1,249,520**	–
Hong Kong Dollar	**528,429**	745,412	**–**	–
Japanese Yen	**20,013**	109,305	**–**	–
Euro	**60,927**	44,708	**–**	–
United States Dollar	**279**	4,645	**–**	–
	1,991,027	1,034,123	**1,249,520**	–

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

24 TRADE AND BILLS PAYABLES – CONSOLIDATED

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

	2014 HK$'000	2013 HK$'000
0 to 30 days	**204,086**	149,571
31 to 60 days	**89,352**	65,950
61 to 90 days	**31,945**	33,673
91 to 180 days	**22,470**	20,936
181 to 365 days	**3,834**	2,636
Over 365 days	**6,237**	786
	357,924	273,552

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

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

	2014 HK$'000	2013 HK$'000
Chinese Renminbi	**117,835**	77,849
Hong Kong Dollar	**71,303**	66,505
Euro	**40,837**	20,425
Japanese Yen	**82,567**	73,235
United States Dollar	**31,107**	28,067
Pound Sterling	**14,102**	7,471
Others	**173**	–
	357,924	273,552

25 ACCRUALS AND OTHER PAYABLES

	Consolidated		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unutilised coupon	**5,595**	11,749	**–**	–
Accruals				
– Rented premises	**244,282**	227,506	**–**	–
– Employment costs	**56,597**	41,318	**–**	–
– Others	**97,216**	63,316	**22,713**	–
Other payables	**180,112**	146,428	**–**	–
	583,802	490,317	**22,713**	–
Less non-current portion:				
Accruals – Rented premises	**(9,893)**	(14,140)	**–**	–
	573,909	476,177	**22,713**	–

Other payables are denominated in the following currencies:

	Consolidated		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Chinese Renminbi	**134,612**	97,965	**–**	–
Hong Kong Dollar	**36,142**	37,283	**–**	–
Japanese Yen	**7,962**	9,999	**–**	–
Others	**1,396**	1,181	**–**	–
	180,112	146,428	**–**	–

The carrying amounts of other payables approximate their fair values.

26 DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated			
	2014		2013	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
Qualified for hedge accounting – cash flow hedge:				
Foreign currency and interest rate swap contract, at market value (a)	**–**	**(4,808)**	–	–
Not qualified for hedge accounting:				
Foreign currency swap contract, at market value (b)	**2,622**	**–**	–	(2,779)
Interest rate swap contract, at market value (c)	**–**	**(1,883)**	–	(3,361)
Foreign exchange forward contracts, at market value (d)	**–**	**–**	1,163	(1,600)
	2,622	**(6,691)**	1,163	(7,740)
Less: current portion				
Foreign exchange forward contracts, at market value (d)	**–**	**–**	(1,163)	1,600
Non-current portion	**2,622**	**(6,691)**	–	(6,140)

	Company			
	2014		2013	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
Non-current portion:				
Qualified for hedge accounting – cash flow hedge:				
Foreign currency and interest rate swap contract, at market value (a)	**–**	**(4,808)**	–	–

Notes:

(a) As at 28 February 2014, the notional principal amounts of the outstanding foreign currency and interest rate swap contract were RMB1,000,000,000 (as at 28 February 2013: Nil), which has been designated as the hedging instrument for the Senior Notes (Note 23). As at 28 February 2014, the fixed interest rate for the senior note was 6.25% per annum. The swap exchange rate is 1.2645 HK$ per one RMB (as at 28 February 2013: Nil) whereas the swap interest rate is 5.75% per annum. Gains and losses recognised in the hedging reserve in equity (Note 29) on foreign currency and interest rate swap contract as of 28 February 2014 will be continuously released to the statement of comprehensive income until the repayment of the Senior Notes.

(b) As at 28 February 2014, 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$132,615,000 (2013: HK$129,570,000). The remaining maturity of the contract is within two years.

(c) As at 28 February 2014, the notional principal amount of the outstanding interest rate swap contract for hedging against interest rate risk exposures relating to liabilities with floating interest rates was HK$275,000,000 (2013: HK$275,000,000). The remaining maturity of the contract is within three years.

(d) 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 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 respectively. The remaining maturities of these contracts are within three months. As at 28 February 2014, there are no outstanding forward exchange contracts.

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:

	2014 HK$'000	2013 HK$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**128,764**	110,080
– Deferred income tax assets to be recovered within 12 months	**6,958**	6,074
	135,722	116,154
Deferred income tax liabilities:		
– Deferred income tax liabilities to be recovered after more than 12 months	**(13,200)**	(13,421)
– Deferred income tax liabilities to be recovered within 12 months	**(31,955)**	(19,563)
	(45,155)	(32,984)
Deferred tax income tax assets (net)	**90,567**	83,170

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

	2014 HK$'000	2013 HK$'000
Beginning of the year	**83,170**	46,981
Recognised in the consolidated statement of comprehensive income (Note 11)	**20,577**	18,305
Recognised directly in equity	**(10,812)**	19,922
Exchange differences	**(2,368)**	(2,038)
End of the year	**90,567**	83,170

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	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Beginning of the year	**9,933**	14,106	**51,626**	37,046	**19,922**	–	**34,673**	26,630	**116,154**	77,782
Recognised in the consolidated statement of comprehensive income	**16,354**	(3,633)	**11,770**	14,311	**–**	–	**5,251**	10,923	**33,375**	21,601
Recognised directly in equity	**–**	–	**–**	–	**(10,812)**	19,922	**–**	–	**(10,812)**	19,922
Exchange differences	**(519)**	(540)	**(874)**	269	**–**	–	**(1,602)**	(2,880)	**(2,995)**	(3,151)
End of the year	**25,768**	9,933	**62,522**	51,626	**9,110**	19,922	**38,322**	34,673	**135,722**	116,154

Deferred tax liabilities –

	Withholding tax		Accelerated tax depreciation		Total	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Beginning of the year	**(16,196)**	(12,006)	**(16,788)**	(18,795)	**(32,984)**	(30,801)
Recognised in the consolidated statement of comprehensive income	**(2,379)**	(4,336)	**(10,419)**	1,040	**(12,798)**	(3,296)
Exchange differences	**108**	146	**519**	967	**627**	1,113
End of the year	**(18,467)**	(16,196)	**(26,688)**	(16,788)	**(45,155)**	(32,984)

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 2014, the Group has unrecognised tax losses of HK$30,629,000 (2013: HK$58,584,000).

The unrecognised tax losses will expire in the following years:

	2014	2013
	HK$'000	HK$'000
2017	**6,832**	6,986
2018	**4,716**	4,823
2019	**126**	42,503
2023	**7,503**	4,272
2024	**11,452**	–
	30,629	58,584

28 SHARE CAPITAL

Movements were:

	Number of ordinary shares '000	Nominal value HK$'000
Authorised:		
At 1 March 2012, 28 February 2013 and 2014		
Ordinary shares of HK$0.1 each	**3,000,000**	300,000
Issued and fully paid:		
At 1 March 2012	**1,220,666**	122,067
Issue of shares under share option schemes (i)	**7,518**	751
At 28 February 2013	**1,228,184**	122,818
Issue of shares under share option schemes (ii)	**579**	58
At 28 February 2014	**1,228,763**	122,876

Notes:

(i) 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.

(ii) During the year ended 28 February 2014, 579,000 share options were exercised at the exercise prices of HK$2.20 per share.

Share options

The Company currently has two share option schemes, namely the First Share Option Scheme and the New Share Option Scheme, detailed as hereinafter. Under both share option schemes, options may be granted to eligible participants (including directors and employees) as defined in the respective share option scheme to subscribe for shares in the Company. The exercise price is determined by the Board and shall not be less than the highest of (i) the nominal value of a share; (ii) the closing price of a share as stated in the daily quotation sheets issued by The Stock Exchange of Hong Kong Limited on the date of the offer; and (iii) the average closing price of the shares as stated in the daily quotation sheets issued by The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of offer. A consideration of HK$10 is payable on acceptance of the grant of options.

In February 2005, the Company has adopted a share option scheme (the "First Share Option Scheme"), which ought to remain in force for 10 years up to February 2015. At the 2008 annual general meeting of the Company held on 30 June 2008, the shareholders of the Company approved the adoption of a new share option scheme (the "New Share Option Scheme"), which will remain in force for 10 years up to June 2018, and the termination of the First Share Option Scheme. The operation of the First Share Option Scheme was terminated with effect from the conclusion of the 2008 annual general meeting. No further options could thereafter be offered under the First Share Option Scheme but the provisions of the First Share Option Scheme would remain in full force and effect. Options granted under the First Share Option Scheme and remain unexpired prior to the termination of the First Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the First Share Option Scheme.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the First Share Option Scheme and the New Share Option Scheme and any other scheme to be adopted by the Company from time to time must not in aggregate exceed 30% of the share capital of the Company in issue from time to time.

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

28 SHARE CAPITAL (Continued)

Share options (Continued)

The details of the share options granted are as follows:

Grant date	14 April 2008	14 April 2008	28 December 2009	12 February 2010	18 March 2011	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$)	2.47	2.25	1.26	1.46	4.96	3.42
Exercise period	14 April 2008 to 13 April 2013[1]	14 April 2008 to 13 April 2013[2]	28 December 2011 to 27 December 2019	12 February 2012 to 11 February 2020	18 March 2017 to 17 March 2021	17 September 2018 to 16 September 2022
Fair value at grant date (HK$)	11,406,000	17,326,000	14,634,390	14,220,491	106,260,000	36,594,400

Notes:

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

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

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

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

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

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

Grant date	14 April 2008	14 April 2008	28 December 2009	12 February 2010	18 March 2011	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	1.99%	1.99%	2.59%	2.87%	2.61%	0.808%

Note:

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

28 SHARE CAPITAL (Continued)

Share options (Continued)

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

	2014		2013	
	Exercise price per share HK$	**Options '000**	Exercise price per share HK$	Options '000
Beginning of the year	**2.92**	**128,552**	2.77	111,510
Granted	**–**	**–**	3.42	24,560
Exercised	**2.20**	**(579)**	2.39	(7,518)
Expired	**2.41**	**(6,821)**	–	–
End of the year	**2.95**	**121,152**	2.92	128,552

Options exercised during the year ended 28 February 2014 resulted in 579,000 (2013: 7,518,000) shares being issued at a weighted average exercise price of HK$2.20 (2013: HK$2.39) each. The related weighted average share price at the time of exercise was HK$3.11 (2013: HK$4.39) per share.

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

Expiry date	**Average exercise price per share after issue of scrip shares during the year ended 28 February 2011** HK$	**Average exercise price per share before issue of scrip shares during the year ended 28 February 2011** HK$	**Share options 2014 '000**	2013 '000
13 April 2013	2.31	2.36	**–**	7,400
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**	24,560
			121,152	128,552

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$'000	Hedging reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 March 2013	892,962	72,003	60,545	88,439	37,312	–	1,279,292	2,430,553
Profit for the year	–	–	–	–	–	–	279,637	279,637
Transfer to statutory reserve	–	–	–	–	4,968	–	(4,968)	–
Share option scheme								
– value of employment services	–	25,513	–	–	–	–	–	25,513
Final dividend for the year ended 28 February 2013	–	–	–	–	–	–	(36,863)	(36,863)
Exercise of share options	1,542	(326)	–	–	–	–	–	1,216
Currency translation differences								
– Group	–	–	–	(12,147)	–	–	–	(12,147)
– Joint ventures	–	–	–	845	–	–	–	845
Reversal of tax credit from exercise of share options	–	–	(10,720)	–	–	–	–	(10,720)
Cash flow hedge recognised as finance cost	–	–	–	–	–	(292)	–	(292)
Fain value change on cash flow hedge, net of tax	–	–	–	–	–	(4,808)	–	(4,808)
Change in ownership interest in a subsidiary without change of control	–	–	–	105	–	–	(283)	(178)
Balance at 28 February 2014	894,504	97,190	49,825	77,242	42,280	(5,100)	1,516,815	2,672,756
Analysed by –								
Company and subsidiaries	894,504	97,190	49,825	69,834	42,280	(5,100)	1,516,815	2,665,348
Joint ventures	–	–	–	7,408	–	–	–	7,408
Balance at 28 February 2014	894,504	97,190	49,825	77,242	42,280	(5,100)	1,516,815	2,672,756
Representing –								
2014 Final dividend proposed							122,876	
Others							1,393,939	
							1,516,815	

29 RESERVES (Continued)

(a) Consolidated (Continued)

	Share premium HK$'000	Share-based payment reserve HK$'000	Capital reserve HK$'000	Translation reserve HK$'000	Statutory reserve (i) HK$'000	Hedging reserve HK$'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)
– Joint ventures	–	–	–	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
Joint ventures	–	–	–	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	

Note:

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

29 RESERVES (Continued)

(b) Company

	Share premium	Share-based payment reserve	Contributed surplus	Hedging reserve	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 March 2013	892,962	72,003	136,680	–	332,086	1,433,731
Profit for the year	–	–	–	–	824,760	824,760
Share option scheme						
– value of employment services	–	23,798	–	–	–	23,798
Final dividend for the year ended 28 February 2013	–	–	–	–	(36,863)	(36,863)
Exercise of share options	1,542	(326)	–	–	–	1,216
Cash flow hedge recognised as finance cost	–	–	–	(292)	–	(292)
Fain value change on cash flow hedge, net of tax	–	–	–	(4,808)	–	(4,808)
Balance at 28 February 2014	894,504	95,475	136,680	(5,100)	1,119,983	2,241,542
Representing –						
2014 Final dividend proposed					122,876	
Others					997,107	
					1,119,983	
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	892,962	72,003	136,680	–	332,086	1,433,731
Representing –						
2013 Final dividend proposed					36,846	
Others					295,240	
					332,086	

30 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	2014 HK$'000	2013 HK$'000
Profit for the year	**280,032**	385,031
Adjustments for:		
– Income tax expense	**65,298**	62,685
– Interest expense	**75,210**	27,554
– Interest income	**(44,190)**	(10,649)
– Share of loss of joint ventures	**41,768**	11,461
– Depreciation of property, furniture and equipment	**270,080**	245,180
– Impairment for property, furniture and equipment	**4,180**	1,648
– Amortisation of intangible assets	**10,244**	13,681
– Impairment of goodwill	**5,557**	–
– Fair value (gains)/losses on derivative financial instruments	**(7,316)**	6,221
– Loss on disposal of property, furniture and equipment	**3,635**	2,288
– Share-based payment	**25,643**	20,442
	730,141	765,542
Changes in working capital:		
– Decrease in inventories	**89,509**	21,748
– (Increase)/decrease in trade, bills and other receivables	**(49,154)**	19,058
– Increase in prepayments and other deposits	**(46,166)**	(27,632)
– Increase in amounts due from joint ventures	**(20,218)**	(13,513)
– Increase/(decrease) in trade and bills payables	**88,582**	(129,962)
– Increase in accruals and other payables	**67,352**	10,335
– (Decrease)/increase in amounts due to joint ventures	**(28,075)**	736
Cash generated from operations	**831,971**	646,312

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

	2014 HK$'000	2013 HK$'000
Net book amount (Note 15)	**3,733**	4,378
Loss on disposal of property, furniture and equipment	**(3,635)**	(2,288)
Proceeds from disposal of property, furniture and equipment	**98**	2,090

(c) Analysis of cash and cash equivalents:

	2014 HK$'000	2013 HK$'000
Cash and bank deposits	**2,315,498**	961,158

31 BANKING FACILITIES AND PLEDGE OF ASSETS

As at 28 February 2014, the Group had aggregate banking facilities of approximately HK$2,045,305,000 (2013: HK$2,060,557,000) at floating rate for overdrafts, bank loans and trade financing, of which approximately HK$1,187,884,000 (2013: HK$937,121,000) was unutilised as at the same date. These facilities are secured by corporate guarantees provided by the Company and certain subsidiaries and pledged of certain property, furniture and equipment.

As at 28 February 2014, the Company provided financial guarantees of HK$741,507,000 (2013: HK$1,034,123,000) 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

	2014 **HK$'000**	2013 HK$'000
Authorised but not contracted for – fixture and furniture	**44,456**	–
Contracted but not provided for – fixture and furniture	**2,708**	1,409

(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:

	2014 **HK$'000**	2013 HK$'000
Not later than one year	**1,148,004**	1,118,414
Later than one year and not later than five years	**1,626,382**	1,878,352
Later than five years	**91,805**	140,543
	2,866,191	3,137,309

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 2014 (2013: Nil).

33 RELATED PARTY TRANSACTIONS – CONSOLIDATED

As at 28 February 2014, 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:

	2014 HK$'000	2013 HK$'000
Interest income from (2)		
– FCIT China Limited (1)	**358**	339
– ZIT H.K. Limited (1)	**455**	456
Reimbursement of operating expenses by (3)		
– FCUK IT Company (1)	**3,559**	8,360
– FCIT China Limited (1)	**56**	56
– ZIT H.K. Limited (1)	**2,124**	1,982
– FCIT (Macau), Limited (1)	**648**	596
– Galeries Lafayette (China) Limited (1)	**1,649**	–
Reimbursement of operating expenses to (3)		
– Galeries Lafayette (Beijing) Limited (1)	**7,503**	–

Notes:

(1) FCUK IT Company, FCIT China Limited, ZIT H.K. Limited, FCIT (Macau), Limited, Galeries Lafayette (China) Limited and Galeries Lafayette (Beijing) Limited are joint ventures 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% (2013: 5%) per annum.

Interest income on amount due from ZIT H.K. Limited is charged at 5% (2013: 5%) per annum.

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

(b) Key management compensation

The directors of the Company are considered as the key management of the Group. Details of the remuneration paid to them are set out in Note 9.

34 SUBSEQUENT EVENT

In March 2014, the Company purchased Senior Notes in the principal amount of RMB 99,000,000, representing approximately 9.9% of the Senior Notes in the principal amount of RMB 1,000,000,000 issued in May 2013. This RMB 99,000,000 purchased Senior Notes was then duly cancelled pursuant to the terms and conditions of the Senior Notes. As at the date of this report, the aggregate principal amount of the Senior Notes which remains outstanding and subject to the terms of the indenture governing the Senior Notes is RMB 901,000,000.

In March 2014, the Group also squared off the interest rate and currency swap with a notional amount of RMB 99,000,000 which was designated as a cash flow hedge for the Senior Note with a face value of RMB 99,000,000. After deducting the related transaction costs, the buy-back resulted in a pre-tax profit of approximately HK$14 million, which will be recognised in the profit and loss for the year ending 28 February 2015.

FIVE YEARS FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	Year ended 28 February 2014 HK$'000	Year ended 28 February 2013 HK$'000	Year ended 29 February 2012 HK$'000	Year ended 28 February 2011 HK$'000	Year ended 28 February 2010 HK$'000
Turnover	**6,746,874**	6,543,109	5,741,642	3,834,422	2,995,952
Cost of sales	**(2,702,521)**	(2,693,460)	(2,201,683)	(1,405,482)	(1,176,707)
Gross profit	**4,044,353**	3,849,649	3,539,959	2,428,940	1,819,245
Other income-incentive income	**–**	–	–	–	13,200
Other gains/(losses)	**7,316**	(6,221)	(2,776)	(7,544)	3,791
Impairment of goodwill	**(5,557)**	–	–	–	(4,217)
Operating expenses	**(3,627,994)**	(3,367,346)	(2,961,879)	(1,958,255)	(1,524,760)
Operating profit	**418,118**	476,082	575,304	463,141	307,259
Finance income	**44,190**	10,649	6,385	5,100	5,250
Finance cost	**(75,210)**	(27,554)	(11,993)	(2,900)	(2,567)
Share of (loss)/profit of joint ventures	**(41,768)**	(11,461)	4,086	15,923	5,432
Profit before income tax	**345,330**	447,716	573,782	481,264	315,374
Income tax expense	**(65,298)**	(62,685)	(100,652)	(93,118)	(52,686)
Profit for the year	**280,032**	385,031	473,130	388,146	262,688
Dividend	**122,876**	36,846	187,967	174,737	121,279

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 28 February 2014 HK$'000	As at 28 February 2013 HK$'000	As at 29 February 2012 HK$'000	As at 28 February 2011 HK$'000	As at 28 February 2010 HK$'000
ASSETS					
Non-current assets					
Property, furniture and equipment	**913,145**	934,128	880,887	727,022	233,395
Intangible assets	**343,043**	359,338	373,018	370,722	259,823
Investments in and amounts due from joint ventures	**220,396**	199,074	118,059	63,730	39,338
Rental deposits	**307,028**	298,675	277,738	199,414	121,711
Prepayment for furniture and equipment	**14,862**	5,868	4,437	–	–
Derivative financial instruments	**2,622**	–	–	–	–
Deferred income tax assets	**135,722**	116,154	77,782	51,389	31,282
	1,936,818	1,913,237	1,731,921	1,412,277	685,549
Current assets					
Inventories	**1,116,693**	1,211,240	1,237,808	736,717	394,520
Trade, bills and other receivables	**181,242**	133,736	155,450	121,371	120,080
Amounts due from joint ventures	**36,449**	25,388	23,648	21,995	27,045
Prepayments and other deposits	**250,611**	221,299	216,063	217,358	122,747
Derivative financial instruments	**–**	1,163	116	–	–
Cash and cash equivalents	**2,315,498**	961,158	626,944	775,841	622,238
	3,900,493	2,553,984	2,260,029	1,873,282	1,286,630
LIABILITIES					
Current liabilities					
Borrowings	**(496,385)**	(365,661)	(263,088)	(296,542)	(47,400)
Trade and bill payables	**(357,924)**	(273,552)	(409,038)	(278,914)	(149,488)
Accruals and other payables	**(573,909)**	(476,177)	(463,583)	(349,524)	(178,245)
Amount due to a joint venture	**(24,022)**	(51,549)	(50,064)	(45,055)	(22,699)
Derivative financial instruments	**–**	(1,600)	–	–	(1,001)
Current income tax liabilities	**(32,373)**	(23,585)	(48,754)	(42,460)	(29,811)
	(1,484,613)	(1,192,124)	(1,234,527)	(1,012,495)	(428,644)
Net current assets	**2,415,880**	1,361,860	1,025,502	860,787	857,986
Total assets less current liabilities	**4,352,698**	3,275,097	2,757,423	2,273,064	1,543,535
Non-current liabilities					
Borrowings	**(1,494,642)**	(668,462)	(437,126)	(379,234)	(35,200)
Accruals	**(9,893)**	(14,140)	(18,079)	(21,935)	(26,030)
Derivative financial instruments	**(6,691)**	(6,140)	(2,639)	–	–
Deferred income tax liabilities	**(45,155)**	(32,984)	(30,801)	(28,683)	(4,582)
	(1,556,381)	(721,726)	(488,645)	(429,852)	(65,812)
Net assets	**2,796,317**	2,553,371	2,268,778	1,843,212	1,477,723
EQUITY					
Capital and reserves					
Share capital	**122,876**	122,818	122,067	119,725	115,504
Reserves	**2,672,756**	2,430,553	2,148,649	1,727,236	1,362,219
Non-controlling interests	**685**	–	(1,938)	(3,749)	–
Total equity	**2,796,317**	2,553,371	2,268,778	1,843,212	1,477,723