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*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 999)**

## **ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 29 FEBRUARY 2016**

### **FINANCIAL HIGHLIGHTS**

- Total turnover of the Group increased by 5.0% to HK\$7,541.1 million.
- Total retail sales in Hong Kong decreased by 3.3% to HK\$3,459.5 million irrespective of our Hong Kong segment having consistently outperformed the market index<sup>1</sup>. Comparable store sales growth rate in Hong Kong registered at -2.0% (FY14/15: 0.7%). Total floor area of retail stores in Hong Kong decreased by 5.2% to 598,168 square feet.
- Total retail sales in Mainland China increased by 16.4% to HK\$2,983.6 million at comparable store sales growth rate of 3.9% (FY14/15: 4.5%). Total floor area of retail stores in Mainland China increased by 16.8% to 1,143,002 square feet.
- Japan landed at total retail sales of HK\$517.2 million or JPY8,039.8 million, representing a 19.3% increase in Hong Kong Dollar or a 33.3% increase in base currency over last year.
- Gross profit of the Group increased by 2.3% to HK\$4,566.3 million at gross profit margin of 60.6% (FY14/15: 62.2%).
- Operating profit of the Group declined by 14.7% to HK\$421.3 million while Adjusted operating profit<sup>2</sup> increased by 1.7% over last year to HK\$486.4 million<sup>2</sup>.
- Net profit of the Group decreased by 33.0% to HK\$209.7 million while Adjusted net profit<sup>2</sup> decreased by 7.6% over last year to HK\$274.8 million<sup>2</sup>.
- Basic earnings per share decreased by 33.1% to 17.0 HK cents. Diluted earnings per share decreased by 32.9% to 16.7 HK cents. Proposed final cash dividend amounts to 8.4 HK cents (FY14/15: 11.0 HK cents) per share or HK\$101.8 million (FY14/15: HK\$135.0 million). If approved, the total amount of dividend for the full year would be 8.4 HK cents (FY14/15: 12.0 HK cents) per share.

*Notes:*

- <sup>1</sup> Market index refers to the “value index of retail sales in wearing apparel”, provided by the Census and Statistics Department of Hong Kong for the period spanning March 2015 to February 2016 and ranging from -2.2% to -17.9%.
- <sup>2</sup> If a nonrecurring foreign exchange loss of HK\$65.1 million as a result of the conversion of the Group’s RMB fixed deposits, amounting to RMB1,187 million, into Hong Kong Dollar in 2015 and a nonrecurring gain of HK\$15.3 million from the repurchase of the Group’s Senior Notes in the previous year are excluded.

The board of directors (the “Board”) of I.T Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 29 February 2016, prepared on the basis set out in Note 2, together with the comparative figures for the year ended 28 February 2015, as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|  | <i>Note</i> | <b>2016</b><br><b>HK\$'000</b> | 2015<br>HK\$'000   |
|--|-------------|--------------------------------|--------------------|
| Turnover   | 3           | <b>7,541,132</b>               | 7,180,540          |
| Cost of sales  | 5           | <u><b>(2,974,792)</b></u>      | <u>(2,716,192)</u> |
| Gross profit   |             | <b>4,566,340</b>               | 4,464,348          |
| Other losses, net  | 4           | <b>(63,786)</b>                | (19,329)           |
| Operating expenses   | 5           | <b>(4,095,277)</b>             | (3,971,212)        |
| Other income   | 6           | <u><b>13,984</b></u>           | <u>19,960</u>      |
| Operating profit   |             | <b>421,261</b>                 | 493,767            |
| Finance income   | 7           | <b>41,307</b>                  | 63,509             |
| Finance costs  | 7           | <b>(79,513)</b>                | (85,092)           |
| Share of losses of joint ventures  |             | <u><b>(27,008)</b></u>         | <u>(35,821)</u>    |
| Profit before income tax   |             | <b>356,047</b>                 | 436,363            |
| Income tax expense   | 8           | <u><b>(146,310)</b></u>        | <u>(123,503)</u>   |
| Profit for the year  |             | <b>209,737</b>                 | 312,860            |
| <b>Other comprehensive income/(loss):</b>  |             |                                |                    |
| Items that may be reclassified to profit or loss   |             |                                |                    |
| Currency translation differences   |             | <b>(36,904)</b>                | (62,886)           |
| Cash flow hedge recognised as finance costs  |             | <b>39,606</b>                  | 26,030             |
| Fair value changes on cash flow hedge, net of tax  |             | <u><b>(10,807)</b></u>         | <u>(116,581)</u>   |
| Total other comprehensive loss for the year  |             | <u><b>(8,105)</b></u>          | <u>(153,437)</u>   |
| Total comprehensive income for the year  |             | <u><b>201,632</b></u>          | <u>159,423</u>     |
| Profit attributable to:  |             |                                |                    |
| – Equity holders of the Company  |             | <b>209,011</b>                 | 312,471            |
| – Non-controlling interests  |             | <u><b>726</b></u>              | <u>389</u>         |
|  |             | <u><b>209,737</b></u>          | <u>312,860</u>     |
| Total comprehensive income attributable to:  |             |                                |                    |
| – Equity holders of the Company  |             | <b>200,812</b>                 | 159,170            |
| – Non-controlling interests  |             | <u><b>820</b></u>              | <u>253</u>         |
|  |             | <u><b>201,632</b></u>          | <u>159,423</u>     |
| Earnings per share attributable to equity holders of the Company for the year (expressed in HK cent per share) |             |                                |                    |
| – basic  | 9           | <u><b>17.0</b></u>             | <u>25.4</u>        |
| – diluted  | 9           | <u><b>16.7</b></u>             | <u>24.9</u>        |
| Dividends  | 10          | <u><b>101,806</b></u>          | <u>147,312</u>     |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|  |    | 29 February<br>2016<br>HK\$'000 | 28 February<br>2015<br>HK\$'000 |
|--|----|---------------------------------|---------------------------------|
| <b>ASSETS</b>                              |    |                                 |                                 |
| Non-current assets                         |    |                                 |                                 |
| Property, furniture and equipment          |    | 856,606                         | 836,410                         |
| Intangible assets                          |    | 345,633                         | 322,404                         |
| Investments in and loans to joint ventures |    | 139,278                         | 166,828                         |
| Rental deposits                            |    | 296,483                         | 316,835                         |
| Prepayments for non-current assets         |    | 15,675                          | 41,765                          |
| Deferred income tax assets                 |    | <u>129,594</u>                  | <u>132,427</u>                  |
|  |    | <b>1,783,269</b>                | 1,816,669                       |
| Current assets                             |    |                                 |                                 |
| Inventories                                |    | 1,390,974                       | 1,260,598                       |
| Trade and other receivables                | 11 | 232,423                         | 243,926                         |
| Amounts due from joint ventures            |    | 52,880                          | 50,086                          |
| Prepayments and other deposits             |    | 370,735                         | 285,613                         |
| Current income tax recoverable             |    | 1,603                           | 21,714                          |
| Cash and cash equivalents                  |    | <u>1,967,111</u>                | <u>2,294,103</u>                |
|  |    | <b>4,015,726</b>                | 4,156,040                       |
| <b>LIABILITIES</b>                         |    |                                 |                                 |
| Current liabilities                        |    |                                 |                                 |
| Borrowings                                 | 13 | (273,396)                       | (267,431)                       |
| Trade payables                             | 12 | (433,130)                       | (385,280)                       |
| Accruals and other payables                |    | (649,489)                       | (707,859)                       |
| Derivative financial instruments           | 14 | (42)                            | (30)                            |
| Amounts due to joint ventures              |    | (33,863)                        | (33,693)                        |
| Current income tax liabilities             |    | <u>(68,406)</u>                 | <u>(100,949)</u>                |
|  |    | <b>(1,458,326)</b>              | (1,495,242)                     |
| Net current assets                         |    | <u><b>2,557,400</b></u>         | <u>2,660,798</u>                |
| Non-current liabilities                    |    |                                 |                                 |
| Borrowings                                 | 13 | (1,262,462)                     | (1,468,808)                     |
| Accruals                                   |    | (8,583)                         | (12,017)                        |
| Derivative financial instruments           | 14 | (132,196)                       | (122,378)                       |
| Deferred income tax liabilities            |    | <u>(40,636)</u>                 | <u>(34,145)</u>                 |
|  |    | <b>(1,443,877)</b>              | (1,637,348)                     |
| Net assets                                 |    | <u><b>2,896,792</b></u>         | <u>2,840,119</u>                |
| <b>EQUITY</b>                              |    |                                 |                                 |
| Capital and reserves                       |    |                                 |                                 |
| Share capital                              |    | 121,198                         | 122,760                         |
| Reserves                                   |    | 2,773,836                       | 2,716,421                       |
| Non-controlling interests                  |    | <u>1,758</u>                    | <u>938</u>                      |
| Total equity                               |    | <u><b>2,896,792</b></u>         | <u>2,840,119</u>                |

## NOTES

### 1. GENERAL INFORMATION

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 on 25 May 2016.

### 2. BASIS OF PREPARATION

These consolidated financial statements of the Company have been prepared in accordance with all applicable 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).

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

The following new and amended to standards and interpretation are mandatory for the financial year beginning 1 March 2015:

- Hong Kong Accounting Standard (“HKAS”) 19 (Amendment), “Defined Benefit Plans: Employee Contributions”. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits. This is not currently applicable to the Group as the Group has no material contributions from defined benefit plans.
- HKFRSs (Amendment), “Annual Improvements 2012”. These amendments include changes from the 2010–2012 cycle of the annual improvements project, that affect the below standards:

- HKFRS 8, “Operating Segments”. The standard is amended to require disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity’s assets when segment assets are reported. No additional disclosure is required as no significant judgement is made by management in aggregating operating segments, and therefore no reconciliation is presented.
  - HKAS 16, “Property, Plant and Equipment” and HKAS 38, “Intangible Assets”. Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. There is no significant financial impact to the Group as the Group has no property, plant and equipment and intangible assets accounted for using revaluation model.
  - HKAS 24, “Related Party Disclosures”. The reporting entity is not required to disclose the compensation paid by the management entity (as a related party) to the management entity’s employee or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided. There is no significant financial impact to the Group except some modification of accounting disclosure.
- HKFRSs (Amendment), “Annual Improvements 2013”. These amendments include changes from the 2010–2012 cycle of the annual improvements project, that affect the below standards:
- HKFRS 3, “Business Combinations”. It clarifies that HKFRS 3 does not apply to the accounting for the formation of any joint arrangement under HKFRS 11 in the financial statements of the joint arrangement. There is no significant financial impact to the Group as the Group has no joint arrangement.
  - HKFRS 13, “Fair Value Measurement”. It clarifies that the portfolio exception in HKFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of HKAS 39 or HKFRS 9. There is no significant financial impact to the Group as the Group has neither financial assets nor liabilities within the scope of HKAS 39 or HKFRS 9.
  - HKAS 40, “Investment Property”. It clarifies that the interrelationship between HKAS 40 and HKFRS 3 when classifying property as investment property or owner-occupied property. The clarification does not affect the classification of the Group’s owner occupied properties.

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 2015 that would be expected to have a material impact on the Group.

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

The following relevant HKFRSs, amendments to existing HKASs and HKFRSs have been published and are mandatory for accounting periods beginning on or after 29 February 2016 or later periods and have not been early adopted by the Group:

|   |   |
|---|---|
| HKFRS 9                                       | Financial Instruments <sup>2</sup>  |
| HKFRS 10 and<br>HKAS 28 (Amendment)           | Sale or Contribution of Assets between an Investor<br>and its Associate or Joint Venture <sup>3</sup> |
| HKFRS 10, HKFRS 12<br>and HKAS 28 (Amendment) | Investment Entities: Applying the Consolidation<br>Exception <sup>1</sup>                             |
| HKFRS 11 (Amendment)                          | Accounting for Acquisition of Interest in Joint<br>Operations <sup>1</sup>                            |
| HKFRS 14                                      | Regulatory Deferral Accounts <sup>1</sup>   |
| HKFRS 15                                      | Revenue from Contracts with Customers <sup>2</sup>  |
| HKAS 1 (Amendment)                            | Disclosure Initiative <sup>1</sup>  |
| HKAS 16 and HKAS 38<br>(Amendment)            | Clarification of Acceptable Methods of Depreciation<br>and Amortisation <sup>1</sup>                  |
| HKAS 16 and HKAS 41<br>(Amendment)            | Agriculture: Bearer Plants <sup>1</sup>   |
| HKAS 27 (Amendment)                           | Equity Method in Separate Financial Statements <sup>1</sup>   |
| Annual Improvements Project                   | Annual Improvements 2012-2014 Cycle <sup>1</sup>  |

<sup>1</sup> Effective for the Group for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for the Group for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective date to be determined

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.

**(c) New Hong Kong Companies Ordinance (Cap. 622)**

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

### 3. TURNOVER AND SEGMENT INFORMATION

#### (a) Revenue

|   | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|---|------------------|------------------|
| Turnover – sales of fashion wears and accessories | <u>7,541,132</u> | <u>7,180,540</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, intangible assets 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 losses of joint ventures. Finance income and expenses, losses arising from conversion of Chinese Renminbi fixed deposit into Hong Kong Dollar 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 29 February 2016 and 28 February 2015 is as follows:

|   | Hong Kong        |                  | Mainland China   |                  | Japan          |                 | Macau          |                | Other          |                | Total            |                  |
|---|------------------|------------------|------------------|------------------|----------------|-----------------|----------------|----------------|----------------|----------------|------------------|------------------|
|   | 2016             | 2015             | 2016             | 2015             | 2016           | 2015            | 2016           | 2015           | 2016           | 2015           | 2016             | 2015             |
|   | HK\$'000         | HK\$'000         | HK\$'000         | HK\$'000         | HK\$'000       | HK\$'000        | HK\$'000       | HK\$'000       | HK\$'000       | HK\$'000       | HK\$'000         | HK\$'000         |
| Turnover  | <u>3,494,028</u> | <u>3,630,405</u> | <u>3,159,410</u> | <u>2,770,556</u> | <u>559,013</u> | <u>459,979</u>  | <u>221,974</u> | <u>221,283</u> | <u>106,707</u> | <u>98,317</u>  | <u>7,541,132</u> | <u>7,180,540</u> |
| EBITDA  | <u>59,127</u>    | <u>274,798</u>   | <u>403,287</u>   | <u>279,197</u>   | <u>222,202</u> | <u>163,665</u>  | <u>82,926</u>  | <u>83,261</u>  | <u>14,743</u>  | <u>5,182</u>   | <u>782,285</u>   | <u>806,103</u>   |
| Depreciation and<br>amortisation  | <u>(121,977)</u> | <u>(131,863)</u> | <u>(148,575)</u> | <u>(143,814)</u> | <u>(9,073)</u> | <u>(17,540)</u> | <u>(8,668)</u> | <u>(7,699)</u> | <u>(5,665)</u> | <u>(7,028)</u> | <u>(293,958)</u> | <u>(307,944)</u> |
| (Impairment)/reversal of<br>impairment of property,<br>furniture and equipment                  | <u>(9,660)</u>   | <u>(875)</u>     | <u>7,663</u>     | <u>(18,784)</u>  | <u>-</u>       | <u>-</u>        | <u>-</u>       | <u>-</u>       | <u>220</u>     | <u>-</u>       | <u>(1,777)</u>   | <u>(19,659)</u>  |
| Impairment of<br>intangible assets  | <u>(143)</u>     | <u>-</u>         | <u>-</u>         | <u>-</u>         | <u>-</u>       | <u>-</u>        | <u>-</u>       | <u>-</u>       | <u>-</u>       | <u>-</u>       | <u>(143)</u>     | <u>-</u>         |
| Segment profit/(loss)   | <u>(72,653)</u>  | <u>142,060</u>   | <u>262,375</u>   | <u>116,599</u>   | <u>213,129</u> | <u>146,125</u>  | <u>74,258</u>  | <u>75,562</u>  | <u>9,298</u>   | <u>(1,846)</u> | <u>486,407</u>   | <u>478,500</u>   |
| Net gains on buy-back<br>of Senior Notes  |                  |                  |                  |                  |                |                 |                |                |                |                | <u>-</u>         | <u>15,267</u>    |
| Losses arising from<br>conversion of Chinese<br>Renminbi fixed deposit<br>into Hong Kong Dollar |                  |                  |                  |                  |                |                 |                |                |                |                | <u>(65,146)</u>  | <u>-</u>         |
| Operating profit  |                  |                  |                  |                  |                |                 |                |                |                |                | <u>421,261</u>   | <u>493,767</u>   |
| Finance income  |                  |                  |                  |                  |                |                 |                |                |                |                | <u>41,307</u>    | <u>63,509</u>    |
| Finance costs   |                  |                  |                  |                  |                |                 |                |                |                |                | <u>(79,513)</u>  | <u>(85,092)</u>  |
| Share of losses of<br>joint ventures  |                  |                  |                  |                  |                |                 |                |                |                |                | <u>(27,008)</u>  | <u>(35,821)</u>  |
| Profit before income tax  |                  |                  |                  |                  |                |                 |                |                |                |                | <u>356,047</u>   | <u>436,363</u>   |
| Total segment<br>non-current assets   | <u>579,558</u>   | <u>609,514</u>   | <u>761,902</u>   | <u>735,539</u>   | <u>127,781</u> | <u>122,412</u>  | <u>36,780</u>  | <u>39,121</u>  | <u>8,376</u>   | <u>10,828</u>  | <u>1,514,397</u> | <u>1,517,414</u> |
| Total segment assets  | <u>2,750,970</u> | <u>3,010,315</u> | <u>2,219,089</u> | <u>2,124,597</u> | <u>379,368</u> | <u>296,970</u>  | <u>64,071</u>  | <u>111,357</u> | <u>62,142</u>  | <u>58,415</u>  | <u>5,475,640</u> | <u>5,601,654</u> |

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

|   | <b>29 February<br/>2016<br/>HK\$'000</b> | 28 February<br>2015<br>HK\$'000 |
|---|--|---------------------------------|
| Segment assets for reportable segments  | <b>5,413,498</b>                         | 5,543,239                       |
| Other segment assets  | <b>62,142</b>                            | 58,415                          |
|   | <u><b>5,475,640</b></u>                  | <u>5,601,654</u>                |
| Unallocated:  |  |                                 |
| Deferred income tax assets and<br>current income tax recoverable                              | <b>131,197</b>                           | 154,141                         |
| Investments in and amounts due from joint ventures  | <b>192,158</b>                           | 216,914                         |
|   | <u><b>5,798,995</b></u>                  | <u>5,972,709</u>                |
| <b>4. OTHER LOSSES, NET</b>   |  |                                 |
|   | <b>2016<br/>HK\$'000</b>                 | 2015<br>HK\$'000                |
| Fair value gains/(losses) on derivative financial instruments                                 |  |                                 |
| – foreign currency swap contract  | <b>30</b>                                | (2,652)                         |
| – interest rate swap contract   | <b>947</b>                               | 894                             |
| Net exchange gains/(losses)   | <b>387</b>                               | (32,838)                        |
| Net gains on buy-back of Senior Notes   | –  | 15,267                          |
| Losses arising from conversion of Chinese Renminbi fixed<br>deposit into Hong Kong Dollar (a) |  |                                 |
| – fair value losses from forward exchange contracts   | <b>(15,377)</b>                          | –                               |
| – exchange losses   | <b>(49,769)</b>                          | –                               |
| Others  | <b>(4)</b>                               | –                               |
|   | <u><b>(63,786)</b></u>                   | <u>(19,329)</u>                 |

*Note a:*

During the year ended 29 February 2016, due to unexpected high volatility of exchange rate of Chinese Renminbi against Hong Kong Dollar, the Group had converted RMB1,187,000,000 fixed deposits into Hong Kong Dollar which results in fair value losses from forward exchange contracts and exchange losses for HK\$15,377,000 and HK\$49,769,000 respectively.

## 5. EXPENSES BY NATURE

|  | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|--|------------------|------------------|
| Cost of inventories sold   | 2,880,861        | 2,677,931        |
| Provision for write-downs of inventories to net realisable value | 31,850           | 41,997           |
| Employment costs (including directors' emoluments)               | 1,184,543        | 1,158,709        |
| Operating lease rentals of premises                              |                  |                  |
| – minimum lease payments   | 1,446,719        | 1,365,107        |
| – contingent rents   | 221,309          | 186,421          |
| Building management fee  | 220,174          | 198,665          |
| Advertising and promotion costs                                  | 124,178          | 114,257          |
| Commission expenses  | 71,029           | 70,240           |
| Bank charges   | 84,421           | 81,820           |
| Utilities expenses   | 65,796           | 64,326           |
| Freight charges  | 38,283           | 40,645           |
| Depreciation of property, furniture and equipment                | 279,818          | 301,049          |
| Impairment of property, furniture and equipment                  | 1,777            | 19,659           |
| Impairment of intangible assets                                  | 143              | –                |
| (Reversal of)/provision for onerous contract provision           | (34,937)         | 24,278           |
| Loss on disposals of property, furniture and equipment           | 7,181            | 9,395            |
| Licence fees (included in operating expenses)                    |                  |                  |
| – amortisation of licence rights                                 | 2,123            | 3,095            |
| – contingent licence fees  | 22,099           | 18,340           |
| Amortisation of intangible assets (excluding licence fees)       | 12,017           | 3,800            |
| (Reversal of)/provision for impairment of trade receivables      | (1,900)          | 2,275            |
| Provision for impairment of amounts due from joint ventures      | 6,585            | 3,837            |
| Auditors' remuneration   |                  |                  |
| – audit services   | 2,700            | 3,774            |
| – non-audit services   | 600              | 800              |
| Other expenses   | 402,700          | 296,984          |
|  | <hr/>            | <hr/>            |
| Total  | <b>7,070,069</b> | <b>6,687,404</b> |
|  | <hr/> <hr/>      | <hr/> <hr/>      |
| Representing:  |                  |                  |
| Cost of sales  | 2,974,792        | 2,716,192        |
| Operating expenses   | 4,095,277        | 3,971,212        |
|  | <hr/>            | <hr/>            |
|  | <b>7,070,069</b> | <b>6,687,404</b> |
|  | <hr/> <hr/>      | <hr/> <hr/>      |

**6. OTHER INCOME**

|                   | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|-------------------|------------------|------------------|
| Government grants | 12,859           | 14,389           |
| Others            | 1,125            | 5,571            |
|                   | <u>13,984</u>    | <u>19,960</u>    |

**7. FINANCE INCOME AND COSTS**

|  | 2016<br>HK\$'000  | 2015<br>HK\$'000  |
|--|-------------------|-------------------|
| Interest income from   |                   |                   |
| – bank deposits  | 39,736            | 59,045            |
| – amounts due from joint ventures                                    | 455               | 833               |
| – others (i)   | 1,116             | 3,631             |
|  | <u>41,307</u>     | <u>63,509</u>     |
| Finance income   | -----<br>41,307   | -----<br>63,509   |
| Interest expense on borrowings wholly<br>repayable within five years | (82,193)          | (84,005)          |
| Net foreign exchange transaction gain                                | 42,286            | 24,943            |
| Transfer from hedging reserve  |                   |                   |
| – interest rate and currency swaps: cash flow hedge                  | (39,606)          | (26,030)          |
|  | <u>(79,513)</u>   | <u>(85,092)</u>   |
| Finance costs  | -----<br>(79,513) | -----<br>(85,092) |
| Net finance costs  | <u>(38,206)</u>   | <u>(21,583)</u>   |

*Note:*

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

## 8. INCOME TAX EXPENSE

The Company is exempted from income taxes in Bermuda until March 2035. 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% (2015: 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% (2015: 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% (2015: 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% (2015: 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% (2015: 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 37.11% for the period from 1 March 2015 to 31 August 2015 and 35.36% for the period from 1 September 2015 to 29 February 2016. The applicable rate for the period from 1 March 2014 to 31 August 2014 was 43.41% and 40.85% for the period from 1 September 2014 to 28 February 2015 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% (2015: 45.03%).

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

|  | 2016<br>HK\$'000 | 2015<br>HK\$'000 |
|--|------------------|------------------|
| Current income tax                     |                  |                  |
| – Hong Kong profits tax                | 5,711            | 35,707           |
| – Mainland China enterprise income tax | 54,215           | 27,957           |
| – Overseas income tax                  | 81,792           | 56,385           |
| – (Over)/under-provision in prior year | (349)            | 14,561           |
|  | <hr/>            | <hr/>            |
|  | 141,369          | 134,610          |
| Deferred income tax                    | 4,941            | (11,107)         |
|  | <hr/>            | <hr/>            |
|  | <b>146,310</b>   | <b>123,503</b>   |
|  | <hr/> <hr/>      | <hr/> <hr/>      |

## 9. 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.

|   | 2016                    | 2015                    |
|---|-------------------------|-------------------------|
| Profit attributable to equity holders of the Company (HK\$'000) | <u><u>209,011</u></u>   | <u><u>312,471</u></u>   |
| Weighted average number of ordinary shares in issue ('000)      | <u><u>1,226,275</u></u> | <u><u>1,227,913</u></u> |
| Basic earnings per share (HK cent)                              | <u><u>17.0</u></u>      | <u><u>25.4</u></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.

|  | 2016                    | 2015                    |
|--|-------------------------|-------------------------|
| Profit attributable to equity holders of the Company (HK\$'000)                  | <u><u>209,011</u></u>   | <u><u>312,471</u></u>   |
| Weighted average number of ordinary shares in issue ('000)                       | <u><u>1,226,275</u></u> | <u><u>1,227,913</u></u> |
| Adjustments for share options ('000)   | <u><u>25,839</u></u>    | <u><u>25,720</u></u>    |
| Weighted average number of ordinary shares for diluted earnings per share ('000) | <u><u>1,252,114</u></u> | <u><u>1,253,633</u></u> |
| Diluted earnings per share (HK cent)   | <u><u>16.7</u></u>      | <u><u>24.9</u></u>      |

## 10. DIVIDENDS

|  | 2016<br>HK\$'000      | 2015<br>HK\$'000      |
|--|-----------------------|-----------------------|
| Interim dividend paid of Nil (2015: 1.0 HK cent)<br>per ordinary share             | –                     | 12,276                |
| Final dividend, proposed, 8.4 HK cents<br>(2015: 11.0 HK cents) per ordinary share | <u>101,806</u>        | <u>135,036</u>        |
|  | <u><b>101,806</b></u> | <u><b>147,312</b></u> |

The dividends paid in the year ended 29 February 2016 and the year ended 28 February 2015 were HK\$134,685,000 (11.0 HK cents per share) and HK\$135,036,000 (11.0 HK cents per share) respectively.

A final dividend of 8.4 HK cents (2015: 11.0 HK cents per ordinary share) for the year ended 29 February 2016 is to be proposed at the annual general meeting.

## 11. TRADE AND OTHER RECEIVABLES

|   | 29 February<br>2016<br>HK\$'000 | 28 February<br>2015<br>HK\$'000 |
|---|---------------------------------|---------------------------------|
| Trade receivables                                   | 182,949                         | 186,868                         |
| Credit card receivables                             | 45,259                          | 52,572                          |
| Less: provision for impairment of trade receivables | <u>(1,553)</u>                  | <u>(3,390)</u>                  |
| Trade receivables – net                             | 226,655                         | 236,050                         |
| Interest receivables                                | 902                             | 5,339                           |
| Other receivables                                   | <u>4,866</u>                    | <u>2,537</u>                    |
| Trade and other receivables                         | <u><b>232,423</b></u>           | <u><b>243,926</b></u>           |

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

|                                       | 29 February<br>2016<br>HK\$'000 | 28 February<br>2015<br>HK\$'000 |
|---------------------------------------|---------------------------------|---------------------------------|
| Beginning of the year                 | 3,390                           | 1,060                           |
| (Reversal of)/provision for the year  | (1,900)                         | 2,275                           |
| Write-off of provision for impairment | –                               | (243)                           |
| Currency translation differences      | <u>63</u>                       | <u>298</u>                      |
| End of the year                       | <u><b>1,553</b></u>             | <u><b>3,390</b></u>             |

As of 29 February 2016, trade receivables of HK\$1,553,000 (28 February 2015: HK\$3,390,000) were impaired. The ageing of these receivables is as follows:

|              | <b>29 February<br/>2016<br/>HK\$'000</b> | 28 February<br>2015<br>HK\$'000 |
|--------------|--|---------------------------------|
| Over 90 days | <b><u>1,553</u></b>                      | <b><u>3,390</u></b>             |

The ageing analysis of trade receivables past due but not impaired as at 29 February 2016 and 28 February 2015 is as follows:

|              | <b>29 February<br/>2016<br/>HK\$'000</b> | 28 February<br>2015<br>HK\$'000 |
|--------------|--|---------------------------------|
| Over 90 days | <b><u>192</u></b>                        | <b><u>13,721</u></b>            |

There were no other receivables past due but not impaired as at 29 February 2016 and 28 February 2015.

The ageing analysis of trade receivables is as follows:

|               | <b>29 February<br/>2016<br/>HK\$'000</b> | 28 February<br>2015<br>HK\$'000 |
|---------------|--|---------------------------------|
| 0 to 30 days  | <b>176,678</b>                           | 199,497                         |
| 31 to 60 days | <b>45,862</b>                            | 21,974                          |
| 61 to 90 days | <b>3,923</b>                             | 858                             |
| Over 90 days  | <b><u>1,745</u></b>                      | <u>17,111</u>                   |
|               | <b><u>228,208</u></b>                    | <b><u>239,440</u></b>           |

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



## 12. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

|                 | 29 February<br>2016<br>HK\$'000 | 28 February<br>2015<br>HK\$'000 |
|-----------------|---------------------------------|---------------------------------|
| 0 to 30 days    | 249,279                         | 242,136                         |
| 31 to 60 days   | 94,831                          | 70,999                          |
| 61 to 90 days   | 57,396                          | 35,754                          |
| 91 to 180 days  | 18,510                          | 20,436                          |
| 181 to 365 days | 6,219                           | 5,863                           |
| Over 365 days   | 6,895                           | 10,092                          |
|                 | <u>433,130</u>                  | <u>385,280</u>                  |

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

## 13. BORROWINGS

|   | 29 February<br>2016<br>HK\$'000 | 28 February<br>2015<br>HK\$'000 |
|---|---------------------------------|---------------------------------|
| Non-current borrowings  |                                 |                                 |
| – Bank borrowings   | 207,538                         | 374,976                         |
| – Senior Notes ( <i>Note a</i> )  | 1,054,924                       | 1,093,832                       |
|   | <u>1,262,462</u>                | <u>1,468,808</u>                |
| Current borrowings  |                                 |                                 |
| – Portion of bank borrowings due for repayment within one year  | 179,646                         | 163,081                         |
| – Portion of bank borrowings due for repayment<br>after one year which contain a repayable on demand clause | 93,750                          | 104,350                         |
|   | <u>273,396</u>                  | <u>267,431</u>                  |
|   | <u>1,535,858</u>                | <u>1,736,239</u>                |

The fair values of current borrowings approximate their carrying amounts, as the impact of discounting is not significant. The effective borrowing cost was 5.1% (as at 28 February 2015: 4.8%) per annum.

As at 29 February 2016, bank borrowings of HK\$104,350,000 (28 February 2015: HK\$114,950,000) were secured by the Group's certain land and buildings with carrying amounts of HK\$203,143,000 (28 February 2015: HK\$209,627,000).

*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 announcement, 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.

During the year ended 28 February 2015, 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:

|                       | <b>29 February<br/>2016<br/>HK\$'000</b> | 28 February<br>2015<br>HK\$'000 |
|-----------------------|--|---------------------------------|
| Within 1 year         | <b>273,396</b>                           | 267,431                         |
| Between 1 and 2 years | <b>169,046</b>                           | 163,668                         |
| Between 2 and 5 years | <b>1,093,416</b>                         | 1,305,140                       |
|                       | <b><u>1,535,858</u></b>                  | <u>1,736,239</u>                |

#### 14. DERIVATIVE FINANCIAL INSTRUMENTS

|   | 29 February 2016 |                         | 28 February 2015 |                         |
|---|------------------|-------------------------|------------------|-------------------------|
|   | Assets           | Liabilities             | Assets           | Liabilities             |
|   | HK\$'000         | HK\$'000                | HK\$'000         | HK\$'000                |
| Qualified for hedge accounting –<br>cash flow hedge:                        |                  |                         |                  |                         |
| Foreign currency and interest<br>rate swap contract,<br>at market value (a) | –                | (132,196)               | –                | (121,389)               |
| Not qualified for hedge accounting:   |                  |                         |                  |                         |
| Foreign currency swap contract,<br>at market value                          | –                | –                       | –                | (30)                    |
| Interest rate swap contract,<br>at market value (b)                         | –                | (42)                    | –                | (989)                   |
|   | <u>–</u>         | <u>(132,238)</u>        | <u>–</u>         | <u>(122,408)</u>        |
| Less: current portion   |                  |                         |                  |                         |
| Foreign currency swap contracts,<br>at market value                         | –                | –                       | –                | 30                      |
| Interest rate swap contract,<br>at market value (b)                         | –                | 42                      | –                | –                       |
|   | <u>–</u>         | <u>42</u>               | <u>–</u>         | <u>–</u>                |
|   | <u><u>–</u></u>  | <u><u>(132,196)</u></u> | <u><u>–</u></u>  | <u><u>(122,378)</u></u> |

*Notes:*

- (a) As at 29 February 2016, the notional principal amounts of the outstanding foreign currency and interest rate swap contract were RMB894,000,000 (as at 28 February 2015: RMB894,000,000), which has been designated as the hedging instrument for the Senior Notes (Note 13). As at 29 February 2016, the fixed interest rate for the Senior Notes was 6.25% (as at 28 February 2015: 6.25%) per annum. The swap exchange rate is 1.2645 HK\$ per one RMB (as at 28 February 2015: 1.2645 HK\$ per one RMB) whereas the swap interest rate is 5.75% (as at 28 February 2015: 5.75%) per annum. Gains and losses recognised in the hedging reserve in equity on foreign currency and interest rate swap contract as of 29 February 2016 will be continuously released to the statement of comprehensive income until the repayment of the Senior Notes.
- (b) As at 29 February 2016, 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\$114,620,000 (28 February 2015: HK\$247,528,000). The remaining maturity of the contract is 2 March 2016.

## **FINAL DIVIDEND**

The Board has resolved to recommend the payment of a final dividend of 8.4 HK cents per share (FY14/15: 11.0 HK cents per share) for the year ended 29 February 2016. The final dividend amounts to approximately HK\$101.8 million, if approved by the shareholders at the forthcoming annual general meeting.

## **MANAGEMENT DISCUSSION & ANALYSIS**

### **Business Review**

#### *(a) Group*

The Group has been operating in a fashion retail market that was characterised by a very challenging economic landscape throughout the financial year that ended in February 2016. Multiple peripheral and domestic economic factors continued to place downward pressure on the business environment across the Group's principal operating regions. Instability in the financial markets, alongside rising concerns over the prospect of the global economic recovery, has caused consumer appetite to remain incongruous around the various regions. Hong Kong in particular has been effected because inbound tourist traffic has been suppressed by a stronger Hong Kong Dollar, compared to major Asian currencies including the Renminbi. Profitability has been further deleveraged, which is attributed predominately to the persisting cost inflation in operating retail channels while revenue declined as a result of reduction in trading area. Sales development in Mainland China was also discouraged by restrained economic growth and a shift in the shopping patterns of consumers toward overseas markets. As a consequence of difficult times in the Asian fashion retail markets, sales growth has been largely driven by promotional campaigns, which have placed downward pressure on margins.

Although our business in Hong Kong has been undergoing challenging conditions during the financial period, from the aforementioned economic factors to warmer than usual winter months in 2015, we are committed to further reinforcing our fashion platform and strengthening our leading position in the industry through brand portfolio enhancement and innovative store layouts to create new shopping for excitement our customers. The inherent flexibility of our multifaceted business model with geographically diversified exposure has again proven to be resilient in the face of difficult times. The diminished earnings in our Hong Kong segment were largely offset by the growth in earnings of our Mainland China and Japan businesses. As a result, our overall business operations remained rather stable, managing to deliver a turnover growth of 5.0% over last year to HK\$7,541.1 million. Net profit decreased by 33.0% to HK\$209.7 million on a reported basis, while Adjusted net profit decreased by 7.6% to HK\$274.8 million.

### *Turnover by Market*

Despite having exercised rather prudent control over our shop portfolio in Hong Kong, it remained the largest revenue contributor to the Group, contributing 46.3% of total turnover (FY14/15: 50.6%). Turnover generated by our Hong Kong segment amounted to HK\$3,494.0 million, representing a decline of 3.8% over last year on the back of a contraction in total trading area of 5.2%.

Our Mainland China segment recorded 14.0% growth in turnover to HK\$3,159.4 million, contributing 41.9% to the total turnover of the Group (FY14/15: 38.6%). Our retail network expansion continued while having successfully capitalized on multiple growth opportunities in both existing and new cities during the period.

The Japan segment, which accounted for 7.4% of total Group turnover (FY14/15: 6.4%), has continued to outperform. Turnover of our Japan businesses increased by 35.8% on a constant currency basis to JPY8,689.6 million which is an increase of 21.5% in Hong Kong Dollar to HK\$559.0 million.

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

|                          | Turnover              |                       |               | % of Turnover        |                      |
|--------------------------|-----------------------|-----------------------|---------------|----------------------|----------------------|
|                          | FY15/16               | FY14/15               |               | FY15/16              | FY14/15              |
|                          | HK\$ million          | HK\$ million          | Change        |                      |                      |
| Hong Kong                | <b>3,494.0</b>        | 3,630.4               | -3.8%         | <b>46.3%</b>         | 50.6%                |
| <i>Retail sales only</i> | <i>3,459.5</i>        | <i>3,577.4</i>        | <i>-3.3%</i>  |                      |                      |
| Mainland China           | <b>3,159.4</b>        | 2,770.6               | +14.0%        | <b>41.9%</b>         | 38.6%                |
| <i>Retail sales only</i> | <i>2,983.6</i>        | <i>2,563.0</i>        | <i>+16.4%</i> |                      |                      |
| Japan                    | <b>559.0</b>          | 460.0                 | +21.5%        | <b>7.4%</b>          | 6.4%                 |
| <i>Retail sales only</i> | <i>517.2</i>          | <i>433.7</i>          | <i>+19.3%</i> |                      |                      |
| Macau                    | <b>222.0</b>          | 221.3                 | +0.3%         | <b>3.0%</b>          | 3.0%                 |
| Other                    | <b>106.7</b>          | 98.2                  | +8.7%         | <b>1.4%</b>          | 1.4%                 |
| Total                    | <b><u>7,541.1</u></b> | <b><u>7,180.5</u></b> | +5.0%         | <b><u>100.0%</u></b> | <b><u>100.0%</u></b> |

### *Brand Mix*

It is our belief that building a sustainable and flexible fashion platform is the fundamental framework guiding our long-term business development in each of our operating regions. To that end, we have been working to enhance our customer offerings through a combination of in-house and international brands of fashion products while continually expanding the product range. We are pleased that we are running a balanced portfolio showcasing over 300 distinctive fashion brands, all of which have their own unique identities that complement each other well. For the period under review, our in-house brands segment continued to represent the largest revenue contributor, landing at 59.2%.

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

|                      | Retail Sales            |                         | Change | % of Retail Sales    |                      |
|----------------------|-------------------------|-------------------------|--------|----------------------|----------------------|
|                      | FY15/16<br>HK\$ million | FY14/15<br>HK\$ million |        | FY15/16              | FY14/15              |
| In-house brands      | <b>4,316.2</b>          | 4,032.4                 | +7.0%  | <b>59.2%</b>         | 58.5%                |
| International brands | <b>2,922.5</b>          | 2,818.0                 | +3.7%  | <b>40.1%</b>         | 40.9%                |
| Licensed brands      | <b>50.3</b>             | 43.4                    | +15.9% | <b>0.7%</b>          | 0.6%                 |
|                      | <b><u>7,289.0</u></b>   | <b><u>6,893.8</u></b>   | +5.7%  | <b><u>100.0%</u></b> | <b><u>100.0%</u></b> |

*Dynamics in Margin and Cost*

Irrespective of the Group having managed to deliver another year of turnover growth at 5.0%, with gross profit also increasing by 2.3% over last year, the gross margin declined by 1.6 percentage points to 60.6%. Economic uncertainties across our operating regions have significantly dampened consumer sentiment during the financial year; as a result, fashion retail markets have been promotionally driven, causing downward pressure on retailers' margins.

On a positive note, a level of increased incidence of efficiency measured by total operating cost ratio has been achieved in some of our operating regions, such as Mainland China and Japan. As a result, our total operating cost ratio decreased by 1.0 percentage point to 54.3%. Staff costs-to-sales ratio (excluding share option expenses) also declined by 0.4 percentage point to 15.4%. The rent-to-sales ratio (including rental charges and building management fee) nonetheless increased from 24.4% to 25.0% and remained the most significant portion of our total operating expenses.

An operating profit of HK\$421.3 million was recorded for the year ended 29 February 2016, representing a decline of 14.7% over last year on a reported basis, while Adjusted operating profit increased by 1.7% to HK\$486.4 million.

(b) *Hong Kong*

The persistent uncertainty around the state of the global economy, along with the headwinds from Hong Kong Dollar appreciation that discouraged in-bound tourist flows and a broad-based deflationary environment around the different regions of operation have placed excessive downward pressure on the already dampened consumer discretionary market in Hong Kong. As demonstrated by the “Value index of retail sales in wearing apparel” (provided by the Census and Statistics Department of Hong Kong), the data suggests a continuing deterioration of consumer spending momentum, for which negative monthly performance figures were recorded from the fiscal period spanning March 2015 to February 2016, ranging from -2.2% to -17.9%. Geopolitical disturbances and warmer than usual winter months in 2015 were indeed other factors driving the weaknesses, diminishing the seasonal demand uptick in the fashion retail market. At this juncture, the retail sales environment has been driven by highly promotional activity.

Irrespective of the Group having consistently outperformed the aforementioned market index, our turnover in Hong Kong declined by 3.8% to HK\$3,494.0 million, and retail sales also declined by 3.3% to HK\$3,459.5 million, with comparable store sales growth registered at -2.0%. It is worth highlighting that these results were achieved on the back of a net decrease in total trading area of 5.2% over last year in response to cost inflation persistence in operating retail channels in the region and rentals in particular, which accounted for the most significant portion of our operating expenses.

Gross margin decreased by 3.5 percentage points to 57.2%; the decline was principally a result of the more proactive discounting campaigns that we have offered during the year to boost sales volume. Coincidentally, the operating cost-to-sales ratio (which is defined as operating expenses divided by turnover) increased by 2.6 percentage points to 59.3%. The uplift in operating cost-to-sales ratio was attributed predominately to the dual effect of an increase in cost of running retail channels, rental in particular and the decline in turnover. As a consequence, an operating loss of HK\$72.7 million was recorded for the year ended 29 February 2016, compared to an operating profit of HK\$142.1 million for the previous year.

(c) *Mainland China*

Despite having experienced moderate economic developments, causing top-down pressure on Mainland China's consumption growth throughout the financial year, the Group has continued to grow its retail network. We have successfully capitalized on a number of growth opportunities and have extended our self-managed store presence to 20 cities in Mainland China, with total trading area increased by 16.8% over last year. This is representative of our long-term commitment to this region in view of the rising demographic middle-income group and the region's positive long-term economic prospects. Preparations are under way to further strengthen our multifaceted fashion platform, with an emphasis on sustainability and flexibility and an aim to establish a solid framework guiding the Group's long-term development in the region.

Turnover of our Mainland China business achieved another year of noticeable growth of 14.0% to HK\$3,159.4 million amid challenging times and negative translation effect from the depreciation of the Renminbi. Total retail sales also increased in a similar manner by 16.4% to HK\$2,983.6 million, with comparable store sales growth registered at 3.9% (FY14/15: 4.5%). Gross margin increased by 0.4 percentage point to 61.4%. This enhancement in gross margin was mainly attributed to fewer promotional discount offers during the financial period. Moreover, a remarkable level of enhancement in efficiency, measured by comparing operating cost-to-sales ratio has been achieved, landing at 53.1% (FY14/15: 56.8%). As a result, operating profit increased by 125.0% to HK\$262.4 million.

(d) *Japan*

Benefiting from the success of a number of cross-border collaborative campaigns with renowned fashion units around the World and well-received collections for all brands within the "A Bathing Ape" group, along with the increase in in-bound tourist flows influenced by a weak Japanese Yen, our Japan segment has continued to outperform. Sales of our Japan business increased by 35.8% to JPY8,689.6 million, whereas sales in Hong Kong Dollar terms grew by 21.5% to HK\$559.0 million. Gross margin landed at 67.8% (FY14/15: 69.6%). A level of increased incidence of efficiency (measured by cost-to-sales ratio) has been achieved and is more than sufficient to offset the restraint in gross margins. As a result, operating profit increased by 45.9% to HK\$213.1 million.

(e) *Macau*

Total retail sales growth in Macau remained somewhat flat following the decline in tourist traffic and the downtrend in the gaming sector, increasing slightly by 0.3% to HK\$222.0 million, with an operating profit amounting to HK\$74.3 million, representing a decline of 1.7% over last year.



## **Share of Results of Joint Ventures**

A share of loss of joint ventures amounting to HK\$27.0 million was recorded for the year ended 29 February 2016, representing a reduction in loss of 24.6% over last year. A principal positive factor was that our joint venture business with Galeries Lafayette continued to achieve sales growth, resulting in a reduction of the loss incurred by the business.

## **Inventory**

The inventory turnover cycle of the Group increased slightly by 3 days to 163 days, and it was to a large extent due to the diminished growth in sales of our Hong Kong business. It was 5 days lower than the 168 days recorded for the six months that ended 31 August 2015.

## **Cash Flows and Financial Position**

The Group's cash and bank balances as at 29 February 2016 were HK\$1,967.1 million compared to HK\$2,294.1 million as at 28 February 2015 and its net cash balance amounted to HK\$431.3 million (net cash is defined as cash and cash equivalents of HK\$1,967.1 million less bank borrowings of HK\$480.9 million and the Senior Notes of HK\$1,054.9 million) versus HK\$557.9 million as at 28 February 2015.

Cash inflow from operating activities for the year ended 29 February 2016 amounted to HK\$319.3 million (FY14/15: HK\$597.9 million).

## **Liquidity and Banking Facilities**

As at 29 February 2016, the Group had aggregate banking facilities of approximately HK\$1,967.2 million (28 February 2015: HK\$1,950.3 million) for overdrafts, bank loans and trade financing, of which approximately HK\$1,339.4 million (28 February 2015: HK\$1,256.4 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 29 February 2016, bank borrowing was secured on land and buildings with a carrying amount of HK\$203.1 million (28 February 2015: HK\$209.6 million).

## **Contingent Liabilities**

As at 29 February 2016, the Group did not have significant contingent liabilities (28 February 2015: Nil).

## **Foreign Exchange**

The Group is exposed to foreign exchange risk arising from exposure in the Japanese Yen, Macau Pataca, Pound Sterling, Euro, US Dollar, New Taiwan Dollar, Chinese Renminbi and Korean Won against the Hong Kong Dollar. Although 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, fluctuations in the value of the Hong Kong Dollar against other currencies could affect our margins and profitability.

## **Employment, Training and Development**

Human resources are our greatest assets, and we regard the personal development of our employees as highly important. As of 29 February 2016, the Group had a total of 6,604 (28 February 2015: 5,982) 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**

The broad-based weakness in consumer sentiment across the Group's principal operating regions in response to the demanding macroeconomic, geopolitical, and industry conditions created an extremely challenging business environment for retail operators in 2015. We do not expect consumer spending momentum to witness any form of imminent improvement given the limited indication of a turnaround of the global economic landscape and retail sector in the near term. Therefore, 2016 appears challenging and is set to be affected by instability in tourist spending flows as well as macroeconomic and promotional headwinds. Moreover, the weakening of major Asian currencies against the US Dollar may continue to undermine consumer spending, particularly in Hong Kong, which will remain our largest market in the foreseeable future.

Although we remain cautious in relation to the recovery prospect of retail sectors across our operating regions, we are confident that our multifaceted business model, with a strong portfolio of the latest and most distinctive fashion brands, is inherently adaptable and flexible. Each of our brands has its own unique identity that complements the others, along with a geographically diversified distribution platform that will enable us to remain resilient in the midst of difficult times. We will continue to put forth our best efforts to develop our customer offerings within our in-house brands segment through a combination of innovative product designs and competitive quality merchandise. Concurrently, we will also ensure that the latest fashion ideas are delivered to our customers through our international brand platform in a timely and sustainable manner. We are enthusiastic about the pipeline of new fashion concepts and brands that will be launched in the upcoming seasons as well as focused marketing initiatives with different renowned international names and business units with an aim to further boost the brand equity of our performing brands.

With regard to network expansion, the Group intends to remain prudent about its shop portfolio in Hong Kong in the face of challenging times and cost inflation in operating retail channels. Our expansion plan in Mainland China will be rather gradual in the coming year while being open and flexible to new ideas and growth opportunities.

## **CORPORATE GOVERNANCE**

The Company is committed to implementing good corporate governance practices and emphasising on transparency and accountability to its shareholders and stakeholders. In the opinion of the Board, the Company has applied and complied with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the year ended 29 February 2016, except for the deviations as mentioned below.

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.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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. Upon enquiry by the Company, all Directors have confirmed that, for the year ended 29 February 2016, they have complied with the required standard set out in the Model Code regarding securities transactions by the Directors.

## **REVIEW OF FINANCIAL INFORMATION**

The figures in respect of the Group’s consolidated statement of comprehensive income, the consolidated statement of financial position and the related notes thereto for the year ended 29 February 2016 as set out in the preliminary announcement have been agreed by the Company’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

The Audit Committee has reviewed with the Management the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters including the review of the consolidated financial statements of the Group and the annual report for the year ended 29 February 2016.

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

During the year ended 29 February 2016, the Company purchased a total of 15,626,000 shares on the Stock Exchange at an aggregate consideration of HK\$31,689,400. All the purchased shares were cancelled.

| <b>Month</b>   | <b>Number<br/>of shares<br/>purchased</b> | <b>Purchase<br/>price per share</b> |                        | <b>Total<br/>purchase<br/>price paid<br/>HK\$</b> |
|----------------|---|-------------------------------------|------------------------|---|
|                |   | <b>Highest<br/>HK\$</b>             | <b>Lowest<br/>HK\$</b> |   |
| March 2015     | 2,408,000                                 | 2.59                                | 2.14                   | 5,382,540   |
| July 2015      | 550,000                                   | 2.65                                | 2.52                   | 1,409,120   |
| August 2015    | 2,528,000                                 | 2.04                                | 1.92                   | 5,038,040   |
| September 2015 | 1,472,000                                 | 2.16                                | 1.99                   | 3,037,860   |
| December 2015  | 224,000                                   | 2.08                                | 2.03                   | 460,500   |
| January 2016   | 3,366,000                                 | 2.13                                | 1.83                   | 6,981,420   |
| February 2016  | 5,078,000                                 | 1.86                                | 1.81                   | 9,379,920   |
| <b>Total</b>   | <b><u>15,626,000</u></b>                  |                                     |                        | <b><u>31,689,400</u></b>                          |

As at 29 February 2016, the total number of issued shares of the Company was 1,211,977,307.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares or the 6.25 per cent Senior Notes due 2018 during the year ended 29 February 2016.

On 1 March 2016, the Company further purchased its 494,000 shares on the Stock Exchange. The total purchase price paid was HK\$916,380, with the highest and lowest price at HK\$1.88 and HK\$1.84 respectively. The said shares were subsequently cancelled.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company will be held at 17/F., Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong on Friday, 12 August 2016 at 3:00 p.m. (the "2016 AGM"). Notice of the 2016 AGM will be published and sent to shareholders in the manner as required by the Listing Rules in due course.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed as follows:

1. For the purpose of ascertaining shareholders who are entitled to attend and vote at the 2016 AGM to be held on Friday, 12 August 2016 (or any adjournment thereof), the register of members of the Company will be closed from Wednesday, 10 August 2016 to Friday, 12 August 2016, both days inclusive. In order to qualify for the right to attend and vote at the 2016 AGM (or any adjournment thereof), all transfers accompanied by the relevant share certificates should be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited (the "Share Registrar"), no later than 4:30 p.m. on Tuesday, 9 August 2016.
2. Upon the shareholders' approval of the payment of the final dividend, for the purpose of ascertaining shareholders who qualify for the final dividend, the register of members of the Company will be closed on Thursday, 18 August 2016. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates should be lodged with the Share Registrar no later than 4:30 p.m. on Wednesday, 17 August 2016. The expected dispatch date of the dividend warrant and the expected payment date of the final dividend is on or around Wednesday, 31 August 2016.

The address of the Share Registrar is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

By Order of the Board  
**Sham Kar Wai**  
*Chairman*

Hong Kong, 25 May 2016

*As at the date of this announcement, the Board comprises Mr. SHAM Kar Wai, Mr. SHAM Kin Wai and Mr. CHAN Wai Kwan as Executive Directors and Mr. Francis GOUTENMACHER, Dr. WONG Tin Yau, Kelvin, JP and Mr. MAK Wing Sum, Alvin as Independent Non-executive Directors.*