

I.T
ANNUAL
REPORT
14/15

STOCK CODE: 999

I.T LIMITED ANNUAL REPORT

14/15

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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, Japan, Singapore, South Korea, Europe, USA and Canada. The Group has an extensive self managed retail network extending to around 580 stores across Greater China with staff around 5,900.



**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.

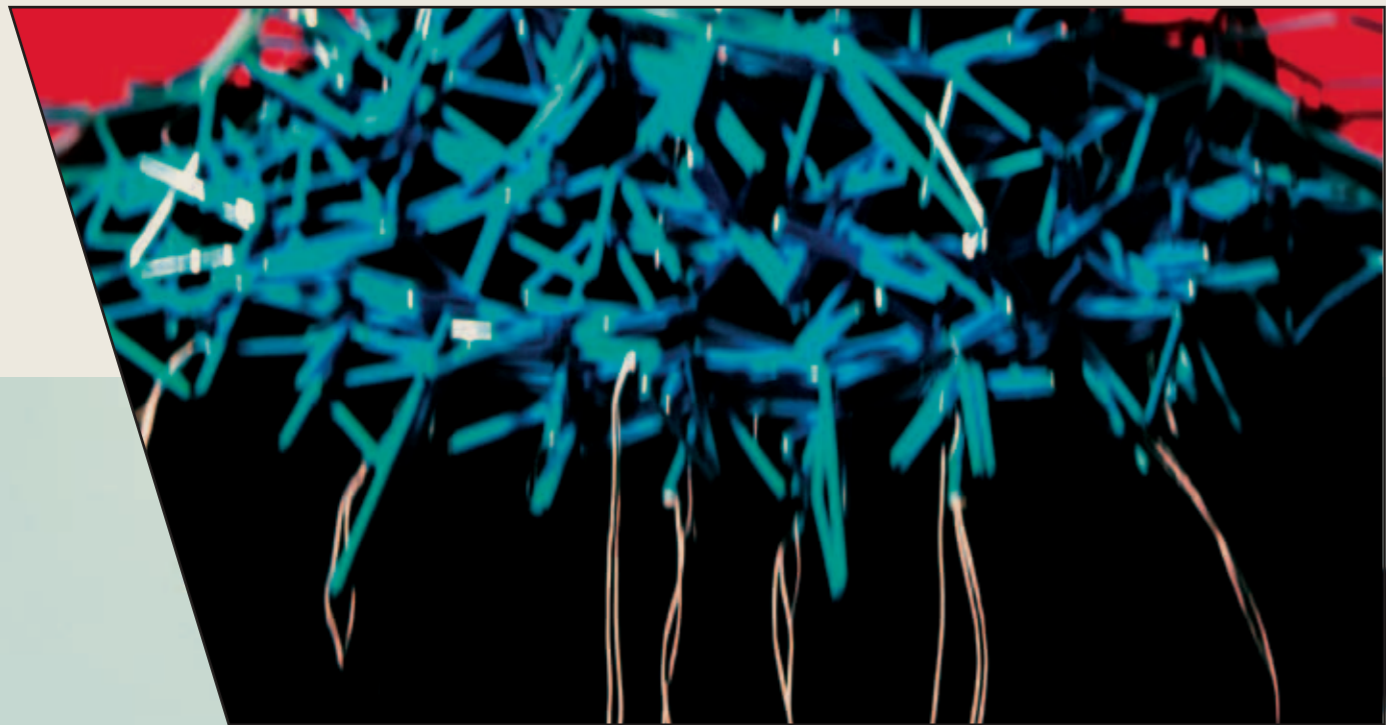
I.T carries apparel from established and up-and-coming international designer's brands, in-house brands and licensed brands. International brands include



Balenciaga
Celine
Alexander McQueen
Maison Margiela
Comme des Garcons
Mercibeaucoup
Tsumori Chisato
Saint Laurent
Lanvin
Ann Demeulemeester
Kenzo
Dior Homme
Marni
Moncler
Valentino
Acne Studios
Thom Browne
Carven



In-house brands include izzue, b+ab, 5cm, fingercroxx, :CHOCOOLATE, tout à coup, Venilla suite, A Bathing Ape and AAPE. Licensed brands include MLB, 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 Singapore, Indonesia, South Korea, Europe 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

Wanchai

Hong Kong

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IR Contact

Mr. FONG Wai Bun, Benny

Head of Investor Relations

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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		Franchised	
	28 February 2015	28 February 2014	28 February 2015	28 February 2014
	2015	2014	2015	2014
Greater China:				
Hong Kong				
I.T	266	275	-	-
FCUK IT ⁽¹⁾	7	5	-	-
ZIT H.K. ⁽¹⁾	3	3	-	-
Mainland China				
I.T	283	253	115	113
FCIT China ⁽¹⁾	19	20	-	-
Camper I.T China ⁽¹⁾	11	10	-	-
Taiwan	21	26	-	2
Macau				
I.T	11	10	-	-
FCIT Macau ⁽¹⁾	1	1	-	-
Overseas:				
Japan	21	24	-	-
USA	1	1	-	-
Thailand	-	-	-	15
Europe ⁽³⁾	-	-	3	4
The Philippines	-	-	-	1
Singapore	-	-	4	3
Indonesia	-	-	1	-
South Korea	-	-	4	4
Canada	-	-	3	1

Brand Portfolio

Over 300 International Designer's Labels

Over 10 In-house and Licensed Brands

Diversified Clientele

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

Multi-Brand Mega Store Concept

Group several brands in a sizable retail location offering a joyous shopping ambience

B. Sales footage⁽²⁾

	Self-managed		Franchised	
	28 February 2015	28 February 2014	28 February 2015	28 February 2014
Greater China:				
Hong Kong				
I.T	631,292	626,258	-	-
FCUK IT ⁽¹⁾	9,407	6,196	-	-
ZIT H.K. ⁽¹⁾	3,597	3,597	-	-
Mainland China				
I.T	978,854	871,518	152,047	137,653
FCIT China ⁽¹⁾	28,233	29,450	-	-
Camper I.T China ⁽¹⁾	7,313	6,939	-	-
Taiwan	37,404	46,066	-	7,372
Macau				
I.T	33,087	31,985	-	-
FCIT Macau ⁽¹⁾	3,330	3,330	-	-
Overseas:				
Japan	46,601	52,685	-	-
USA	3,313	3,313	-	-
Thailand	-	-	-	15,504
Europe ⁽³⁾	-	-	2,317	2,650
The Philippines	-	-	-	573
Singapore	-	-	23,106	17,016
Indonesia	-	-	3,160	-
South Korea	-	-	2,778	2,778
Canada	-	-	8,430	3,615

Notes:

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

⁽²⁾ represents gross area.

⁽³⁾ Includes England and France.

MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

The year 2014 was truly an exceptionally challenging period for retail business in Hong Kong. Irrespective of the fact that the economies of some developed countries have appeared to be on a surer footing throughout the financial year, a number of domestic and peripheral factors were still having considerable impact on the consumer retail markets across the Group's principal operating regions, namely Hong Kong, Mainland China and Japan. The persisting cost inflation in running retail channels, which was substantially attributed to the upsurge in rental and staff costs, alongside the prevailing contraction in spending momentum continued to place downward pressure on the profitability of retail business.

Nevertheless, I am delighted to share with you that the Group has achieved growth in both turnover and profit during the financial year that was full of uncertainties and adversities. The Group continued to put emphasis on brand building initiatives and marketing campaigns, such as crossovers/collaborations with renowned international brands, fashion shows, concerts and fashion awards sponsorships, etc., with an aim to further enhance the brand heritage of our product lines, which we regard as the most valuable asset to sustain long-term growth. For instance, I.T joined forces with Tsinghua University in China and multiple internationally reputable fashion units again in 2014 for the second "izzue x Tsinghua Fashion Design Award", to identify young fashion design talents as well as to promote new fashion ideas to consumers and fashion enthusiasts around the region. These measures, together with a sound promotional strategy and a wide range of the latest and most distinctive fashion products that we were offering, resulted in continuous improvement of our gross profit margin. Despite so, profitability for the retail channels suffered from risks associated with increasing operating costs and social unrest. In the face of persisting difficulties in the business environment, the Group remained prudent as related to potential retail network expansions, yet at the same time reinforced its leadership role in the fashion industry by evolving its fashion platform through new trends, ideas and new store concepts.

As for the Mainland China segment, it achieved another year of turnover growth on the back of a double-digit percentage growth in the trading area. Our retail presence in this region expanded further, bringing the total number of cities with self-managed stores to 17. This is representative of our focus and dedication to this region, fueled by spurring consumption by the rapidly growing middle-income class, and its increasing emphasis on lifestyle enhancements.

On behalf of the Board of Directors of the Company, I would like to offer my highest gratitude to our shareholders for their devotion and to our employees across all business segments for their loyalty and contributions made during the year. Though year 2015 is anticipated to be a difficult year characterized by myriad economic and geopolitical challenges, and consumer retail markets around the regions are likely to be undermined by the softening consumption patterns, I have every confidence in my dedicated team and trust that we can continue to build on the solid foundation of our well-diversified fashion platform, evolving the business to the next level. I also trust that the core competence that we have held on to for years, combining our strong merchandizing capability, creativity and perseverance, alongside the professionalism of our management team, will allow the Group to forge through these short-term economic adversities and stay in the forefront of the fashion industry.



Sham Kar Wai
Chairman

26 May 2015

FINANCIAL HIGHLIGHTS

- Total turnover of the Group increased by 6.4% to HK\$7,180.5 million.
- Total retail sales in Hong Kong increased by 0.3% to HK\$3,577.4 million at comparable store sales growth rate of 0.7%. Total floor area of retail stores in Hong Kong increased by 0.8% to 631,292 square feet.
- Total retail sales in Mainland China increased by 18.2% to HK\$2,563.0 million at comparable store sales growth rate of 4.5% (FY13/14: 0.03%). Total floor area of retail stores in Mainland China increased by 12.3% to 978,854 square feet.
- Japan landed at total retail sales of HK\$433.7 million or JPY6,030.0 million, representing a 5.4% increase in Hong Kong dollar or a 14.5% increase in base currency from last year.
- Total retail sales in Macau increased by 1.6% to HK\$221.3 million.
- Gross profit of the Group increased by 10.4% to HK\$4,464.3 million at gross profit margin of 62.2% (FY13/14: 59.9%).
- Net profit of the Group increased by 11.7% to HK\$312.9 million.
- Basic earnings per share increased by 11.4% to 25.4 HK cents. Diluted earnings per share increased by 11.7% to 24.9 HK cents.
- Proposed final cash dividend amounts to 11.0 HK cents (FY13/14: 10.0 HK cents) per share or HK\$135.0 million (FY13/14: HK\$122.9 million). If approved, the total amount of dividend for the full year would be 12.0 HK cents (FY13/14: 10.0 HK cents) per share.

Per share data	FY14/15	FY13/14	Change
EPS-basic (HK cents)	25.4	22.8	11.4%
EPS-diluted (HK cents)	24.9	22.3	11.7%
Dividend (HK cents)	12.0	10.0	20.0%
Book value (HK\$) ⁽¹⁾	2.31	2.28	1.3%

Key statistics	FY14/15	FY13/14	Change
Inventory turnover (Days) ⁽²⁾	159.7	157.1	1.7%
Cash and cash equivalent (HK\$ million)	2,294.1	2,315.5	-0.1%
Net cash (HK\$ million) ⁽³⁾	557.9	324.5	71.9%
Debt to equity ratio (%) ⁽⁴⁾	61.1	71.2	-14.2%
Return on equity ratio (%) ⁽⁵⁾	11.1	10.5	5.7%

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.

**IT
IS
FASHION**

**shaping the fashion scene
in Greater China**

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

(a) Group

Generally speaking, the global economic conditions have been stable throughout the financial year ended 28 February 2015. And the business environment across the Group's principal operating regions, namely Hong Kong, Mainland China and Japan, has also stabilized gradually. However, the economic recovery on a global scale remained subdued and uncertain. Multiple domestic and peripheral factors, alongside the intensified regional tensions, continued to have considerable impacts on the retail business. In particular, the political demonstration which began in late September 2014 in Hong Kong caused a level of disruption to our operations. In addition, increasing operating costs which were substantially attributed to the upsurge in rental and staff costs, remained a major concern to the Group and the retail industry as a whole. In the midst of the aforementioned economic and political landscape, consumer appetite remained incongruous across various regions.

On a positive note, our business operations have generally stabilized, managing to deliver a turnover growth of 6.4% over last year to HK\$7,180.5 million, with net profit increased by 11.7% to HK\$312.9 million. These results were achieved in the context of the strong brand heritage and highly distinctive fashion products that we have delivered, through active reviews and studies of fashion trends by our creative and adaptive merchandizing and design teams. Moreover, customer experience has been further enhanced through revamped retail channels, combining more focused and effective marketing initiatives and promotional campaigns throughout the financial year.

Turnover by Market

Our Hong Kong segment provided the major source of revenue as in previous years, accounting for 50.6% of total turnover. The Group has adhered to its prudent yet flexible approach on the home front during this prolonged industry down cycle. As a result, turnover in Hong Kong increased only slightly by 0.1% over last year, to HK\$3,630.4 million.

Contributing 38.6% to the total turnover of the Group in the year ended 28 February 2015, Mainland China has achieved another year of noticeable performance on the back of double-digit percentage growth in its sales footage. The Mainland China segment recorded 16.8% growth in turnover over last year, to HK\$2,770.6 million and remained the second largest contributor.

The Japan segment, which comprised 6.4% of total Group turnover, has continued to outperform. Despite reduction in trading area, turnover of our Japan businesses increased by 12.1% in base currency, landing at JPY6,394.80 million. However, owing to the weakening of the Japanese Yen, the turnover in HK\$ increased only by 3.3% to HK\$460.0 million compared to last year and remained the third largest operating region.

Breakdown of turnover by region of operation:

	Turnover			% of Turnover	
	FY14/15 HK\$ million	FY13/14 HK\$ million	Change	FY14/15	FY13/14
Hong Kong	3,630.4	3,625.0	+0.1%	50.6%	53.7%
<i>Retail sales only</i>	<i>3,577.4</i>	<i>3,565.5</i>	<i>+0.3%</i>		
Mainland China	2,770.6	2,371.8	+16.8%	38.6%	35.2%
<i>Retail sales only</i>	<i>2,563.0</i>	<i>2,168.5</i>	<i>+18.2%</i>		
Japan	460.0	445.5	+3.3%	6.4%	6.6%
<i>Retail sales only</i>	<i>433.7</i>	<i>411.3</i>	<i>+5.4%</i>		
Macau	221.3	217.8	+1.6%	3.0%	3.2%
Other	98.2	86.8	+13.1%	1.4%	1.3%
Total	7,180.5	6,746.9	+6.4%	100.0%	100.0%

Brand Mix

It is important to upgrade our own competitiveness in the marketplace in order to sustain long-term growth. Strong goodwill of our in-house brands and highly distinctive international brands assortment, alongside a strategic mix among these brand categories, allow us to remain a highly responsive organization to adapt to changes in the retail market conditions. For the year under review, our in-house brands segment continued to represent the largest revenue contributor, landing at 58.5%.

Breakdown of retail sales by brand category:

	Retail Sales			% of Retail Sales	
	FY14/15 HK\$ million	FY13/14 HK\$ million	Change	FY14/15	FY13/14
In-house brands	4,032.4	3,805.4	+6.0%	58.5%	59.0%
International brands	2,818.0	2,558.3	+10.2%	40.9%	39.7%
Licensed brands	43.4	86.2	-49.7%	0.6%	1.3%
Total	6,893.8	6,449.9	+6.9%	100.0%	100.0%

Dynamics in Margin and Cost

Continuous improvement in gross margin has been achieved, primarily attributed to a general reduction in price discounting campaigns offered during the year alongside the 6.4% increase in turnover. Gross profit of the Group recorded an increase of 10.4% over last year, with gross margin advancing by 2.3 percentage points to 62.2%.

Nevertheless, the Group was operating in a cost environment which was more complex than could have been envisaged during the year. The persisting cost inflation in running retail channels, substantially attributed to the upsurge in rental and staff costs, not only decelerated the path of growth of retail operators in the regions, but continued to dilute operating profit margins. Rent (including rental charges and building management fees) remained a considerably significant portion of our total operating expenses, increasing to 24.4% of total turnover (FY13/14: 23.8%). Staff costs (excluding share option expenses) remained flat at 15.8% of total turnover. At this juncture, the total operating expenses have inevitably increased to 55.3% of total turnover (FY13/14: 53.7%).

On the positive front, the increase in gross profit was able to offset the additional cost of operations. As a result, the operating profit of the Group increased by 18.1% to HK\$493.8 million at an operating profit margin of 6.9% (FY13/14: 6.2%).

(b) Hong Kong

The year ended 28 February 2015 was indeed a challenging period for many retail operators in the region, with a number of local and peripheral factors having considerable impacts on their operating performances. Regional conflicts alongside multiple macroeconomic factors continued to soften consumer sentiment. The political demonstration, which lasted for more than two months, highly affected our retail business during the period. Whilst the shift of the Chinese New Year period from January last year to February this year extended the traditional shopping season, the pace of recovery progressed very slowly. As a result, spending momentum and store traffic among local consumers and in-bound visitors showed no sign of noticeable improvement. At this juncture, our Hong Kong businesses only increased slightly by 0.1% in turnover to HK\$3,630.4 million, and a 0.3% increase in retail sales to HK\$3,577.4 million, with comparable store sales growth registered at 0.7%. The Group maintained its prudent yet flexible approach in relation to store expansion in the face of ongoing difficulty in the business environment. As a result, our total trading area in Hong Kong increased only by 0.8% to 631,292 square feet. Nonetheless, we are maintaining a dominant and balanced retail presence in the region, with more bigger size stores to facilitate new ideas and new shopping excitement including various in-store marketing campaigns which enable us to extend direct interaction with our customers.

As a result of less proactive discounts offered during the year, gross margin increased 1.4 percentage points to 60.7%. However, such achievement in gross margin has yet to fully offset the increase in operating costs, such as rental and staff costs which remained the most significant portion of our operating expenses. Operating cost to sales ratio (which is defined as operating expenses divided by turnover) increased 3.0 percentage points to 56.7%. Consequently, operating profit inevitably declined by 25.1% to HK\$157.3 million at a 4.3% margin (FY13/14: 5.8%).

(c) **Mainland China**

Our long-term commitment to Mainland China was witnessed by another year of double-digit percentage growth in total trading area to 978,854 square feet, representing an increase of 12.3% over last year in spite of the general contraction in consumer spending throughout the year. And while we were continuing our long-term investments in this region, we saw some of the investments that were made in previous years start to bear fruit, as witnessed by the 4.5% comparable store sales growth achieved for the year (FY13/14: 0.03%). On the back of the aforementioned factors, our Mainland China segment has achieved another year of growth in turnover at 16.8%, landing at HK\$2,770.6 million. Total retail sales also increased in a similar manner by 18.2% to HK\$2,563.0 million. The ongoing urbanization in the country, hence improving livelihoods, alongside the growing interest in developing one's own personal style among the middle-income class in particular, provides a favourable business environment for premium distinctive fashion products in the long run.

Operating profit landed at HK\$116.6 million, representing 147.3% growth over the same period last year despite increase in operating cost to sales ratio to 57.5% (FY13/14: 55.7%). This remarkable achievement was primarily a result of an increase in gross margin to 61.0% (FY13/14: 57.3%), mainly attributed to the less proactive discounts offered during the year.

(d) **Japan**

The Japan segment continued to grow steadily, helped again by further improvement in gross margin to 76.4% (FY13/14: 72.7%) and ongoing efforts to enhance operating efficiency, measured by cost to sales ratio. Sales in Japanese Yen grew by 12.1% to JPY6,394.8 million, whereas sales in Hong Kong dollar terms grew by 3.3% to HK\$460.0 million despite strategic consolidation in floor areas during the year to enhance overall store productivity. Consequently, operating profit increased by 46.7% to HK\$146.1 million.

(e) **Macau**

Macau is now showing modest growth following the downtrend in the gaming sector. Total retail sales in Macau increased by 1.6% to HK\$221.3 million with an operating profit amounting to HK\$75.6 million, representing growth of 0.3%. The retail network increased 3.4% to 33,087 square feet as at the year end, and the Group will continue to seek growth opportunities in this region.

Share of Results of Joint Ventures

A share of loss of joint ventures amounting to HK\$35.8 million was recorded for the year ended 28 February 2015, representing a 14.2% decline over last year. A related factor to this enhancement was that our joint venture business with Galeries Lafayette has started to perform with sales growth, resulting in a decline in the loss incurred by the business.

Inventory

Inventory turnover cycle of the Group increased slightly by 3 days to 160 days, partially due to the effect of the political demonstration on our sales performance. It was 17 days lower than the 177 days recorded for the six months ended 31 August 2014.

Cash Flows and Financial Position

The Group's cash and bank balances as at 28 February 2015 were HK\$2,294.1 million, compared to HK\$2,315.5 million as at 28 February 2014 and its net cash balance amounted to HK\$557.9 million (net cash is defined as cash and cash equivalents of HK\$2,294.1 million less bank borrowings of HK\$642.4 million and RMB Senior Notes of HK\$1,093.8 million) versus HK\$324.5 million as at 28 February 2014.

Cash inflow from operating activities for the year ended 28 February 2015 amounted to HK\$597.9 million (FY13/14: HK\$704.7 million).

Liquidity and Banking Facilities

As at 28 February 2015, the Group had aggregate banking facilities of approximately HK\$1,950.3 million (28 February 2014: HK\$2,045.3 million) for overdrafts, bank loans and trade financing, of which approximately HK\$1,256.4 million (28 February 2014: HK\$1,187.9 million) was unutilized as at the same date. These facilities are mainly secured by corporate guarantees provided by the Company and certain subsidiaries.

Charges of Assets

As at 28 February 2015, bank borrowings were secured on land and buildings with a carrying amount of HK\$209.6 million (28 February 2014: HK\$216.1 million).

Contingent Liabilities

As at 28 February 2015, the Group did not have significant contingent liabilities.

Foreign Exchange

The Group is exposed to foreign exchange risk arising from the exposure in the 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

Human resources are our greatest assets and we regard the personal development of our employees as highly important. As at 28 February 2015, the Group had a total of 5,982 (FY13/14: 6,395) full time employees. The Group invests in regular training and other development courses for employees to enhance their technical and product knowledge as well as management skills. The Group offers competitive remuneration packages to its employees, including basic salary, allowances, insurance and commission/bonuses.

Future Outlook

It is anticipated that at least in the near term, the aforementioned challenges in the consumer retail markets across the Group's key operating regions will continue to place considerable strain on the performance of retail operators. The Hong Kong – Mainland China conflict and the Occupy Central movement may create heightened uncertainty for the retail environment in Hong Kong, where the bulk of the Group's revenue is derived. Meanwhile, the retailing markets in Mainland China will likely continue to be undermined by multiple economic & political factors.

Amidst challenging times, the Group remains optimistic with regard to the long-term economic prospect in these regions. In particular, Mainland China's growth opportunities are vastly abundant, where modern retail landscape is still in its infancy, and a large number of underserved cities have yet to be explored. The urbanization process, alongside the rising demographic middle-income group, is also expected to be the impetus for high consumption in the long run. At this juncture, we intend to maintain our strategy to explore development opportunities in Mainland China, with an aim to further broaden our market presence and brand awareness. As for the Hong Kong operation, the growth plan will be to remain prudent, while being open to new ideas and opportunities. Our strong cash position will enable us to flexibly execute new potential concepts, when value-added opportunities that further broaden our brand equity arise.

Despite undergoing a challenging year, with subsequent periods that can be expected to be fuelled by economic and political uncertainties, the Group is enthusiastic and looking forward to the upcoming seasons. Exciting new initiatives include new brands and new ideas for store concepts, focused marketing investments with renowned multinational names and business units, as well as the roll-out of a wide range of the latest and most distinctive collections of fashion products. We will stay focused with these initiatives, and remain vigilant to further enhance our merchandizing capability, shop productivity, and customer service level, to stay at the forefront of our industry, with sustainable long term growth.

BIOGRAPHIES OF DIRECTORS AND MANAGEMENT TEAM

Executive Directors

Mr. SHAM Kar Wai

Aged 48, 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 45, 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 73, 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 54, 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 immediate past chairman and was the chairman (2009-2014) 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 (2007-2013), 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 & Technology 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. (2004-2013). All the aforementioned companies are listed on the Stock Exchange.

Mr. MAK Wing Sum, Alvin

Aged 62, 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, chairman of audit committee and a member of remuneration committee and nomination committee of Goldpac Group Limited; 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.

Management Team

Mr. TSANG Hing Hung Eymon

Aged 46, is the Chief Financial Officer. He is responsible for financial management and reporting, corporate finance and investor 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 44, 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 46, 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") 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 2015, 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 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.

Mr. Francis Goutenmacher has been appointed as an Independent Non-executive Director since August 2006. He has clearly demonstrated to the Company his willingness to exercise independent judgment and to provide objective challenges and advices to Executive Directors and management. The Board opined that there is no evidence that length of tenure is having an adverse impact on his independence.

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 and internal control system is in place; directing and monitoring management in pursuit of the Group's strategic objectives; and determining the remuneration packages of all directors and 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 management of the Company.

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

The Board met four times, eight resolution-in-writing were signed by all the Board members in the year ended 28 February 2015.

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 one resolution-in-writing were signed by all the Committee members in the year ended 28 February 2015. During the year ended 28 February 2015, 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 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 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 management.

The Remuneration Committee members met once and passed two resolutions-in-writing in the year ended 28 February 2015. During the year ended 28 February 2015, the Committee has discussed and reviewed the remuneration packages of the Directors and management, reviewed its terms of reference and discussed and reviewed the extension of term of service and Directors' fee of the Independent Non-executive Directors. 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 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 passed three resolution-in-writing in the year ended 28 February 2015. During the year ended 28 February 2015, the Committee has discussed and reviewed the Board's structure, size, composition and diversity and its terms of reference and the Board Diversity Policy, and the extension of term of service of the Independent Non-executive Directors.

The Nomination Committee comprised three members, majority of which are Independent Non-executive Directors. 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 and make recommendations to the Board of the directors' fee of Independent Non-executive Directors. The Executive Committee comprised Chief Executive Officer and one Executive Director from time to time. The Committee met seventeen times in the year ended 28 February 2015.

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, Board Committees' meetings and the annual general meeting held during the year ended 28 February 2015 are set out as follows:

	Meetings attendance					Annual General Meeting held on 16 July 2014
	Board (Note 6)	Executive Committee	Audit Committee (Note 7)	Remuneration Committee (Note 8)	Nomination Committee (Note 9)	
<i>Executive Directors</i>						
Mr. Sham Kar Wai (Notes 1 & 2)	4/4	17/17	N/A	0/1	3/3	1/1
Mr. Sham Kin Wai (Note 1)	4/4	17/17	N/A	N/A	N/A	1/1
<i>Independent Non-executive Directors</i>						
Mr. Francis Goutenmacher (Notes 1 & 3)	4/4	N/A	4/4	1/1	3/3	1/1
Dr. Wong Tin Yau, Kelvin, JP (Notes 1 & 4)	4/4	N/A	4/4	N/A	N/A	1/1
Mr. Mak Wing Sum, Alvin (Notes 1 & 5)	4/4	N/A	4/4	1/1	3/3	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: 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 2015.

Note 7: This column only records the attendance of Committee meetings duly convened and held. In addition to this, one resolution-in-writing was signed by all the Committee members during the year ended 28 February 2015.

Note 8: This column only records the attendance of Committee meetings duly convened and held. In addition to this, two resolution-in-writing were signed by all the Committee members during the year ended 28 February 2015.

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

Corporate Governance Functions

The Board did not establish a corporate governance committee but has delegated its responsibility for performing corporate governance duties to the respective Board Committees. During the year ended 28 February 2015, 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 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 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 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 2015, the fees paid or payable to PricewaterhouseCoopers were approximately HK\$3,774,000 for audit services and approximately HK\$1,225,000 for non-audit services (for the review of the interim results of the Company for the period ended 31 August 2014, tax compliance and tax advisory services) 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 2015, 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 2015, 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 was 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 2015, meetings with more than 146 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 2015.

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's Bye-laws, 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 2015.

SOCIAL RESPONSIBILITIES

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

LEGHILÀ x KELLY CHEN CHARITY PROJECT TO SUPPORT CHILDREN'S DEVELOPMENT

I.T lined up with renowned artist Kelly Chen to support children education and welfare. A donation of HK\$100,000 was made to 'Kelly Chen Children Education Fund' and in return, Kelly has specially designed a one-of-a-kind leghilà handbag for this charity project, in hope to arouse public concern on children welfare and development.

AAPE BY A BATHING APE® X DUREX COLLABORATION - DONATION TO AIDS CONCERN

AAPE BY A BATHING APE® collaborated with Durex for the first time in September 2014 and launched a series of AAPE camouflage limited edition pack to raise funds for AIDS Concern and showing support to World AIDS Day. AAPE has made donation to AIDS Concern to contribute to HIV prevention, education and care programmes that are critical to maintaining low infection rates in Hong Kong.

ORBIS & :CHOCOOLATE MOONWALKERS 2014 - LIGHT UP THE DARK, LIGHT UP THEIR WORLD!

For the first time ever, :CHOCOOLATE proudly joined forces with Orbis to conquer darkness on a dazzling 20 km march into a bright new dawn for the needlessly blind in the night of 1 November 2014. Almost 11,000 participants walked from Kwai Chung Hing Fong Road Playground to Hong Kong Gold Coast Golden Beach in Tuen Mun. The hot-footed donors got masked with a playful :CHOCOOLATE eye shades, step into style to experience a 10-minute blindfold walk to feel the difficulties of being blind. In matching the "Light up the dark" theme, a mass light painting session was set up to brighten up the night. :CHOCOOLATE has donated HK\$400,000 to Orbis to extend their saving sight mission to a farther and wider area, so that more needlessly blind lives will be filled with colour and joy.

REPORT OF THE DIRECTORS

The Directors of I.T Limited (the “Company”) have pleasure in submitting their annual report together with the audited consolidated financial statements of the Company and its subsidiaries (the “Group”) for the year ended 28 February 2015.

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 18 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 2015 are set out in Note 18 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 11.0 HK cents per share for the year ended 28 February 2015 (2014: 10.0 HK cents).

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$702,000 (2014: HK\$519,000).

PROPERTY, FURNITURE AND EQUIPMENT

Details of the movements in property, furniture and equipment of the Group are set out in Note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 29 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Company during the year are set out in Note 30 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 28 February 2015, the Company’s reserve available for cash distribution, as computed in accordance with The Companies Act 1981 of Bermuda (as amended), amounted to HK\$1,258,964,000, of which HK\$135,036,000 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 115 and 116.

REPORT OF THE DIRECTORS (Continued)

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

During the year ended 28 February 2015, the Board considered the value of the Company's shares was consistently undervalued and the Company purchased its listed shares on The Stock Exchange of the Hong Kong Limited (the "Stock Exchange") as follows: –

Shares purchased

	Number of shares purchased	Purchase price paid		Total purchase price paid HK\$
		Highest HK\$	Lowest HK\$	
June 2014	1,160,000	2.69	2.59	3,082,120

As at 28 February 2015, the total number of issued shares of the Company was 1,227,603,307.

During the year ended 28 February 2015, the Company purchased its 6.25 per cent. senior notes due 2018 (the "Notes") on the Stock Exchange as follows: –

Notes purchased

	Amount of the Notes purchased CNY	Percentage of the Notes purchased compared to the principal amount of CNY1,000,000,000 when issued
March 2014	99,000,000	9.9%
June 2014	7,000,000	0.7%
Total	106,000,000*	10.6%

* Note:

1. After the purchases, the Notes were cancelled pursuant to the terms of the indenture governing the Notes.

As at 28 February 2015, the aggregate principal amount of the Notes which remains outstanding and subject to the terms of indenture governing the Notes was CNY894,000,000.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares or the Notes during the year ended 28 February 2015.

In March 2015, the Company further purchased its 2,408,000 listed shares on the Stock Exchange. The total purchase price paid was HK\$5,382,540, with highest price at HK\$2.59 and lowest price at HK\$2.14.

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 Bye-law 87 of the Company's Bye-laws, Mr. Francis Goutenmacher and Mr. Mak Wing Sum, Alvin will retire by rotation at the forthcoming annual general meeting of the Company (the "2015 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 2015 while Mr. Mak Wing Sum, Alvin's on 30 March 2016. 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 on the Stock Exchange (the "Listing Rules").

Mr. Francis Goutenmacher has been appointed as an Independent Non-executive Director since August 2006. He has clearly demonstrated his exercise of independent judgment and provision of objective challenges and advices to Executive Directors and management. There is no evidence that length of tenure is having an adverse impact on his independence.

The Board considers that all Independent Non-executive Directors are independent.

REPORT OF THE DIRECTORS (Continued)

DIRECTORS' SERVICE CONTRACTS

The Director who is proposed for re-election at the 2015 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 10 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 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 9 to the consolidated financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND MANAGEMENT TEAM

Biographical details of the Directors and management team 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 2014 are set out below: –

Name of Directors	Details of changes
	The Group's annual remuneration review was conducted in April 2015.
<i>Executive Directors</i>	
Mr. Sham Kar Wai	– the annual package (which includes basic salary and housing allowance) was revised to HK\$9,450,558 commenced from 1 April 2015.
Mr. Sham Kin Wai	– the annual package (which includes basic salary and housing allowance) was revised to HK\$9,450,558 commenced from 1 April 2015.
<i>Independent Non-executive Directors</i>	
Mr. Francis Goutenmacher	– the director's fee was revised to HK\$270,000 per annum commenced from 1 April 2015.
Dr. Wong Tin Yau, Kelvin, JP	– the director's fee was revised to HK\$270,000 per annum commenced from 1 April 2015.
Mr. Mak Wing Sum, Alvin	– the director's fee was revised to HK\$270,000 per annum commenced from 1 April 2015.

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

REPORT OF THE DIRECTORS (Continued)

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 2015, 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

Director	Beneficiary of trust (Note 1)	Interest in underlying shares/equity derivatives (Note 2)	No. of shares held		Percentage of issued shares (Note 4)
			Direct interest	Total	
Sham Kar Wai (Note 3)	698,564,441	35,048,379	6,834,000	740,446,820	60.31%
Sham Kin Wai (Note 3)	698,564,441	35,048,379	6,834,000	740,446,820	60.31%

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 detailed in the section headed "Substantial Shareholders' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company" below.
- (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.
- (4) The issued shares of the Company was 1,227,603,307 shares as at 28 February 2015.

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

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

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

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

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

Save as disclosed above, none of the Directors or their associates had any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations as at 28 February 2015.

REPORT OF THE DIRECTORS (Continued)

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from those disclosed in the section headed "Share Options" below, 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

The Company adopted a share option scheme on 30 June 2008 (the "Scheme"). The Scheme is to provide incentives or rewards to selected eligible participants for their contribution or potential contribution to the Group. Pursuant to the Scheme, the Company may grant options to eligible participants as defined in the 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 Scheme will remain in force for a period of 10 years up to June 2018.

No participant with options granted was in excess of the individual limit as stipulated in the 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 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 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 Scheme and any other share option schemes of the Company is 55,226,003, representing 4.51% of the issued shares of the Company.

No share option was granted, exercised or lapsed during the year ended 28 February 2015. The outstanding options granted under the Scheme and yet to be exercised are set out below:

	Date of grant	Exercise period	Exercise price per share HK\$	Number of Share Options as at 1 March 2014 and 28 February 2015
Director				
Sham Kar Wai	12 February 2010	12 February 2012 to 11 February 2020	1.43	11,268,379
	18 March 2011	18 March 2017 to 17 March 2021	4.96	11,500,000
	17 September 2012	17 September 2018 to 16 September 2022	3.42	12,280,000
Sham Kin Wai	12 February 2010	12 February 2012 to 11 February 2020	1.43	11,268,379
	18 March 2011	18 March 2017 to 17 March 2021	4.96	11,500,000
	17 September 2012	17 September 2018 to 16 September 2022	3.42	12,280,000
Continuous contract employees	28 December 2009	28 December 2011 to 27 December 2019	1.23	33,805,137
	18 March 2011	18 March 2017 to 17 March 2021	4.96	17,250,000
				<hr/> <hr/> 121,151,895

REPORT OF THE DIRECTORS (Continued)

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

As at 28 February 2015, 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 shares (Note 13)	Long/short position
Yau Shuk Ching Chingmy (Notes 1 & 2)	Beneficiary of a trust/ Interest of spouse	743,856,800	60.56%	Long
Wong Choi Shan (Notes 1 & 3)	Beneficiary of a trust/ Interest of spouse	743,856,800	60.56%	Long
Effective Convey Limited (Note 4)	Beneficial owner/ Interest in corporation	698,564,441	56.87%	Long
Dynamic Vitality Limited (Notes 1 & 5)	Interest in corporation	698,564,441	56.87%	Long
HSBC International Trustee Limited (Notes 1 & 5)	Interest in corporation	698,564,441	56.87%	Long
Fine Honour Limited (Note 4)	Beneficial owner	169,197,830	13.98%	Long
Yeung Chun Kam (Note 6)	Interest in controlled company/Joint interest	68,827,473	5.61%	Long
Yeung Chun Fan (Note 6)	Interest in controlled company/Joint interest	68,827,473	5.61%	Long
Cheung Wai Yee (Note 7)	Interest of spouse	68,827,473	5.61%	Long
Greenwoods Asset Management Limited (Note 8)	Interest in controlled company	61,878,000	5.04%	Long
Greenwoods Asset Management Holdings Limited (Notes 8 & 9)	Interest in controlled company	61,878,000	5.04%	Long
Unique Element Corp. (Notes 8 & 10)	Interest in controlled company	61,878,000	5.04%	Long
Jiang Jinzhi (Notes 8 & 11)	Interest in controlled company	61,878,000	5.04%	Long
The Capital Group Companies, Inc. (Note 12)	Interest in corporation	61,568,000	5.02%	Long

Notes:

- The ABS 2000 Trust was established on 14 September 2000 as an irrevocable discretionary trust for the benefit of Mr. Sham Kar Wai and Mr. Sham Kin Wai (both are Directors of the Company) and their respective family members. HSBC International Trustee Limited is the trustee of The ABS 2000 Trust.
- Spouse of Mr. Sham Kar Wai. Out of the 743,856,800 shares, Ms. Yau as a beneficiary of The ABS 2000 Trust, is interested in 698,564,441 shares while the rest of the shares is held in the capacity of interest of spouse.
- Spouse of Mr. Sham Kin Wai. Out of the 743,856,800 shares, Ms. Wong as a beneficiary of The ABS 2000 Trust, is interested in 698,564,441 shares while the rest of the shares is held in the capacity of interest of spouse.
- 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.
- Effective Convey Limited is a wholly-owned subsidiary of Dynamic Vitality Limited, which is wholly-owned by The ABS 2000 Trust. Each of Dynamic Vitality Limited and HSBC International Trustee Limited is therefore deemed interested in the shares held by Effective Convey Limited.
- Out of the 68,827,473 shares, 55,970,000 shares are held by Dr. Yeung Chun Kam and Mr. Yeung Chun Fan jointly and the balance, being 12,857,473 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 12,857,473 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 39.53% interest in Glorious Sun Enterprises Limited. Dr. Yeung Chun Kam and Mr. Yeung Chun Fan respectively holds 51.93% and 48.07% interest in Glorious Sun Holdings (BVI) Limited. Therefore, each of Glorious Sun Holdings (BVI) Limited, Dr. Yeung Chun Kam and Mr. Yeung Chun Fan is deemed interested in the Shares held by Glorious Sun Trading (HK) Limited.
- Spouse of Mr. Yeung Chun Fan.
- According to the notice filed by Greenwoods Asset Management Limited, out of the 61,878,000 shares, 14,128,000 shares are held by Greenwoods Asset Management Limited and 6,528,000 shares and 41,222,000 shares held by its controlled corporation, Golden China Master Fund and Greenwoods China Alpha Master Fund respectively.
- According to the notice filed by Greenwoods Asset Management Holdings Limited, Greenwoods Asset Management Holdings Limited held the shares through its controlled corporations, Greenwoods Asset Management Limited, Golden China Master Fund and Greenwoods China Alpha Master Fund.
- According to the notice filed by Unique Element Corp., Unique Element Corp. held the shares through its controlled corporations, Greenwoods Asset Management Holdings Limited, Greenwoods Asset Management Limited, Golden China Master Fund and Greenwoods China Alpha Master Fund.
- According to the notice filed by Jiang Jinzhi, Jiang Jinzhi held the shares through its controlled corporations, Unique Element Corp., Greenwoods Asset Management Holdings Limited, Greenwoods Asset Management Limited, Golden China Master Fund and Greenwoods China Alpha Master Fund.
- The shares are held by Capital Research and Management Company, a wholly-owned subsidiary of The Capital Group Companies, Inc..
- The issued shares of the Company was 1,227,603,307 shares as at 28 February 2015.

REPORT OF THE DIRECTORS (Continued)

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 2015, which did not constitute connected transactions under the Listing Rules, are disclosed in Note 34 to the consolidated financial statements.

CONTINUING DISCLOSURE REQUIREMENTS

The following circumstances giving rise to the obligations of disclosure pursuant to Rule 13.18 of the Listing Rules continue to exist after the year ended 28 February 2015.

(a) 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.

During the year ended 28 February 2015, the Company purchased the Notes in the principal amount aggregated up to CNY106,000,000 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 indenture governing the Notes is CNY894,000,000.

REPORT OF THE DIRECTORS (Continued)

(b) The New Facilities

Reference is made to the announcements made by the Company on 24 February 2012 and 1 December 2014 pursuant to Rule 13.18 of the Listing Rules. Terms used herein have the same meaning as those defined in the announcement dated 1 December 2014 (the "New Facilities Announcement").

On 1 December 2014, the Company made the New Facilities Announcement that I.T Finance Limited, an indirectly wholly-owned subsidiary of the Company, as the borrower has entered into the New Facility Agreement for the purpose of refinancing in full the facilities under the facility agreement dated 24 February 2012. Pursuant to the New 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 New 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 New Facility are set out below:

New Facility Agreement:	The facility agreement dated 1 December 2014 and executed by I.T Finance Limited, the Guarantors, the Facility Agent and the Lenders;
Borrower:	I.T Finance Limited;
Guarantors:	the Company and four indirectly wholly-owned subsidiaries of the Company;
Lenders:	Hang Seng Bank Limited and The Hongkong and Shanghai Banking Corporation Limited;
Facility Agent:	Hang Seng Bank Limited;
New Facility:	a term loan of HK\$380,352,500 repayable over a period of 39 months from the date of signing of the New Facility Agreement.

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 2015 AGM and being eligible, offer themselves for re-appointment.

On behalf of the Board



Sham Kar Wai
Chairman

Hong Kong, 26 May 2015

IT

IS

a fashion icon

TREND SETTING

inspiration

a lifestyle

MOVING FORWARD

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

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

We have audited the consolidated financial statements of I.T Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 55 to 114, which comprise the consolidated and company statements of financial position as at 28 February 2015, 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 2015 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.

A large, stylized handwritten signature in black ink, which appears to read 'PricewaterhouseCoopers', is written over the printed name of the firm.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 May 2015

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 28 February 2015

	Note	2015 HK\$'000	2014 HK\$'000
Turnover	5	7,180,540	6,746,874
Cost of sales	7	(2,716,192)	(2,702,521)
Gross profit		4,464,348	4,044,353
Other losses, net	6	(19,329)	(5,074)
Impairment of goodwill	17	-	(5,557)
Operating expenses	7	(3,971,212)	(3,625,354)
Other income	8	19,960	9,750
Operating profit		493,767	418,118
Finance income	11	63,509	44,190
Finance costs	11	(85,092)	(75,210)
Share of losses of joint ventures	19	(35,821)	(41,768)
Profit before income tax		436,363	345,330
Income tax expense	12	(123,503)	(65,298)
Profit for the year		312,860	280,032
Other comprehensive loss:			
Items that may be reclassified to profit or loss			
Currency translation differences		(62,886)	(11,320)
Cash flow hedge recognised as finance costs	11	26,030	(292)
Fair value changes on cash flow hedge, net of tax		(116,581)	(4,808)
Total other comprehensive loss for the year		(153,437)	(16,420)
Total comprehensive income for the year		159,423	263,612
Profit attributable to:			
– Equity holders of the Company	13	312,471	279,637
– Non-controlling interests		389	395
Total comprehensive income attributable to:		312,860	280,032
– Equity holders of the Company		159,170	263,235
– Non-controlling interests		253	377
Earnings per share attributable to equity holders of the Company for the year (expressed in HK cent per share)			
– basic	14	25.4	22.8
– diluted	14	24.9	22.3
Dividends	15	147,312	122,876

The notes on pages 60 to 114 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 28 February 2015

	Note	2015 HK\$'000	2014 HK\$'000
ASSETS			
Non-current assets			
Property, furniture and equipment	16	836,410	913,145
Intangible assets	17	322,404	343,043
Investments in and loans to joint ventures	19	166,828	220,396
Rental deposits	22	316,835	307,028
Prepayments for non-current assets	22	41,765	14,862
Derivative financial instruments	27	-	2,622
Deferred income tax assets	28	132,427	135,722
		<u>1,816,669</u>	<u>1,936,818</u>
Current assets			
Inventories	20	1,260,598	1,116,693
Trade, bills and other receivables	21	243,926	181,242
Amounts due from joint ventures	19	50,086	36,449
Prepayments and other deposits	22	285,613	250,611
Current income tax recoverable		21,714	-
Cash and cash equivalents	23	2,294,103	2,315,498
		<u>4,156,040</u>	<u>3,900,493</u>
LIABILITIES			
Current liabilities			
Borrowings	24	(267,431)	(496,385)
Trade and bills payables	25	(385,280)	(357,924)
Accruals and other payables	26	(707,859)	(573,909)
Derivative financial instruments	27	(30)	-
Amounts due to joint ventures	19	(33,693)	(24,022)
Current income tax liabilities		(100,949)	(32,373)
		<u>(1,495,242)</u>	<u>(1,484,613)</u>
Net current assets		<u>2,660,798</u>	<u>2,415,880</u>
Total assets less current liabilities		<u>4,477,467</u>	<u>4,352,698</u>
Non-current liabilities			
Borrowings	24	(1,468,808)	(1,494,642)
Accruals	26	(12,017)	(9,893)
Derivative financial instruments	27	(122,378)	(6,691)
Deferred income tax liabilities	28	(34,145)	(45,155)
		<u>(1,637,348)</u>	<u>(1,556,381)</u>
Net assets		<u>2,840,119</u>	<u>2,796,317</u>
EQUITY			
Capital and reserves			
Share capital	29	122,760	122,876
Reserves	30	2,716,421	2,672,756
Non-controlling interests		938	685
Total equity		<u>2,840,119</u>	<u>2,796,317</u>



SHAM KAR WAI
Chairman



SHAM KIN WAI
Director

The notes on pages 60 to 114 are an integral part of these consolidated financial statements.

The financial statements on pages 55 to 114 were approved by the board of Directors on 26 May 2015 and were signed on its behalf.

STATEMENT OF FINANCIAL POSITION

As at 28 February 2015

	Note	2015 HK\$'000	2014 HK\$'000
ASSETS			
Non-current assets			
Investments in and amounts due from subsidiaries	18	256,407	2,764,233
Current assets			
Prepayments and other deposits	22	-	6,261
Cash and cash equivalents	23	731	873,310
Amounts due from subsidiaries	18	3,280,350	-
		3,281,081	879,571
Current liabilities			
Accruals and other payables	26	(18,913)	(22,713)
Current income tax liabilities		(6,470)	(2,345)
		(25,383)	(25,058)
Net current assets		3,255,698	854,513
Total assets less current liabilities		3,512,105	3,618,746
Non-current liabilities			
Borrowings	24	(1,093,832)	(1,249,520)
Financial instrument liabilities	27	(121,389)	(4,808)
		(1,215,221)	(1,254,328)
Net assets		2,296,884	2,364,418
EQUITY			
Capital and reserves			
Share capital	29	122,760	122,876
Reserves	30	2,174,124	2,241,542
Total equity		2,296,884	2,364,418



SHAM KAR WAI
Chairman



SHAM KIN WAI
Director

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 28 February 2015

	Note	Attributable to equity holders of the Company		Non- controlling interests HK\$'000	Total HK\$'000
		Share capital HK\$'000	Reserves HK\$'000		
Balance at 1 March 2014		122,876	2,672,756	685	2,796,317
Comprehensive income:					
– Profit for the year		–	312,471	389	312,860
Other comprehensive income:					
– Currency translation differences		–	(62,750)	(136)	(62,886)
– Cash flow hedge recognised as finance costs		–	26,030	–	26,030
– fair value changes on cash flow hedge, net of tax		–	(116,581)	–	(116,581)
Total comprehensive income		–	159,170	253	159,423
Transactions with equity holders:					
Final dividend for the year ended 28 February 2014		–	(122,760)	–	(122,760)
Interim dividend for the period ended 31 August 2014		–	(12,276)	–	(12,276)
Repurchase of shares	29 & 30	(116)	(2,966)	–	(3,082)
Share option scheme					
– value of employment services	30	–	23,798	–	23,798
Reversal of tax credit from exercise of share options		–	(1,301)	–	(1,301)
Total transactions with equity holders		(116)	(115,505)	–	(115,621)
Balance at 28 February 2015		122,760	2,716,421	938	2,840,119
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 finance costs		–	(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	29 & 30	58	1,216	–	1,274
Share option scheme					
– value of employment services	30	–	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

The notes on pages 60 to 114 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 28 February 2015

	Note	2015 HK\$'000	2014 HK\$'000
Cash flows from operating activities			
Cash generated from operations	31(a)	748,816	831,971
Interest paid		(63,394)	(50,079)
Hong Kong profits tax paid		(47,023)	(45,448)
Overseas income tax paid		(40,535)	(31,778)
Net cash generated from operating activities		<u>597,864</u>	<u>704,666</u>
Cash flows from investing activities			
Purchase of property, furniture and equipment		(274,711)	(258,531)
Purchase of intangible assets		(4,210)	(4,520)
Increase in prepayments for non-current assets		(26,903)	-
Proceeds from disposal of property, furniture and equipment	31(b)	2,543	98
Capital injection in a joint venture		-	(56,774)
Dividend received from joint ventures		2,500	4,500
Interest received		63,188	40,257
Net cash used in investing activities		<u>(237,593)</u>	<u>(274,970)</u>
Cash flows from financing activities			
Proceeds from exercise of share options		-	1,274
Repurchase of shares		(3,082)	-
Proceeds from borrowings		527,456	1,326,122
Repayments of borrowings		(626,557)	(362,326)
Buy-back of Senior Notes		(119,598)	-
Dividends paid		(135,036)	(36,863)
Net cash (used in)/generated from financing activities		<u>(356,817)</u>	<u>928,207</u>
Net increase in cash and cash equivalents		3,454	1,357,903
Cash and cash equivalents, beginning of the year		2,315,498	961,158
Currency translation differences		(24,849)	(3,563)
Cash and cash equivalents, end of the year	31(c)	<u>2,294,103</u>	<u>2,315,498</u>

The notes on pages 60 to 114 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

The Company has its listing on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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 26 May 2015.

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 the Company 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 consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32, Laws of Hong Kong) for this financial year and the comparative period.

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 2014:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, “Consolidation for investment entities”, these amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an “investment entity” definition and which display particular characteristics. Changes have also been made HKFRS 12 to introduce disclosures that an investment entity needs to make.

Amendments to HKAS 32, “Financial instruments: Presentation on asset and liability offsetting”, these amendments are to the application guidance in HKAS 32, “Financial instruments: Presentation”, and clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.

Amendment to HKAS 39, “Financial instruments: Recognition and measurement on novation of derivatives”, this amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

HK(IFRIC) – Int 21, “Levies”, this is an interpretation of HKAS 37, “Provisions, contingent liabilities and contingent assets”. HKAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

The Group has adopted these standards and the adoption of these standards did not have a significant impact on the Group’s results and financial position.

There are no other new standards or amendments to standards that are effective for the first time for the financial year beginning on or after 1 March 2014 that would be expected to have a material impact on the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

- (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 28 February 2015 or later periods and have not been early adopted by the Group:

HKAS 19 (Amendment)	Employee benefits: defined benefit plans – employee contributions ¹
HKAS 16 and 38 (Amendment)	Classification of acceptable methods of depreciation and amortisation ²
HKFRS 9	Financial instruments ⁴
HKFRS 11 (Amendment)	Accounting for acquisition of interest in joint operations ²
HKFRS 14	Regulatory deferral accounts ²
HKFRS 15	Revenue from contracts with customers ³
HKAS 27 (Amendment)	Equity method ²
HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture ²
Annual Improvements Project	Annual improvements 2010–2012 cycle ¹
Annual Improvements Project	Annual improvements 2011–2013 cycle ¹
Annual Improvements Project	Annual improvements 2012–2014 cycle ²

¹ Effective for the Group for annual period beginning 1 July 2014

² Effective for the Group for annual period beginning 1 January 2016

³ Effective for the Group for annual period beginning 1 January 2017

⁴ Effective for the Group for annual period beginning 1 January 2018

The Group will apply the above HKFRS, amendments to existing HKFRSs and interpretations 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.

In addition, the requirements of Part 9 “Account and Audit” of the new Hong Kong Companies Ordinance (Cap. 622, Laws of Hong Kong) come into operation as from the Company’s first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622, Laws of Hong Kong). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

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 2015.

(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.

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. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation are measured at either fair value or the present ownership interests’ proportionate share in the recognised amounts of the acquiree’s identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 CONSOLIDATION (Continued)

(a) Subsidiaries (Continued)

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.

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.

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

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

(b) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 executive directors that makes strategic decisions.

2.4 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where item are re-measured. 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, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

(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 date of that statement of financial position;
- (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

Leasehold land classified as finance lease and all other 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 costs 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 PROPERTY, FURNITURE AND EQUIPMENT (Continued)

Motor vehicles and yacht 4 to 10 years

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

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

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

2.6 INTANGIBLE ASSETS

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over 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) Trademarks

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

2.8 LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more 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 statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. The Group's loans and receivables comprise "trade, bills and other receivables", "cash and cash equivalents" and "amounts due from joint ventures" in the statement of financial position.

2.9 IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held- to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 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.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 26. Movements on the hedging reserve in shareholders' equity are shown in Note 29. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less 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 reclassified to the consolidated profit and loss account in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of currency and interest rate swap contracts hedging exchange difference of the borrowing is recognised in the consolidated statement of comprehensive income within finance costs. The gain or loss relating to the ineffective portion is recognised in the consolidated statement of comprehensive income within other gains/(losses).

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.

(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.

2.11 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.

2.12 TRADE, BILL 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 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.

2.14 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.

2.15 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.

2.16 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 statement of financial position date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.18 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 statement of financial position date.

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

(b) Pension obligations

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

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

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

(c) Bonus plan

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

(d) Termination benefits

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

(e) Share-based compensation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 EMPLOYEE BENEFITS (Continued)

(e) Share-based compensation (Continued)

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.

2.19 PROVISIONS

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

2.21 REVENUE RECOGNITION

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

(a) Sales of goods

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

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

(b) Interest income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 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.

2.23 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.

2.24 DIVIDEND DISTRIBUTIONS

Dividend distribution to the company's shareholders is recognised as a liability in the group's and the company's financial statements in the period in which the dividends are approved by the company's shareholders or directors, where appropriate.

2.25 GOVERNMENT GRANTS

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2.26 COMPARATIVE FIGURES

Certain prior year comparative figures have been reclassified to conform to the current year's presentation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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. The Group has entered into interest rate and currency swap contracts to hedge against the foreign exchange risk of the Senior Notes.

At 28 February 2015, 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\$200,000 (2014: HK\$239,000) 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 2015, if Hong Kong Dollar had strengthened/weakened by 5% against the Euro with all other variables held constant, profit for the year and equity holders' equity would have been approximately HK\$2,050,000 (2014: HK\$1,666,000) higher/lower 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 2015, 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\$2,897,000 (2014: HK\$3,845,000) 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.

At 28 February 2015, 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\$23,128,000 (2014: HK\$8,374,000) 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 2015, 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\$2,690,000 (2014: HK\$3,321,000) 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 2015, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(b) Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents, trade, bill 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 2015, 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, bill 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.

The Group also makes deposits (current and non-current) for rental of certain of its retail outlets with the relevant landlords. Management does not expect any loss arising from non-performance by these counterparties.

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 2015, the Company provided corporate guarantees of HK\$642,407,000 (2014: HK\$741,507,000) to certain banks in respect of the bank facilities of certain of 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, bill and other receivables, and rental deposits is on Notes 19, 21 and 22 to the consolidated financial statements.

(c) Liquidity risk

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

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period from the statement of financial position date 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 statement of financial position date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(c) Liquidity risk (Continued)

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 2015					
Borrowings subject to a repayment on demand clause	116,159	-	-	-	116,159
Borrowings and interest payment	165,108	174,454	222,991	-	562,553
Senior notes and interest payment	69,011	69,011	1,177,214	-	1,315,236
Trade and bill payables	385,280	-	-	-	385,280
Accruals and other payables	707,859	-	-	-	707,859
Amounts due to joint ventures	33,693	-	-	-	33,693
Interest rate swap contract not qualified for hedge accounting	1,054	57	-	-	1,111
	<u>1,478,164</u>	<u>243,522</u>	<u>1,400,205</u>	<u>-</u>	<u>3,121,891</u>
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 bill 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
	<u>1,549,673</u>	<u>219,586</u>	<u>1,542,060</u>	<u>-</u>	<u>3,311,319</u>
Company					
As at 28 February 2015					
Senior notes and interest payment	69,011	69,011	1,177,214	-	1,315,236
Accruals and other payables	18,931	-	-	-	18,931
	<u>87,942</u>	<u>69,011</u>	<u>1,177,214</u>	<u>-</u>	<u>1,334,167</u>
As at 28 February 2014					
Senior notes and interest payment	78,095	78,095	1,421,971	-	1,578,161
Accruals and other payables	22,713	-	-	-	22,713
	<u>100,808</u>	<u>78,095</u>	<u>1,421,971</u>	<u>-</u>	<u>1,600,874</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 statement of financial position date 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 statement of financial position date.

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 2015					
Currency and interest rate swap contracts – cash flow hedges:					
– outflow	(65,002)	(65,002)	(1,227,965)	–	(1,357,969)
– inflow	69,011	69,011	1,207,696	–	1,345,718
Currency swap contracts – not qualified for hedge accounting					
– outflow	(131,303)	–	–	–	(131,303)
– inflow	131,420	–	–	–	131,420
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	(6,932)	(136,502)	–	–	(143,434)
– inflow	7,095	139,710	–	–	146,805
Company					
As at 28 February 2015					
Currency and interest rate swap contracts – cash flow hedges:					
– outflow	(65,002)	(65,002)	(1,227,965)	–	(1,357,969)
– inflow	69,011	69,011	1,207,696	–	1,345,718
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 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 2015	11,809	11,809	33,009	68,597	125,224
As at 28 February 2014	11,925	11,925	33,125	81,165	138,140

(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 2015 of HK\$1,440,127,000 (2014: HK\$1,556,238,000), held at effective interest rate of 2.3 % per annum (2014: 3.0% per annum), the bank borrowings as at 28 February 2015 of HK\$642,407,000 (2014: HK\$741,507,000) held at effective interest rate of 2.2% (2014: 2.5%) per annum and the borrowings in the form of Senior Notes as at 28 February 2015 of HK\$1,093,833,000 (2014: HK\$1,249,520,000) held at fixed interest rate of 6.25% (2014: 6.25%) 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 2015, 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\$2,116,000 higher/lower (2014: HK\$178,000 higher/lower). The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the statement of financial position date. The 100 basis point increase or decrease represents management's assessment of a reasonable possible change in those interest rates which have the most impact on the Group over the period until the next annual statement of financial position date.

Except for the borrowings in the form of Senior Notes as at 28 February 2015 of HK\$1,093,833,000 (2014: HK\$1,249,520,000) held at fixed interest rate of 6.25% (2014: 6.25%) 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.

3.2 FAIR VALUE ESTIMATION

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

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

The Group measures its fair value of the financial instruments carried at fair value as at 28 February 2015 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 FAIR VALUE ESTIMATION (Continued)

The following table presents the Group's and Company's financial instruments carried at fair value as at 28 February 2015 and 2014:

Group	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 28 February 2015				
Liabilities				
Currency and interest rate swap contracts – cash flow hedges	–	(121,389)	–	(121,389)
Currency swap contract not qualified for hedge accounting	–	(30)	–	(30)
Interest rate swap contract not qualified for hedge accounting	–	(989)	–	(989)
	<u>–</u>	<u>(122,408)</u>	<u>–</u>	<u>(122,408)</u>
As at 28 February 2014				
Assets				
Currency swap contract not qualified for hedge accounting	<u>–</u>	<u>2,622</u>	<u>–</u>	<u>2,622</u>
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)
	<u>–</u>	<u>(6,691)</u>	<u>–</u>	<u>(6,691)</u>
Company				
As at 28 February 2015				
Liabilities				
Currency and interest rate swap contracts – cash flow hedges	<u>–</u>	<u>(121,389)</u>	<u>–</u>	<u>(121,389)</u>
As at 28 February 2014				
Liabilities				
Currency and interest rate swap contracts – cash flow hedges	<u>–</u>	<u>(4,808)</u>	<u>–</u>	<u>(4,808)</u>

The fair value of financial instruments in level 2 that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data (such as, foreign currency forward exchange rate data) where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instruments are included in level 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 CAPITAL RISK MANAGEMENT (Continued)

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 or sell assets to reduce debt.

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:

	2015	2014
Cash and cash equivalents (HK\$'000)	2,294,103	2,315,498
Current ratio (Current assets divided by current liabilities)	2.78	2.63
Gearing ratio (Cash and cash equivalents less total borrowings, divided by total equity)	-	-

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.

(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 prepared on the basis of management's assumption and estimates. These estimations require the use of judgements and estimates.

The management has performed sensitivity analysis. Based on the sensitivity analysis performed, the recoverable amounts of the CGUs still exceed their corresponding carrying amounts and thus no impairment is required. The sensitivity analysis has assumed an increase in discount rate by 1 % or a decrease in gross profit margin percentage by 0.5%, with all changes taken in isolation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(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 statement of financial position date.

(d) Fair value of derivatives and other financial instruments

The fair value of financial instruments in level 2 that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. These valuations require the use of judgements and estimates.

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

The Group's management determines the provision for impairment of deposits, trade, bill 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 statement of financial position date.

(f) 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.

(g) 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.

(h) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5 TURNOVER AND SEGMENT INFORMATION

(a) Revenue

	2015 HK\$'000	2014 HK\$'000
Turnover		
– sales of fashion wears and accessories	<u>7,180,540</u>	<u>6,746,874</u>

(b) Segment information

The chief operating decision maker (“CODM”) has been identified as the executive directors that makes strategic decisions. The CODM reviews the internal reporting of the Group in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The CODM considers the business from geographic perspective and assesses the performance of the geographical segment based on a measure of 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 and net gains on buy-back of Senior Notes are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group. The information provided to the CODM is measured in a manner consistent with that in the financial statements.

Segment assets exclude deferred income tax assets, current income tax recoverable, and investments in and amounts due from joint ventures which are managed on a central basis.

The segment information provided to the CODM for the reportable segments for the year ended 28 February 2015 and 2014 is as follows:

	Hong Kong		Mainland China		Japan		Macau		Other		Total	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Turnover	<u>3,630,405</u>	<u>3,625,004</u>	<u>2,770,556</u>	<u>2,371,786</u>	<u>459,979</u>	<u>445,489</u>	<u>221,283</u>	<u>217,832</u>	<u>98,317</u>	<u>86,763</u>	<u>7,180,540</u>	<u>6,746,874</u>
EBITDA	274,798	351,957	279,197	163,355	163,665	117,168	83,261	82,681	5,182	(6,982)	806,103	708,179
Depreciation and amortisation	(131,863)	(141,025)	(143,814)	(107,240)	(17,540)	(17,532)	(7,699)	(7,315)	(7,028)	(7,212)	(307,944)	(280,324)
Impairment of property, furniture and equipment	(875)	(770)	(18,784)	(3,410)	-	-	-	-	-	-	(19,659)	(4,180)
Impairment of goodwill	-	-	-	(5,557)	-	-	-	-	-	-	-	(5,557)
Segment profit	<u>142,060</u>	<u>210,162</u>	<u>116,599</u>	<u>47,148</u>	<u>146,125</u>	<u>99,636</u>	<u>75,562</u>	<u>75,366</u>	<u>(1,846)</u>	<u>(14,194)</u>	<u>478,500</u>	<u>418,118</u>
Net gains on buy-back of Senior Notes											15,267	-
Operating profit											493,767	418,118
Finance income											63,509	44,190
Finance costs											(85,092)	(75,210)
Share of losses of joint ventures											(35,821)	(41,768)
Profit before income tax											<u>436,363</u>	<u>345,330</u>
Total segment non-current assets	<u>609,514</u>	<u>605,910</u>	<u>735,539</u>	<u>758,532</u>	<u>122,412</u>	<u>156,641</u>	<u>39,121</u>	<u>40,903</u>	<u>10,828</u>	<u>18,714</u>	<u>1,517,414</u>	<u>1,580,700</u>
Total segment assets	<u>3,010,315</u>	<u>3,032,831</u>	<u>2,124,597</u>	<u>1,909,826</u>	<u>296,970</u>	<u>340,787</u>	<u>111,357</u>	<u>109,452</u>	<u>58,415</u>	<u>51,848</u>	<u>5,601,654</u>	<u>5,444,744</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5 TURNOVER AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

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

	2015 HK\$'000	2014 HK\$'000
Segment assets for reportable segments	5,543,239	5,392,896
Other segment assets	58,415	51,848
	<u>5,601,654</u>	<u>5,444,744</u>
Unallocated:		
Deferred income tax assets and current income tax recoverable	154,141	135,722
Investments in and amounts due from joint ventures	216,914	256,845
	<u>5,972,709</u>	<u>5,837,311</u>

6 OTHER LOSSES, NET

	2015 HK\$'000	2014 HK\$'000
Fair value (losses)/gains on derivative financial instruments		
- forward foreign exchange contracts	-	437
- foreign currency swap contract	(2,652)	5,401
- interest rate swap contract	894	1,478
Net exchange losses	(32,838)	(12,390)
Net gains on buy-back of Senior Notes (Note 24)	15,267	-
	<u>(19,329)</u>	<u>(5,074)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 EXPENSES BY NATURE

	2015 HK\$'000	2014 HK\$'000
Cost of inventories sold	2,677,931	2,672,974
Provision for/(reversal of) write-downs of inventories to net realisable value	41,997	(12,835)
Employment costs (including directors' emoluments) (Note 9)	1,158,709	1,090,513
Operating lease rentals of premises		
– minimum lease payments	1,365,107	1,258,137
– contingent rents	186,421	175,230
Building management fee	198,665	175,690
Advertising and promotion costs	114,257	104,357
Commission expenses	70,240	75,318
Bank charges	81,820	75,437
Utilities expenses	64,326	61,010
Freight charges	40,645	55,415
Depreciation of property, furniture and equipment	301,049	270,080
Impairment of property, furniture and equipment	19,659	4,180
Onerous contract provision	24,278	11,200
Loss on disposals of property, furniture and equipment	9,395	3,635
Licence fees (included in operating expenses)		
– amortisation of licence rights	3,095	3,681
– contingent licence fees	18,340	11,980
Amortisation of intangible assets (excluding licence fees)	3,800	6,563
Provision for impairment of trade receivables	2,275	529
Provision/(reversal of provision) for impairment of amount due from a joint venture	3,837	(2,408)
Auditors' remuneration		
– audit services	3,774	3,592
– non-audit services	800	800
Other expenses	296,984	282,797
	<hr/>	<hr/>
Total	6,687,404	6,327,875
	<hr/> <hr/>	<hr/> <hr/>
Representing:		
Cost of sales	2,716,192	2,702,521
Operating expenses	3,971,212	3,625,354
	<hr/>	<hr/>
	6,687,404	6,327,875
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8 OTHER INCOME

	2015 HK\$'000	2014 HK\$'000
Government grants	14,389	9,750
Others	5,571	–
	<u>19,960</u>	<u>9,750</u>

9 EMPLOYMENT COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2015 HK\$'000	2014 HK\$'000
Salaries, commission and allowances	1,015,777	959,301
Pension costs – employer's contributions to defined contribution plans and provision for long service payment	113,380	99,747
Share-based payment	23,798	25,643
Welfare and other benefits	5,754	5,822
	<u>1,158,709</u>	<u>1,090,513</u>

(a) Pension – defined contribution plans

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (“the MPF Scheme”), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its employees make monthly contributions to the scheme generally at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employee are subject to a maximum contribution of HK\$1,500 per month (for period after 1 June 2013) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of each director of the Company for the year ended 28 February 2015 is set out below:

Name of directors	Fees HK\$'000	Salaries HK\$'000	Bonus HK\$'000	Other benefits (i) HK\$'000	Employer's contributions to pension scheme HK\$'000	Total HK\$'000
Executive directors						
Mr. Sham Kar Wai (Chief Executive Officer)	-	7,393	14,427	9,786	17	31,623
Mr. Sham Kin Wai	-	5,002	11,803	9,666	17	26,488
Independent non-executive directors						
Dr. Wong Tin Yau, Kelvin, JP	260	-	-	-	-	260
Mr. Francis Goutenmacher	260	-	-	-	-	260
Mr. Mak Wing Sum, Alvin	260	-	-	-	-	260
	<u>780</u>	<u>12,395</u>	<u>26,230</u>	<u>19,452</u>	<u>34</u>	<u>58,891</u>

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

Name of directors	Fees HK\$'000	Salaries HK\$'000	Bonus HK\$'000	Other benefits (i) HK\$'000	Employer's contributions to pension scheme HK\$'000	Total HK\$'000
Executive directors						
Mr. Sham Kar Wai (Chief Executive Officer)	-	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
	<u>762</u>	<u>12,077</u>	<u>-</u>	<u>19,452</u>	<u>30</u>	<u>32,321</u>

Note:

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

No directors waived any emoluments during the year ended 28 February 2015 (2014: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two (2014: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2014: three) individuals are as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries	10,097	7,439
Bonus	9,500	6,232
Other benefits (i)	7,803	10,047
Employer's contributions to pension scheme	300	334
	<u>27,700</u>	<u>24,052</u>

Note:

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

The emoluments of the remaining three (2014: three) individuals fell within the following bands:

	2015	2014
HK\$4,000,001 - HK\$4,500,000	-	1
HK\$5,500,001 - HK\$6,000,000	1	-
HK\$8,500,001 - HK\$9,000,000	-	1
HK\$10,000,001 - HK\$10,500,000	1	-
HK\$10,500,001 - HK\$11,000,000	-	1
HK\$12,000,001 - HK\$12,500,000	1	-
	<u>3</u>	<u>3</u>

- (c) During the year ended 28 February 2015, 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 (2014: Nil).

11 FINANCE INCOME AND COSTS

	2015 HK\$'000	2014 HK\$'000
Interest income from		
– bank deposits	59,045	40,257
– amounts due from joint ventures	833	813
– others (i)	3,631	3,120
Finance income	<u>63,509</u>	<u>44,190</u>
Interest expense on borrowings wholly repayable within five years	(84,005)	(82,393)
Net foreign exchange transaction gain	24,943	6,891
Transfer from hedging reserve		
– interest rate and currency swaps: cash flow hedge	(26,030)	292
Finance costs	<u>(85,092)</u>	<u>(75,210)</u>
Net finance costs	<u>(21,583)</u>	<u>(31,020)</u>

Note:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12 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% (2014: 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% (2014: rates of 25%) on the profits of the Group's operations in Mainland China.

Taiwan profits tax has been provided at the rate of 17% (2014: 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% (2014: 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 43.41% for the period from 1 March 2014 to 30 August 2014 and 40.85% for the period from 1 September 2014 to 28 February 2015 (2014: 43.41%) on the estimated assessable profits of the Group's operations in Japan.

The applicable US enterprise income tax rate for subsidiary operating in the United States of America is 45.03% (2014: 45.03%).

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

	2015 HK\$'000	2014 HK\$'000
Current income tax		
– Hong Kong profits tax	35,707	62,082
– Mainland China enterprise income tax	27,957	11,806
– Overseas income tax	56,385	12,290
– Under/(over)-provision in prior year	14,561	(303)
	<u>134,610</u>	<u>85,875</u>
Deferred income tax (Note 28)	(11,107)	(20,577)
	<u>123,503</u>	<u>65,298</u>

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

	2015 HK\$'000	2014 HK\$'000
Profit before income tax	436,363	345,330
Adjustment: share of loss of joint ventures, net of tax	35,821	41,768
Adjusted profit before income tax	<u>472,184</u>	<u>387,098</u>
Tax calculated at applicable tax rates	114,949	89,142
Income not subject to tax	(13,276)	(5,793)
Expenses not deductible for tax purposes	10,071	12,334
Impact of deferred tax previously not recognised	(10,416)	(37,255)
Withholding tax	7,614	7,173
Under/(over)-provision in prior year	14,561	(303)
Income tax expense	<u>123,503</u>	<u>65,298</u>

The weighted average applicable tax rate was 24.3% (2014: 23.0%). The increase is mainly caused by a change of the distribution of profits of the Group's entities operating in different locations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13 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\$137,337,000 (2014: HK\$824,760,000).

14 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.

	2015	2014
Profit attributable to equity holders of the Company (HK\$'000)	<u>312,471</u>	<u>279,637</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,227,913</u>	<u>1,228,702</u>
Basic earnings per share (HK cent)	<u>25.4</u>	<u>22.8</u>

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.

	2015	2014
Profit attributable to equity holders of the Company (HK\$'000)	<u>312,471</u>	<u>279,637</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,227,913</u>	<u>1,228,702</u>
Adjustments for share options ('000)	<u>25,720</u>	<u>27,283</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>1,253,633</u>	<u>1,255,985</u>
Diluted earnings per share (HK cent)	<u>24.9</u>	<u>22.3</u>

15 DIVIDENDS

	2015 HK\$'000	2014 HK\$'000
Interim dividend paid of 1.0 HK cent (2013: nil) per ordinary share	12,276	-
Final dividend, proposed, 11.0 HK cents (2014: 10.0 HK cents) per ordinary share	<u>135,036</u>	<u>122,876</u>
	<u>147,312</u>	<u>122,876</u>

The dividends paid in the year ended 28 February 2015 and the year ended 28 February 2014 were HK\$135,036,000 (11.0 HK cents per share) and HK\$36,863,000 (3.0 HK cents per share) respectively.

A final dividend of 11.0 HK cents per ordinary share (2014: 10.0 HK cents per ordinary share) for the year ended 28 February 2015 is to be proposed at the annual general meeting on 11 August 2015. These financial statements do not reflect this dividend payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 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 2013					
Cost	283,534	1,203,752	183,302	54,010	1,724,598
Accumulated depreciation and impairment	(15,808)	(645,759)	(104,671)	(24,232)	(790,470)
Net book amount	<u>267,726</u>	<u>557,993</u>	<u>78,631</u>	<u>29,778</u>	<u>934,128</u>
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)
Currency translation differences	(4,227)	2,666	358	(318)	(1,521)
Closing net book amount	<u>256,676</u>	<u>552,787</u>	<u>81,766</u>	<u>21,916</u>	<u>913,145</u>
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	<u>256,676</u>	<u>552,787</u>	<u>81,766</u>	<u>21,916</u>	<u>913,145</u>
Year ended 28 February 2015					
Opening net book amount	256,676	552,787	81,766	21,916	913,145
Additions	-	241,993	26,252	6,466	274,711
Disposals	-	(11,028)	(910)	-	(11,938)
Impairment	-	(19,659)	-	-	(19,659)
Depreciation	(6,795)	(257,903)	(29,392)	(6,959)	(301,049)
Currency translation differences	(6,004)	(10,588)	(1,362)	(846)	(18,800)
Closing net book amount	<u>243,877</u>	<u>495,602</u>	<u>76,354</u>	<u>20,577</u>	<u>836,410</u>
At 28 February 2015					
Cost	273,055	1,504,355	229,450	57,151	2,064,011
Accumulated depreciation and impairment	(29,178)	(1,008,753)	(153,096)	(36,574)	(1,227,601)
Net book amount	<u>243,877</u>	<u>495,602</u>	<u>76,354</u>	<u>20,577</u>	<u>836,410</u>

Depreciation and impairment expenses have been included in operating expenses.

As at 28 February 2015, bank borrowings are secured on land and buildings with carrying amounts of HK\$209,627,000 (2014: HK\$216,104,000).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 INTANGIBLE ASSETS - CONSOLIDATED

	Goodwill HK\$'000	Licence rights HK\$'000	Franchise contracts and distribution agreements HK\$'000	Trademarks HK\$'000	Other intangible assets HK\$'000	Club debentures HK\$'000	Total HK\$'000
At 1 March 2013							
Cost	386,419	9,784	21,195	33,290	4,308	8,098	463,094
Accumulated amortisation and impairment	(71,675)	(7,897)	(11,545)	(8,331)	(4,308)	-	(103,756)
Net book amount	<u>314,744</u>	<u>1,887</u>	<u>9,650</u>	<u>24,959</u>	<u>-</u>	<u>8,098</u>	<u>359,338</u>
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)
Currency translation differences	(2,763)	(19)	18	(2,250)	-	-	(5,014)
Closing net book amount	<u>306,424</u>	<u>1,793</u>	<u>7,048</u>	<u>19,680</u>	<u>-</u>	<u>8,098</u>	<u>343,043</u>
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	<u>306,424</u>	<u>1,793</u>	<u>7,048</u>	<u>19,680</u>	<u>-</u>	<u>8,098</u>	<u>343,043</u>
Year ended 28 February 2015							
Opening net book amount	306,424	1,793	7,048	19,680	-	8,098	343,043
Additions	-	3,610	-	600	-	-	4,210
Amortisation	-	(3,095)	(1,853)	(1,947)	-	-	(6,895)
Currency translation differences	(13,853)	(28)	(134)	(3,939)	-	-	(17,954)
Closing net book amount	<u>292,571</u>	<u>2,280</u>	<u>5,061</u>	<u>14,394</u>	<u>-</u>	<u>8,098</u>	<u>322,404</u>
At 28 February 2015							
Cost	368,046	7,206	20,330	21,768	3,323	8,098	428,771
Accumulated amortisation and impairment	(75,475)	(4,926)	(15,269)	(7,374)	(3,323)	-	(106,367)
Net book amount	<u>292,571</u>	<u>2,280</u>	<u>5,061</u>	<u>14,394</u>	<u>-</u>	<u>8,098</u>	<u>322,404</u>

Amortisation expense has been included in operating expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 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:

	Opening HK\$'000	Impairment HK\$'000	Currency translation differences HK\$'000	Ending HK\$'000
2015				
China	259,458	-	(6,868)	252,590
Japan	46,966	-	(6,985)	39,981
	<u>306,424</u>	<u>-</u>	<u>(13,853)</u>	<u>292,571</u>
2014				
China	262,916	(5,557)	2,099	259,458
Japan	51,828	-	(4,862)	46,966
	<u>314,744</u>	<u>(5,557)</u>	<u>(2,763)</u>	<u>306,424</u>

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. Management determined budgeted gross margin based on past performance and its expectations for the market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant businesses. 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 2015 and 2014 are as follows:

	China		Japan	
	2015	2014	2015	2014
Long-term growth rate	2%	2% to 4%	0%	0%
Gross margin	50% to 77%	50% to 72%	62%	57%
Discount rate (pre-tax)	16%	16%	23%	23%

During the year ended 28 February 2015, no impairment (2014: HK\$5,557,000) was recognised in respect of the goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 INVESTMENTS IN AND LOANS TO SUBSIDIARIES – COMPANY

	2015 HK\$'000	2014 HK\$'000
Unlisted investments, at cost	277,138	253,672
Share-based payment recharged from subsidiaries	(20,731)	(20,731)
Amounts due from subsidiaries (Note (b))	–	2,531,292
	<u>256,407</u>	<u>2,764,233</u>
Amounts due from subsidiaries (Note (b))	<u>3,280,350</u>	<u>–</u>

(a) Details of the principal subsidiaries as at 28 February 2015:

Name	Place of incorporation/ establishment and operations	Issued and fully paid/ registered capital	Proportion of ordinary shares directly held by parent (%)	Percentage of equity interest attributable to the Group (i)	Proportion of ordinary shares held by non- controlling interests (%)	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
Chocolate Limited	Hong Kong	HK\$500,000	–	100%	–	Retail of fashion wears and accessories
Double Park Limited	Hong Kong	HK\$500,000	–	100%	–	Retail of fashion wears and accessories
Elegant Century Enterprises Limited	Hong Kong	HK\$500,000	–	100%	–	Retail of fashion wears and accessories
i.t apparels Limited	Hong Kong	HK\$500,000	–	100%	–	Retail and trading of fashion wears and accessories
I.T China Limited	Hong Kong	HK\$60,000,000	–	100%	–	Investment holding
I.T Distribution Limited	Hong Kong	HK\$2	–	100%	–	Trading of fashion wears and accessories
I.T (Macau) Limited	Macau	MOP9,270,000	–	100%	–	Retail of fashion wears and accessories

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 INVESTMENTS IN AND LOANS TO SUBSIDIARIES – COMPANY (Continued)

(a) Details of the principal subsidiaries as at 28 February 2015 (Continued):

Name	Place of incorporation/ establishment and operations	Issued and fully paid/ registered capital	Proportion of ordinary shares directly held by parent (%)	Percentage of equity interest attributable to the Group (i)	Proportion of ordinary shares held by non-controlling interests (%)	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%	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 INVESTMENTS IN AND LOANS TO SUBSIDIARIES – COMPANY (Continued)

(a) Details of the principal subsidiaries as at 28 February 2015 (Continued):

Name	Place of incorporation/ establishment and operations	Issued and fully paid/ registered capital	Proportion of ordinary shares directly held by parent (%)	Percentage of equity interest attributable to the Group (i)	Proportion of ordinary shares held by non-controlling interests (%)	Principal activities
Nowhere Co., Ltd.	Japan	JPY77,000,000	–	99.5%	0.5%	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 year 2027, 20 years up to year 2027, 30 years up to year 2035 and 20 years up to year 2030, respectively.

(b) Amounts due from subsidiaries

As at 28 February 2015, all amounts due from subsidiaries are unsecured, denominated in HK\$, repayable within 12 months and interest-free, except for an amount due from a subsidiary of HK\$1,130,463,000, which is interest bearing at HIBOR + 5.75% per annum.

As at 28 February 2014, all amounts due from subsidiaries are unsecured, denominated in HK\$, not repayable within 12 months and interest-free, except for an amount due from a subsidiary of HK\$1,264,500,000 and HK\$244,349,000, which are interest bearing at 5.75% per annum and HIBOR + 5.75% per annum respectively.

19 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES

	2015 HK\$'000	2014 HK\$'000
Share of net assets	145,491	184,237
Loans to joint ventures (note (b))	21,337	36,159
	<u>166,828</u>	<u>220,396</u>
Amounts due from joint ventures (note (b))	<u>50,086</u>	<u>36,449</u>
Amounts due to joint ventures (note (b))	<u>(33,693)</u>	<u>(24,022)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES (Continued)

(a) Share of net assets of joint ventures

	2015 HK\$'000	2014 HK\$'000
Beginning of the year	184,237	172,885
Share of results of joint ventures		
– loss before income tax	(35,478)	(40,583)
– income tax expense	(343)	(1,185)
– currency translation differences	(425)	846
Capital injection in a joint venture	–	56,774
Distribution of dividend	(2,500)	(4,500)
	<u>145,491</u>	<u>184,237</u>

Details of the principal joint ventures as at 28 February 2015:

Name	Place of incorporation/ establishment and operations	Issued and fully paid capital/ registered capital	Percentage of equity interest attributable to the Group	Principal activities
FCUK IT Company	Hong Kong	HK\$2	50%	Retail of fashion wears and accessories
FCIT China Limited	Hong Kong	HK\$2	50%	Investment holding
ZIT H.K. Limited	Hong Kong	HK\$1,000,000	50%	Retail of fashion wears and accessories
Glory Premium Limited	Hong Kong	HK\$4,500,000	50%	Investment holding
Kenchart Apparel (Shanghai) Limited (i)	Mainland China	US\$3,700,000	50%	Retail of fashion wears and accessories
FCIT (Macau), Limited	Macau	MOP\$1,030,000	50%	Retail of fashion wears and accessories
Galleries Lafayette (China) Limited	Hong Kong	HK\$425,485,166	50%	Investment holding
Galleries Lafayette (Beijing) Limited (ii)	Mainland China	US\$15,000,000	50%	Operation of a department store
Macaron (Beijing) 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\$2,100,000	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 year 2035.
- (ii) Galleries Lafayette (Beijing) Limited is a joint venture, which is a wholly owned foreign enterprise of Galleries Lafayette (China) Limited, established in Beijing, Mainland China to be operated for 30 years up to year 2041.
- (iii) Macaron (Beijing) Limited is a joint venture, which is a wholly owned foreign enterprise of Galleries Lafayette (China) Limited, established in Beijing, Mainland China to be operated for 30 years up to year 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 year 2042.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES (Continued)

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

Galeries 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

	2015 HK\$'000	2014 HK\$'000
Assets		
Non-current assets	231,938	289,495
Current assets		
– Cash and cash equivalents	136,533	191,457
– Other current assets	188,565	160,024
	325,098	351,481
Total assets	557,036	640,976
Liabilities		
Non-current liabilities		
– Financial liabilities	(14,494)	(28,696)
– Other non-current liabilities	(1,304)	(1,849)
	(15,798)	(30,545)
Current liabilities		
– Financial liabilities (excluding trade and other payables)	(204,952)	(145,805)
– Other current liabilities (including trade and other payables)	(56,264)	(96,748)
	(261,216)	(242,553)
Total liabilities	(277,014)	(273,098)
Net assets	280,022	367,878

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES (Continued)

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

Summarised statement of comprehensive income

	2015 HK\$'000	2014 HK\$'000
Revenue	472,366	314,632
Cost of sales	(156,420)	(104,738)
Other expenditures	(395,291)	(289,209)
	<u> </u>	<u> </u>
Loss after tax	(79,345)	(79,315)
	-----	-----
Other comprehensive income	(850)	1,692
	<u> </u>	<u> </u>
Total comprehensive loss	<u> (80,195)</u>	<u> (77,623)</u>

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

	2015 HK\$'000	2014 HK\$'000
Revenues	265,723	108,839
Non-current assets	210,311	263,353
Current assets	154,901	183,543
Current liabilities	(141,530)	(153,035)
Net assets	223,682	293,861
Loss	(71,292)	(90,871)
Other comprehensive income	(84)	1,097
Total comprehensive loss	<u> (71,376)</u>	<u> (89,774)</u>

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 venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES (Continued)

(b) Balances with joint ventures

	2015 HK\$'000	2014 HK\$'000
Due from joint ventures		
ZIT H.K. Limited (i)	11,614	11,152
FCIT China Limited (ii)	30,887	29,123
Glory Premium Limited (iv)	1,880	1,691
Galleries Lafayette (China) Limited (iii)	1,707	1,148
Galleries Lafayette (Beijing) Limited (iv)	15,870	11,973
Camper (Shanghai) Limited (iv)	13,302	17,521
	<u>75,260</u>	<u>72,608</u>
Less: provision for impairment	(3,837)	–
	<u>71,423</u>	<u>72,608</u>
Due to joint ventures		
Kenchart Apparels (Shanghai) Limited (iv)	(32,735)	(22,567)
FCUK IT Company (iv)	(884)	(1,289)
ZIT H.K. Limited (iv)	(74)	(166)
	<u>(33,693)</u>	<u>(24,022)</u>

Notes:

- (i) As at 28 February 2015, the loans to ZIT H.K. Limited of approximately HK\$11,614,000 (2014: HK\$11,152,000) is unsecured, bears interest at 5% (2014: 5%) per annum and has no fixed term of repayment.
- (ii) As at 28 February 2015, the loans to FCIT China Limited of approximately HK\$7,247,000 (2014: HK\$6,853,000) is unsecured, non-interest bearing and fully repayable in December 2016. This amount is carried at amortised costs using the effective interest rate of 5.5% (2014: 5.5%) per annum. The remaining balance is unsecured, non-interest bearing and repayable on demand.
- (iii) As at 28 February 2015, the loans to Galleries Lafayette (China) Limited of approximately HK\$1,707,000 (2014: HK\$1,148,000) is unsecured, bears interest at HIBOR plus 0.3% (2014: 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.

Movement on the provision for impairment of amounts due from joint ventures is as follows:

	2015 HK\$'000	2014 HK\$'000
Beginning of the year	–	2,408
Provision for/(reversal of provision) for the year	3,837	(2,408)
	<u>3,837</u>	<u>–</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES (Continued)

(b) Balances with joint ventures (Continued)

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

The credit quality of the loans to and 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.

Loans to and amounts due from joint ventures are denominated in the following currencies:

	2015 HK\$'000	2014 HK\$'000
Hong Kong Dollar	15,871	6,468
Pound Sterling	5,465	5,460
Euro	997	997
United States Dollar	29,062	29,062
Macau Pataca	1,460	1,691
Chinese Renminbi	22,405	28,930
	<u>75,260</u>	<u>72,608</u>

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

	2015 HK\$'000	2014 HK\$'000
Hong Kong Dollar	958	1,455
Chinese Renminbi	32,735	22,567
	<u>33,693</u>	<u>24,022</u>

- (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.

20 INVENTORIES - CONSOLIDATED

	2015 HK\$'000	2014 HK\$'000
Merchandise stock for resale	1,254,305	1,101,212
Raw materials	6,268	12,400
Consumables	25	3,081
	<u>1,260,598</u>	<u>1,116,693</u>

The cost of inventories recognised as expense and included in cost of sales amounted to approximately HK\$2,677,931,000 (2014: HK\$2,672,974,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21 TRADE, BILLS AND OTHER RECEIVABLES – CONSOLIDATED

	2015 HK\$'000	2014 HK\$'000
Trade receivables	186,868	134,671
Credit card receivables	52,572	31,727
Bills receivables	–	4,671
Less: provision for impairment of trade receivables	<u>(3,390)</u>	<u>(1,060)</u>
Trade and bills receivables – net	236,050	170,009
Interest receivables	5,339	9,482
Other receivables	<u>2,537</u>	<u>1,751</u>
Trade, bills and other receivables	<u><u>243,926</u></u>	<u><u>181,242</u></u>

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

	2015 HK\$'000	2014 HK\$'000
Beginning of the year	1,060	586
Provision for the year	2,275	529
Write-off of provision for impairment	(243)	–
Currency translation differences	<u>298</u>	<u>(55)</u>
End of the year	<u><u>3,390</u></u>	<u><u>1,060</u></u>

As of 28 February 2015, trade and bills receivables of HK\$3,390,000 (2014: HK\$1,060,000) were impaired. The ageing of these receivables is as follows:

	2015 HK\$'000	2014 HK\$'000
Over 90 days	<u><u>3,390</u></u>	<u><u>1,060</u></u>

The ageing analysis of trade and bills receivables past due but not impaired as at 28 February 2015 and 2014 is as follows:

	2015 HK\$'000	2014 HK\$'000
0 to 30 days	–	406
31 to 60 days	–	130
61 to 90 days	–	–
Over 90 days	<u>13,721</u>	<u>1,273</u>
	<u><u>13,721</u></u>	<u><u>1,809</u></u>

There were no other receivables past due but not impaired as at 28 February 2015 and 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	2015 HK\$'000	2014 HK\$'000
0 to 30 days	199,497	163,083
31 to 60 days	21,974	2,949
61 to 90 days	858	1,275
Over 90 days	17,111	3,762
	<u>239,440</u>	<u>171,069</u>

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

	2015 HK\$'000	2014 HK\$'000
Chinese Renminbi	168,201	112,818
Hong Kong Dollar	37,655	38,209
Japanese Yen	24,200	18,153
Others	13,870	12,062
	<u>243,926</u>	<u>181,242</u>

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 2015 and 2014, the maximum exposure to credit risk is the carrying values of trade, bill and other receivables. The Group does not hold any collateral.

22 PREPAYMENTS AND OTHER DEPOSITS

	Consolidated		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Rental deposits	436,393	405,231	-	-
Prepayments	187,069	148,080	-	6,261
Utility and other deposits	20,751	19,190	-	-
	<u>644,213</u>	<u>572,501</u>	<u>-</u>	<u>6,261</u>
Less non-current portion:				
Rental deposits	(316,835)	(307,028)	-	-
Prepayments for non-current assets	(41,765)	(14,862)	-	-
	<u>285,613</u>	<u>250,611</u>	<u>-</u>	<u>6,261</u>

Rental deposits are carried at amortised costs using the effective interest rates ranging from 0.2% to 5% (2014: ranging from 0.2% to 5%) per annum determined at the inception date of the rental agreement.

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 2015 and 2014, the maximum exposure to credit risk is the carrying values of rental deposits. The Group does not hold any collateral against the rental deposits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23 CASH AND CASH EQUIVALENTS

	Consolidated		Company	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at bank and in hand	853,976	759,260	731	1,840
Short-term bank deposits	1,440,127	1,556,238	-	871,470
	<u>2,294,103</u>	<u>2,315,498</u>	<u>731</u>	<u>873,310</u>

The interest rates for short-term bank deposits was approximately 2.3% (2014: 3.0%) 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 2015 and 2014, 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	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Chinese Renminbi	1,909,523	1,889,402	160	871,639
Hong Kong Dollar	201,493	270,308	571	1,671
Japanese Yen	92,093	94,220	-	-
Euro	5,759	4,992	-	-
United States Dollar	25,502	9,768	-	-
Pound Sterling	4,690	2,123	-	-
Others	55,043	44,685	-	-
	<u>2,294,103</u>	<u>2,315,498</u>	<u>731</u>	<u>873,310</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24 BORROWINGS

	Consolidated		Company	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current borrowings				
- Bank borrowings	374,976	245,122	-	-
- Senior Notes (Note a)	1,093,832	1,249,520	1,093,832	1,249,520
	<u>1,468,808</u>	<u>1,494,642</u>	<u>1,093,832</u>	<u>1,249,520</u>
Current borrowings				
- Portion of bank borrowings due for repayment within one year	163,081	381,435	-	-
- Portion of bank borrowings due for repayment after one year which contain a repayable on demand clause	104,350	114,950	-	-
	<u>267,431</u>	<u>496,385</u>	<u>-</u>	<u>-</u>
	<u>1,736,239</u>	<u>1,991,027</u>	<u>1,093,832</u>	<u>1,249,520</u>

The fair values of current borrowings approximate their carrying amounts, as the impact of discounting is not significant. The effective borrowing cost was 4.8% (as at 28 February 2014: 4.9%) per annum.

As at 28 February 2015, bank borrowings of HK\$114,950,000 (2014: HK\$125,550,000) were secured by the Group's certain land and buildings with carrying amounts of HK\$209,627,000 (2014: HK\$216,104,000) (Note 16).

Note a:

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

During the year ended 28 February 2015, the Group purchased Senior Notes in the principal amount of RMB106,000,000, representing approximately 10.6% of the Senior Notes in the principal amount of RMB1,000,000,000 issued in May 2013. This RMB106,000,000 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 RMB894,000,000.

The Group also terminated the interest rate and currency swap with a notional amount of RMB106,000,000 which was designated as a cash flow hedge for the Senior Notes with a face value of RMB106,000,000. After deducting the related transaction costs, the buy-back resulted in a pretax profit of HK\$15,267,000.

The maturity of borrowings is as follows:

	Consolidated		Company	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 year	267,431	496,385	-	-
Between 1 and 2 years	163,668	132,908	-	-
Between 2 and 5 years	1,305,140	1,361,734	1,093,832	1,249,520
	<u>1,736,239</u>	<u>1,991,027</u>	<u>1,093,832</u>	<u>1,249,520</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24 BORROWINGS (Continued)

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

	Consolidated		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Renminbi	1,093,832	1,381,379	1,093,832	1,249,520
Hong Kong Dollar	495,717	528,429	-	-
Japanese Yen	38,882	20,013	-	-
Euro	73,299	60,927	-	-
United States Dollar	34,509	279	-	-
	<u>1,736,239</u>	<u>1,991,027</u>	<u>1,093,832</u>	<u>1,249,520</u>

Details of the Group's banking facilities are set out in Note 32.

25 TRADE AND BILLS PAYABLES - CONSOLIDATED

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

	2015 HK\$'000	2014 HK\$'000
0 to 30 days	242,136	204,086
31 to 60 days	70,999	89,352
61 to 90 days	35,754	31,945
91 to 180 days	20,436	22,470
181 to 365 days	5,863	3,834
Over 365 days	10,092	6,237
	<u>385,280</u>	<u>357,924</u>

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

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

	2015 HK\$'000	2014 HK\$'000
Chinese Renminbi	109,409	117,835
Hong Kong Dollar	79,731	71,303
Euro	47,933	40,837
Japanese Yen	86,359	82,567
United States Dollar	42,797	31,107
Pound Sterling	19,015	14,102
Others	36	173
	<u>385,280</u>	<u>357,924</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26 ACCRUALS AND OTHER PAYABLES

	Consolidated		Company	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unutilised coupon	6,649	5,595	-	-
Accruals				
- Rented premises	261,871	244,282	-	-
- Employment costs	94,334	56,597	-	-
- Others	160,942	97,216	18,913	22,713
Other payables	196,080	180,112	-	-
	<u>719,876</u>	<u>583,802</u>	<u>18,913</u>	<u>22,713</u>
Less non-current portion:				
Accruals - Rented premises	(12,017)	(9,893)	-	-
	<u>707,859</u>	<u>573,909</u>	<u>18,913</u>	<u>22,713</u>

Other payables are denominated in the following currencies:

	Consolidated		Company	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Chinese Renminbi	159,104	134,612	-	-
Hong Kong Dollar	30,557	36,142	-	-
Japanese Yen	4,899	7,962	-	-
Others	1,520	1,396	-	-
	<u>196,080</u>	<u>180,112</u>	<u>-</u>	<u>-</u>

The carrying amounts of other payables approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27 DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated			
	2015		2014	
	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)	-	(121,389)	-	(4,808)
Not qualified for hedge accounting:				
Foreign currency swap contract, at market value (b)	-	(30)	2,622	-
Interest rate swap contract, at market value (c)	-	(989)	-	(1,883)
	-	(122,408)	2,622	(6,691)
Less: current portion				
Foreign currency swap contracts, at market value (b)	-	30	-	-
	-	(122,378)	2,622	(6,691)

	Company			
	2015		2014	
	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)	-	(121,389)	-	(4,808)

Notes:

- (a) As at 28 February 2015, the notional principal amounts of the outstanding foreign currency and interest rate swap contract were RMB894,000,000 (as at 28 February 2014: RMB1,000,000,000), which has been designated as the hedging instrument for the Senior Notes (Note 24). As at 28 February 2015, the fixed interest rate for the senior note was 6.25% (as at 28 February 2014: 6.25%) per annum. The swap exchange rate is 1.2645 HK\$ per one RMB (as at 28 February 2014: 1.2645 HK\$ per one RMB) whereas the swap interest rate is 5.75% (as at 28 February 2014: 5.75%) per annum. Gains and losses recognised in the hedging reserve in equity (Note 30) on foreign currency and interest rate swap contract as of 28 February 2015 will be continuously released to the statement of comprehensive income until the repayment of the Senior Notes.
- (b) As at 28 February 2015, the notional principal amount of the outstanding foreign currency swap contract to buy Chinese Renminbi for economic hedge against foreign exchange risk exposures relating to liabilities denominated in Chinese Renminbi was HK\$129,686,000 (2014: HK\$132,615,000). The maturity of the contract is 1 March 2015.
- (c) As at 28 February 2015, 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\$247,528,000 (2014: HK\$275,000,000). The remaining maturity of the contract is 2 March 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28 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:

	2015 HK\$'000	2014 HK\$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	127,997	128,764
– Deferred income tax assets to be recovered within 12 months	4,430	6,958
	<u>132,427</u>	<u>135,722</u>
Deferred income tax liabilities:		
– Deferred income tax liabilities to be recovered after more than 12 months	(18,951)	(13,200)
– Deferred income tax liabilities to be recovered within 12 months	(15,194)	(31,955)
	<u>(34,145)</u>	<u>(45,155)</u>
Deferred income tax assets (net)	<u>98,282</u>	<u>90,567</u>

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

	2015 HK\$'000	2014 HK\$'000
Beginning of the year	90,567	83,170
Recognised in the consolidated statement of comprehensive income (Note 12)	11,107	20,577
Recognised directly in equity	(1,301)	(10,812)
Currency translation differences	(2,091)	(2,368)
End of the year	<u>98,282</u>	<u>90,567</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28 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 and others		Share-based payments		Tax losses		Total	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Beginning of the year	25,768	9,933	62,522	51,626	9,110	19,922	38,322	34,673	135,722	116,154
Recognised in the consolidated statement of comprehensive income	7,253	16,354	43,893	11,770	-	-	(21,235)	5,251	29,911	33,375
Recognised directly in equity	-	-	-	-	(1,301)	(10,812)	-	-	(1,301)	(10,812)
Currency translation differences	(1,848)	(519)	(2,658)	(874)	-	-	(817)	(1,602)	(5,323)	(2,995)
End of the year	<u>31,173</u>	<u>25,768</u>	<u>103,757</u>	<u>62,522</u>	<u>7,809</u>	<u>9,110</u>	<u>16,270</u>	<u>38,322</u>	<u>159,009</u>	<u>135,722</u>

Deferred tax liabilities –

	Withholding tax		Accelerated tax depreciation		Total	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Beginning of the year	(18,467)	(16,196)	(26,688)	(16,788)	(45,155)	(32,984)
Recognised in the consolidated statement of comprehensive income	(7,614)	(2,379)	(11,190)	(10,419)	(18,804)	(12,798)
Currency translation differences	1,254	108	1,978	519	3,232	627
End of the year	<u>(24,827)</u>	<u>(18,467)</u>	<u>(35,900)</u>	<u>(26,688)</u>	<u>(60,727)</u>	<u>(45,155)</u>

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 2015, the Group has unrecognised tax losses of HK\$40,439,000 (2014: HK\$30,629,000).

The unrecognised tax losses will expire in the following years:

	2015 HK\$'000	2014 HK\$'000
2017	6,589	6,832
2018	4,547	4,716
2019	124	126
2020	2,018	-
2023	7,234	7,503
2024	11,041	11,452
2025	8,886	-
	<u>40,439</u>	<u>30,629</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29 SHARE CAPITAL

Movements were:

	Number of ordinary shares '000	Share capital HK\$'000
Authorised:		
At 1 March 2013, 28 February 2014 and 2015		
Ordinary shares of HK\$0.1 each	<u>3,000,000</u>	<u>300,000</u>
Issued and fully paid:		
At 1 March 2013	1,228,184	122,818
Issue of shares under share option schemes (i)	<u>579</u>	<u>58</u>
At 28 February 2014	1,228,763	122,876
Repurchase of shares (ii)	<u>(1,160)</u>	<u>(116)</u>
At 28 February 2015	<u>1,227,603</u>	<u>122,760</u>

Notes:

- (i) During the year ended 28 February 2014, 579,000 share options were exercised at the exercise prices of HK\$2.20 per share.
- (ii) During the year ended 28 February 2015, the Group acquired 1,160,000 of its shares through purchases on the Stock Exchange on 5 and 6 June 2014. The total amount paid to acquire the shares was HK\$3,082,000 (2014: Nil) and has been deducted from shareholders' equity.

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 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 for the five business days immediately preceding the date of offer. A consideration of HK\$10 is payable on acceptance of the grant of options.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29 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:

	2015		2014	
	Exercise price per share	Options	Exercise price per share	Options
	HK\$	'000	HK\$	'000
Beginning of the year	2.95	121,152	2.92	128,552
Exercised	-	-	2.20	(579)
Expired	-	-	2.41	(6,821)
End of the year	2.95	<u>121,152</u>	2.95	<u>121,152</u>

No options (2014: 579,000 options) were exercised during the year ended 28 February 2015.

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

Expiry date	Average exercise price per share after issue of scrip shares during the year ended 28 February 2011	Average exercise price per share before issue of scrip shares during the year ended 28 February 2011	Share options	
	HK\$	HK\$	2015	2014
			'000	'000
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
			<u>121,152</u>	<u>121,152</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 RESERVES

(a) Consolidated

	Share premium HK\$'000	Share- based payment reserve HK\$'000	Capital reserve HK\$'000	Currency translation reserve HK\$'000	Statutory reserve (i) HK\$'000	Hedging reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1 March 2014	894,504	97,190	49,825	77,242	42,280	(5,100)	1,516,815	2,672,756
Profit for the year	-	-	-	-	-	-	312,471	312,471
Transfer to statutory reserve	-	-	-	-	7,911	-	(7,911)	-
Share option scheme								
- value of employment services	-	23,798	-	-	-	-	-	23,798
Repurchase of shares	(2,966)	-	-	-	-	-	-	(2,966)
Final dividend for the year ended 28 February 2014	-	-	-	-	-	-	(122,760)	(122,760)
Interim dividend for the period ended 31 August 2014	-	-	-	-	-	-	(12,276)	(12,276)
Currency translation differences								
- Group	-	-	-	(62,325)	-	-	-	(62,325)
- Joint ventures	-	-	-	(425)	-	-	-	(425)
Reversal of tax credit from exercise of share options	-	-	(1,301)	-	-	-	-	(1,301)
Cash flow hedge recognised as finance costs	-	-	-	-	-	26,030	-	26,030
Fair value change on cash flow hedge, net of tax	-	-	-	-	-	(116,581)	-	(116,581)
Balance at 28 February 2015	891,538	120,988	48,524	14,492	50,191	(95,651)	1,686,339	2,716,421
Analysed by-								
Company and subsidiaries	891,538	120,988	48,524	8,017	50,191	(95,651)	1,686,339	2,709,946
Joint ventures	-	-	-	6,475	-	-	-	6,475
Balance at 28 February 2015	891,538	120,988	48,524	14,492	50,191	(95,651)	1,686,339	2,716,421
Representing -								
2015 Final dividend proposed							135,036	
Others							1,551,303	
							1,686,339	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 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 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 costs	-	-	-	-	-	(292)	-	(292)
Fair 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	<u>894,504</u>	<u>97,190</u>	<u>49,825</u>	<u>77,242</u>	<u>42,280</u>	<u>(5,100)</u>	<u>1,516,815</u>	<u>2,672,756</u>
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	<u>894,504</u>	<u>97,190</u>	<u>49,825</u>	<u>77,242</u>	<u>42,280</u>	<u>(5,100)</u>	<u>1,516,815</u>	<u>2,672,756</u>
Representing –								
2014 Final dividend proposed							122,876	
Others							1,393,939	
							<u>1,516,815</u>	

Note:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 RESERVES (Continued)

(b) Company

	Share premium HK\$'000	Share-based payment reserve HK\$'000	Contributed surplus HK\$'000	Hedging reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1 March 2014	894,504	95,475	136,680	(5,100)	1,119,983	2,241,542
Profit for the year	-	-	-	-	137,337	137,337
Share option scheme						
– value of employment services	-	23,798	-	-	-	23,798
Repurchase of shares	(2,966)	-	-	-	-	(2,966)
Final dividend for the year ended 28 February 2014	-	-	-	-	(122,760)	(122,760)
Interim dividend for the period ended 31 August 2014	-	-	-	-	(12,276)	(12,276)
Cash flow hedge recognised as finance costs	-	-	-	26,030	-	26,030
Fain value change on cash flow hedge, net of tax	-	-	-	(116,581)	-	(116,581)
Balance at 28 February 2015	891,538	119,273	136,680	(95,651)	1,122,284	2,174,124
Representing –						
2015 Final dividend proposed					135,036	
Others					987,248	
					<u>1,122,284</u>	
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 costs	-	-	-	(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	
					<u>1,119,983</u>	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	2015 HK\$'000	2014 HK\$'000
Profit before tax for the year	436,363	345,330
Adjustments for:		
– Interest expense	85,092	75,210
– Interest income	(63,509)	(44,190)
– Share of loss of joint ventures	35,821	41,768
– Depreciation of property, furniture and equipment	301,049	270,080
– Impairment for property, furniture and equipment	19,659	4,180
– Amortisation of intangible assets	6,895	10,244
– Impairment of goodwill	–	5,557
– Fair value losses/(gains) on derivative financial instruments	1,758	(7,316)
– Loss on disposal of property, furniture and equipment	9,395	3,635
– Net gains on buy back of Senior Notes	(15,267)	–
– Share-based payment	23,798	25,643
	<u>841,054</u>	<u>730,141</u>
Changes in working capital:		
– Inventories	(166,144)	89,509
– Trade, bill and other receivables	(74,207)	(49,154)
– Prepayments and other deposits	(52,799)	(46,166)
– Amounts due from joint ventures	1,040	(20,218)
– Trade and bill payables	37,682	88,582
– Accruals and other payables	151,893	67,352
– Amounts due to joint ventures	10,297	(28,075)
	<u>748,816</u>	<u>831,971</u>
Cash generated from operations	<u>748,816</u>	<u>831,971</u>

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

	2015 HK\$'000	2014 HK\$'000
Net book amount (Note 16)	11,938	3,733
Loss on disposal of property, furniture and equipment	(9,395)	(3,635)
	<u>2,543</u>	<u>98</u>
Proceeds from disposal of property, furniture and equipment	<u>2,543</u>	<u>98</u>

(c) Analysis of cash and cash equivalents:

	2015 HK\$'000	2014 HK\$'000
Cash and bank deposits	<u>2,294,103</u>	<u>2,315,498</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32 BANKING FACILITIES AND PLEDGE OF ASSETS

As at 28 February 2015, the Group had aggregate banking facilities of approximately HK\$1,950,303,000 (2014: HK\$2,045,305,000) at floating rate for overdrafts, bank loans and trade financing, of which approximately HK\$1,256,426,000 (2014: HK\$1,187,884,000) was unutilised as at the same date. These facilities are secured by corporate guarantees provided by the Company and certain subsidiaries and pledge of certain property, furniture and equipment.

As at 28 February 2015, the Company provided corporate guarantees of HK\$642,407,000 (2014: HK\$741,507,000) to certain banks in respect of the bank facilities of its subsidiaries. The facilities used by the subsidiaries as at 28 February 2015 amounted to HK\$642,407,000 (2014: HK\$741,507,000).

33 COMMITMENTS - CONSOLIDATED

(a) Capital commitments

	Consolidated	
	2015	2014
	HK\$'000	HK\$'000
Authorised but not contracted for		
– acquisition of fixture and furniture	57,307	44,456
– acquisition of land use rights for warehouse use	366,131	–
	366,131	44,456
Contracted but not provided for		
– acquisition for fixture and furniture	229	2,708
	229	2,708

(b) Operating lease commitments

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

	Consolidated	
	2015	2014
	HK\$'000	HK\$'000
Not later than one year	1,196,930	1,148,004
Later than one year and not later than five years	1,686,012	1,626,382
Later than five years	64,073	91,805
	2,947,015	2,866,191

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 2015 (2014: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34 RELATED PARTY TRANSACTIONS – CONSOLIDATED

As at 28 February 2015, 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:

	2015 HK\$'000	2014 HK\$'000
Interest income from ⁽²⁾		
– FCIT China Limited ⁽¹⁾	358	358
– ZIT H.K. Limited ⁽¹⁾	455	455
– Galeries Lafayette (China) Limited ⁽¹⁾	20	13
Service fees incomes from ⁽³⁾		
– FCUK IT Company ⁽¹⁾	3,440	3,559
– FCIT China Limited ⁽¹⁾	32	56
– ZIT H.K. Limited ⁽¹⁾	2,023	2,124
– FCIT (Macau), Limited ⁽¹⁾	603	648
– Galeries Lafayette (China) Limited ⁽¹⁾	1,608	1,649
Reimbursement of sales from ⁽³⁾		
– Galeries Lafayette (Beijing) Limited ⁽¹⁾	69,671	30,342
Commission fees payable to ⁽⁴⁾		
– Galeries Lafayette (Beijing) Limited ⁽¹⁾	18,290	7,503
Purchase of goods from ⁽⁵⁾		
– FCIT China Limited ⁽¹⁾	440	–

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 5.5% (2014: 5.5%) per annum.
- Interest income on amount due from ZIT H.K. Limited is charged at 5% (2014: 5%) per annum.
- Interest income on amount due from Galeries Lafayette (China) Limited is charged at HIBOR + 0.3% (2014: HIBOR + 0.3%) per annum.
- (3) Sales are reimbursed at terms agreed by the parties.
- (4) Service fees and commission fees are recharged at terms agreed by the parties.
- (5) Purchase of goods are carried out at arms length.

(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 10.

FIVE YEARS FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	Year ended 28 February 2015 HK\$'000	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
Turnover	7,180,540	6,746,874	6,543,109	5,741,642	3,834,422
Cost of sales	(2,716,192)	(2,702,521)	(2,693,460)	(2,201,683)	(1,405,482)
Gross profit	4,464,348	4,044,353	3,849,649	3,539,959	2,428,940
Other loss, net	(19,329)	(5,074)	(6,221)	(2,776)	(7,544)
Impairment of goodwill	-	(5,557)	-	-	-
Operating expenses	(3,971,212)	(3,625,354)	(3,367,346)	(2,961,879)	(1,958,255)
Other income	19,960	9,750	-	-	-
Operating profit	493,767	418,118	476,082	575,304	463,141
Finance income	63,509	44,190	10,649	6,385	5,100
Finance cost	(85,092)	(75,210)	(27,554)	(11,993)	(2,900)
Share of (loss)/profit of joint ventures	(35,821)	(41,768)	(11,461)	4,086	15,923
Profit before income tax	436,363	345,330	447,716	573,782	481,264
Income tax expense	(123,503)	(65,298)	(62,685)	(100,652)	(93,118)
Profit for the year	312,860	280,032	385,031	473,130	388,146
Dividend	147,312	122,876	36,846	187,967	174,737

FIVE YEARS FINANCIAL SUMMARY (Continued)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 28 February 2015 HK\$'000	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
ASSETS					
Non-current assets					
Property, furniture and equipment	836,410	913,145	934,128	880,887	727,022
Intangible assets	322,404	343,043	359,338	373,018	370,722
Investments in and loans to joint ventures	166,828	220,396	199,074	118,059	63,730
Rental deposits	316,835	307,028	298,675	277,738	199,414
Prepayment for furniture and equipment	41,765	14,862	5,868	4,437	-
Derivative financial instruments	-	2,622	-	-	-
Deferred income tax assets	132,427	135,722	116,154	77,782	51,389
	<u>1,816,669</u>	<u>1,936,818</u>	<u>1,913,237</u>	<u>1,731,921</u>	<u>1,412,277</u>
Current assets					
Inventories	1,260,598	1,116,693	1,211,240	1,237,808	736,717
Trade, bills and other receivables	243,926	181,242	133,736	155,450	121,371
Amounts due from joint ventures	50,086	36,449	25,388	23,648	21,995
Prepayments and other deposits	285,613	250,611	221,299	216,063	217,358
Derivative financial instruments	-	-	1,163	116	-
Current income tax recoverable	21,714	-	-	-	-
Cash and cash equivalents	2,294,103	2,315,498	961,158	626,944	775,841
	<u>4,156,040</u>	<u>3,900,493</u>	<u>2,553,984</u>	<u>2,260,029</u>	<u>1,873,282</u>
LIABILITIES					
Current liabilities					
Borrowings	(267,431)	(496,385)	(365,661)	(263,088)	(296,542)
Trade and bill payables	(385,280)	(357,924)	(273,552)	(409,038)	(278,914)
Accruals and other payables	(707,859)	(573,909)	(476,177)	(463,583)	(349,524)
Amount due to a joint venture	(30)	(24,022)	(51,549)	(50,064)	(45,055)
Derivative financial instruments	(33,693)	-	(1,600)	-	-
Current income tax liabilities	(100,949)	(32,373)	(23,585)	(48,754)	(42,460)
	<u>(1,495,242)</u>	<u>(1,484,613)</u>	<u>(1,192,124)</u>	<u>(1,234,527)</u>	<u>(1,012,495)</u>
Net current assets	<u>2,660,798</u>	<u>2,415,880</u>	<u>1,361,860</u>	<u>1,025,502</u>	<u>860,787</u>
Total assets less current liabilities	<u>4,477,467</u>	<u>4,352,698</u>	<u>3,275,097</u>	<u>2,757,423</u>	<u>2,273,064</u>
Non-current liabilities					
Borrowings	(1,468,808)	(1,494,642)	(668,462)	(437,126)	(379,234)
Accruals	(12,017)	(9,893)	(14,140)	(18,079)	(21,935)
Derivative financial instruments	(122,378)	(6,691)	(6,140)	(2,639)	-
Deferred income tax liabilities	(34,145)	(45,155)	(32,984)	(30,801)	(28,683)
	<u>(1,637,348)</u>	<u>(1,556,381)</u>	<u>(721,726)</u>	<u>(488,645)</u>	<u>(429,852)</u>
Net assets	<u>2,840,119</u>	<u>2,796,317</u>	<u>2,553,371</u>	<u>2,268,778</u>	<u>1,843,212</u>
EQUITY					
Capital and reserves					
Share capital	122,760	122,876	122,818	122,067	119,725
Reserves	2,716,421	2,672,756	2,430,553	2,148,649	1,727,236
Non-controlling interests	938	685	-	(1,938)	(3,749)
Total equity	<u>2,840,119</u>	<u>2,796,317</u>	<u>2,553,371</u>	<u>2,268,778</u>	<u>1,843,212</u>

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