I.T

ANNUAL REPORT 16/17

STOCK CODE: 999

I.T LIMITED ANNUAL REPORT

16/17

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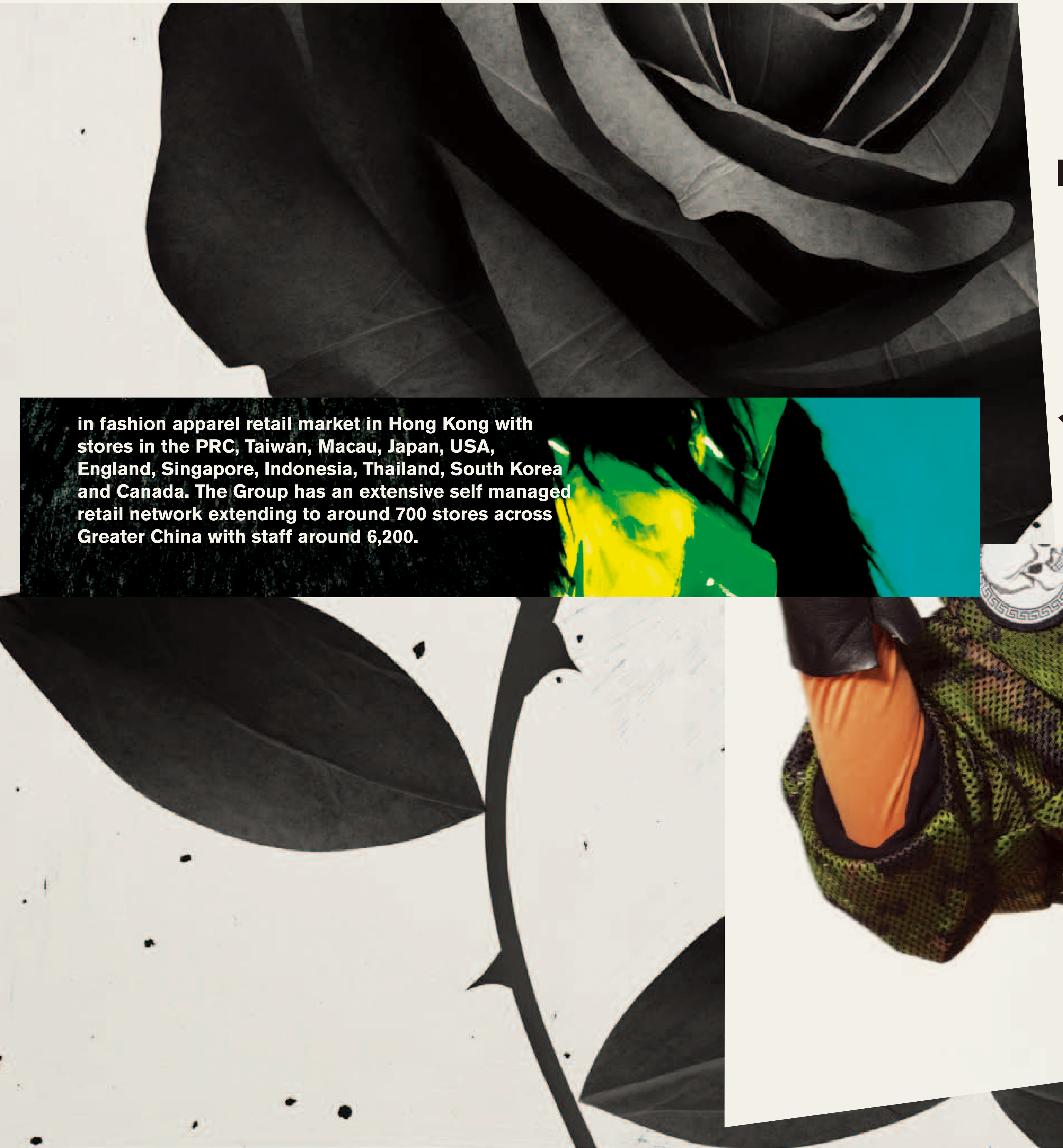
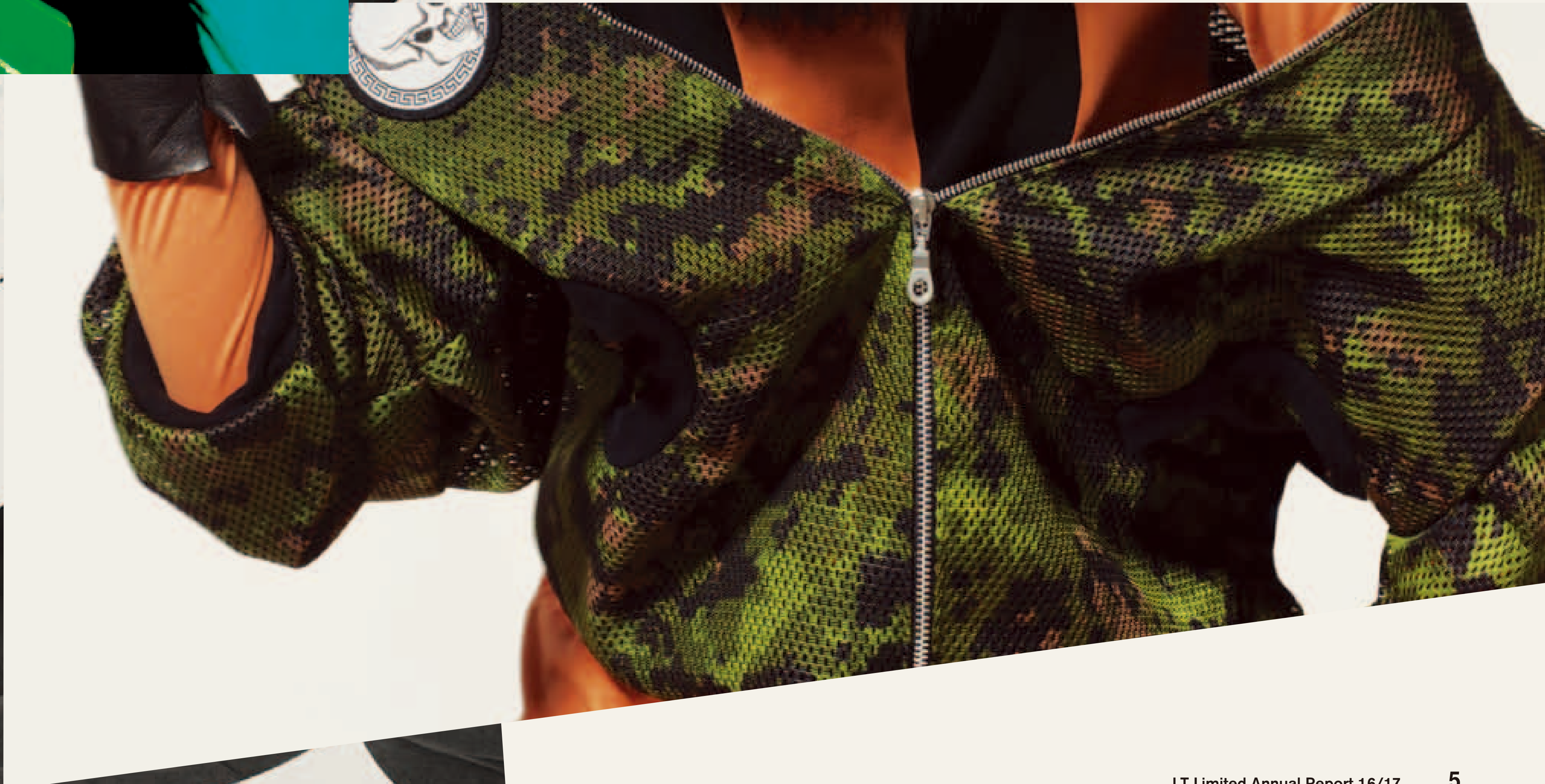
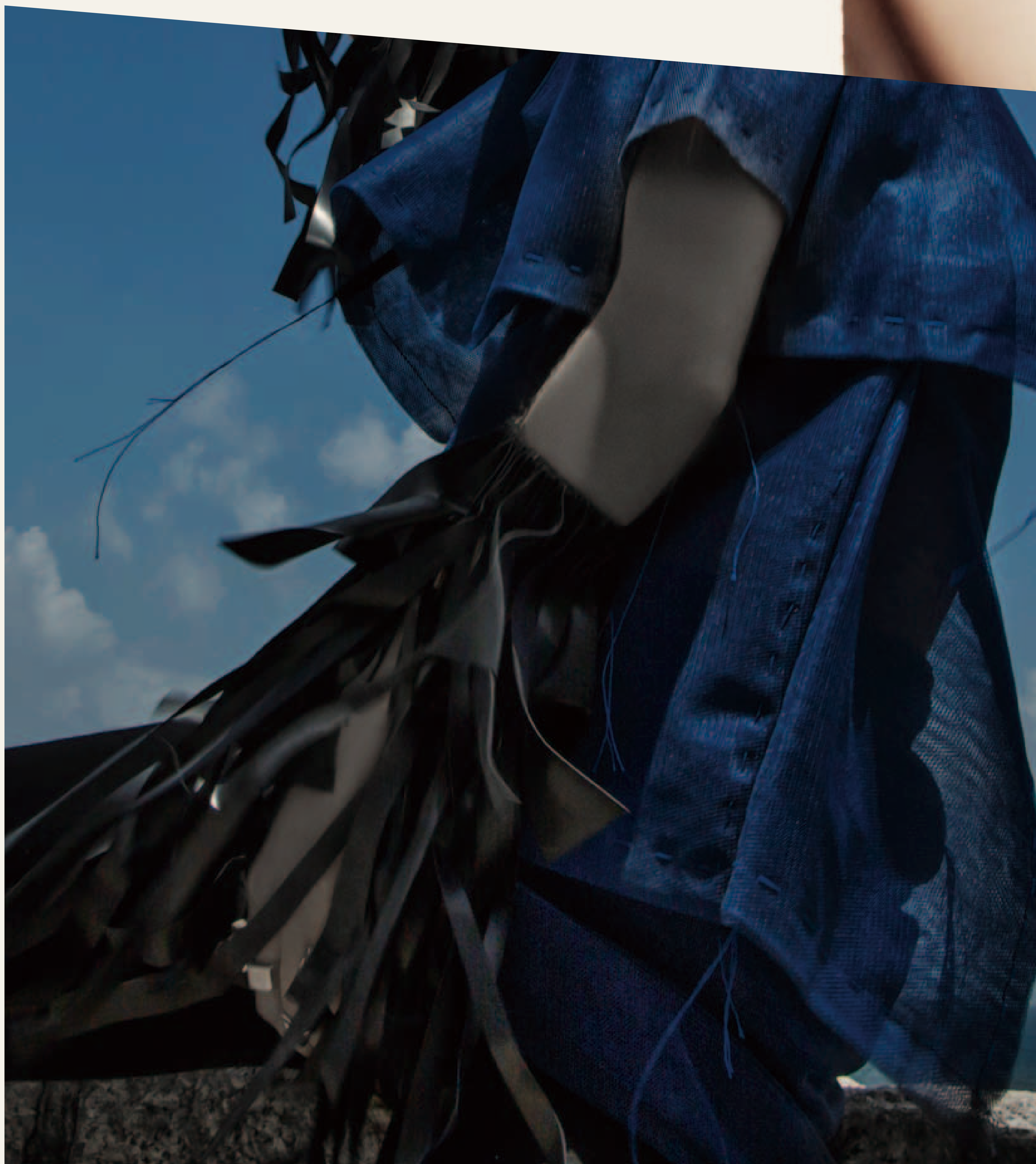


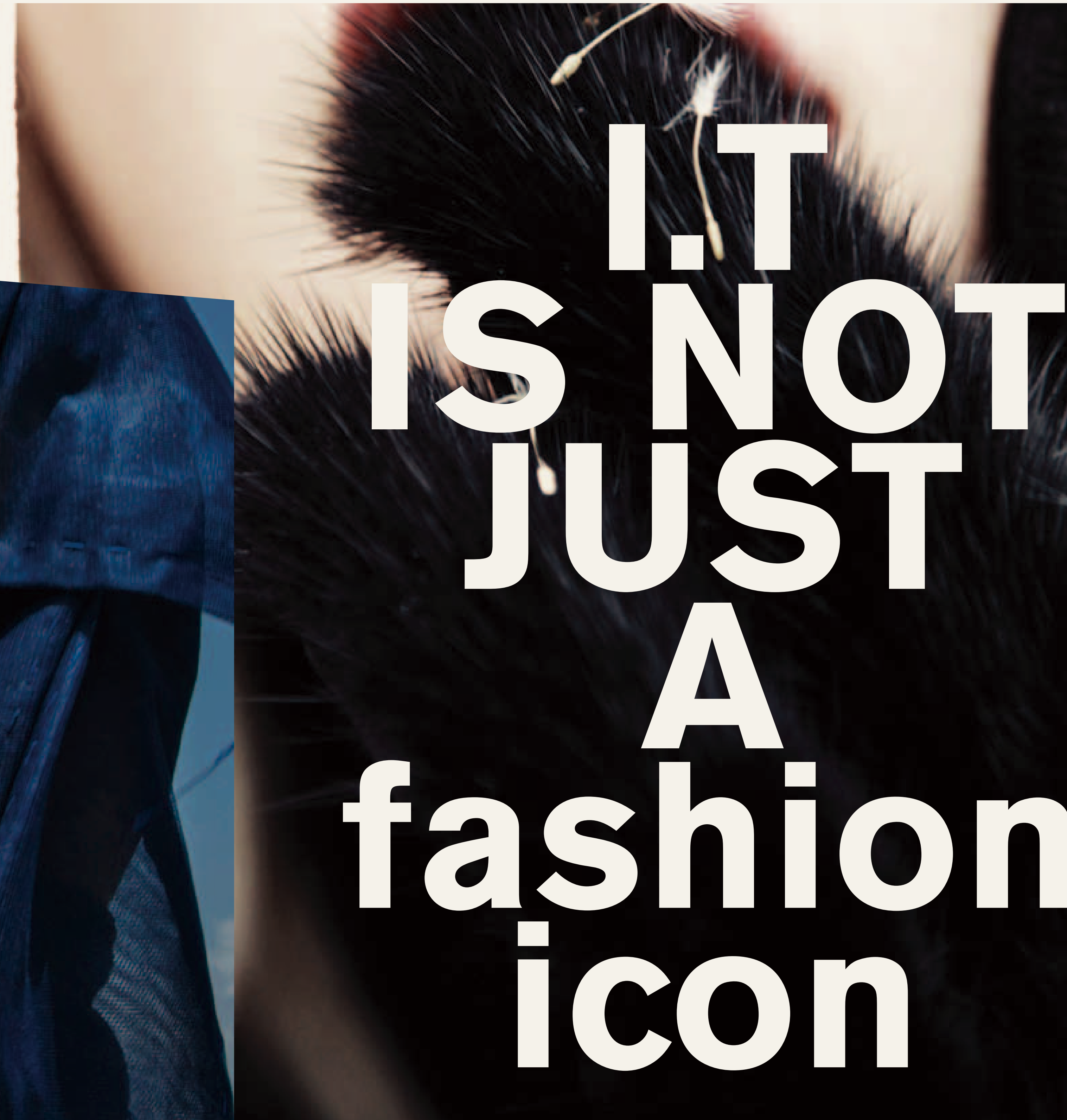
I.T is well established as a

TREND SETTER

in fashion apparel retail market in Hong Kong with stores in the PRC, Taiwan, Macau, Japan, USA, England, Singapore, Indonesia, Thailand, South Korea and Canada. The Group has an extensive self managed retail network extending to around 700 stores across Greater China with staff around 6,200.



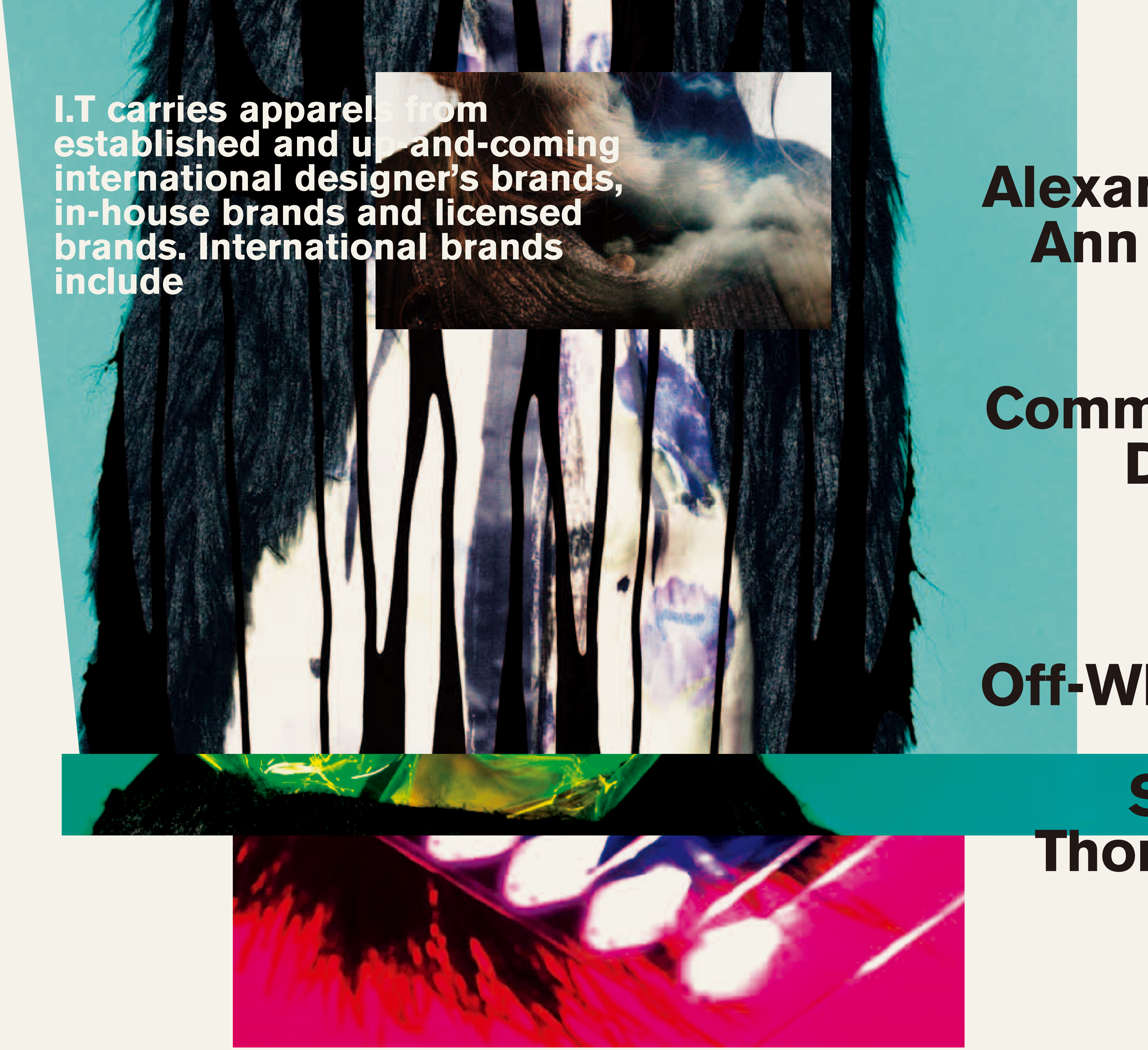




I.T IS NOT JUST A fashion icon

WE ACTUALLY LIVE FOR FASHION

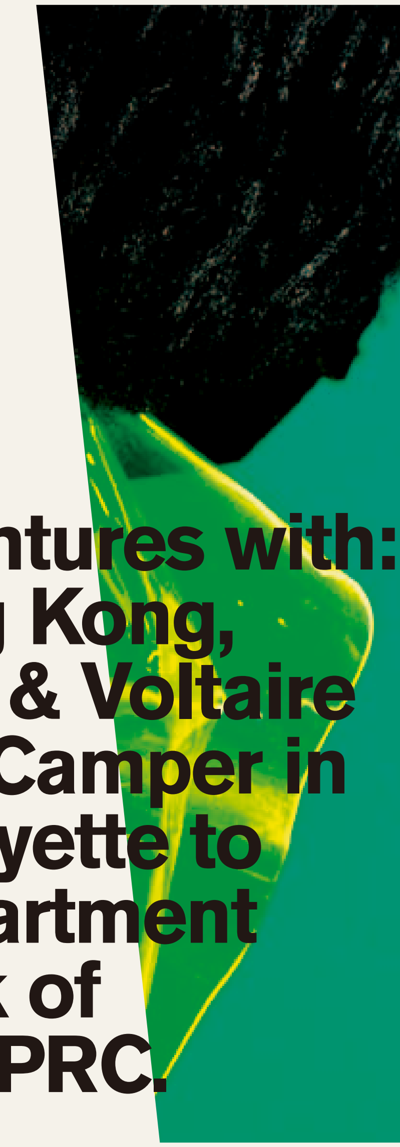
Through the multi-brand and multi-layer business model, we offer a wide range of fashion apparel and accessories with different fashion concepts, sold at varying retail price points and targeted at different customer groups.



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

Acne Studios
Alexander McQueen
Ann Demeulemeester
Balenciaga
Celine
Comme des Garcons
Dior Homme
Gucci
Kenzo
Loewe
Off-White c/o Virgil Abloh
Saint Laurent
Stella McCartney
Thom Browne
Tsumori Chisato
Valentino

In-house brands include A Bathing Ape, AAPE, izzue, b+ab, 5cm, fingercroxx, :Chocoolate and Venilla suite. 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 and Macau; 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, Thailand, England, South Korea 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
Mr. CHAN Wai Kwan

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
Conyers Corporate Services (Bermuda) Limited

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

IR Contact
Mr. FONG Wai Bun, Benny
Head of Investor Relations
Tel: 3197-1126
Fax: 2237-6616
Email: ir_mail@ithk.com

Corporate Website
www.ithk.com

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 2017	29 February 2016	28 February 2017	29 February 2016
Greater China:				
Hong Kong				
I.T	230	249	–	–
FCUK IT[1]	6	7	–	–
ZIT H.K.[1]	3	3	–	–
Mainland China				
I.T	435	364	59	85
FCIT China[1]	16	20	–	–
Camper I.T China[1]	9	9	–	–
Taiwan	20	21	–	–
Macau				
I.T	15	11	–	–
FCIT Macau[1]	1	1	–	–
ZIT Macau[1]	1	–	–	–
Overseas:				
Japan	21	22	–	–
USA	1	1	–	–
Thailand	–	–	1	1
England	–	–	7	3
Singapore	–	–	3	4
Indonesia	–	–	1	1
South Korea	–	–	1	–
Canada	–	–	3	3

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

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

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

	B. Sales footage[2]			
	Self-managed		Franchised	
	28 February 2017	29 February 2016	28 February 2017	29 February 2016
Greater China:				
Hong Kong				
I.T	551,899	598,168	–	–
FCUK IT[1]	7,272	8,702	–	–
ZIT H.K.[1]	2,797	3,597	–	–
Mainland China				
I.T	1,351,168	1,143,002	84,504	120,453
FCIT China[1]	24,130	31,269	–	–
Camper I.T China[1]	6,336	6,510	–	–
Taiwan	35,098	36,093	–	–
Macau				
I.T	40,470	33,087	–	–
FCIT Macau[1]	3,330	3,330	–	–
ZIT Macau[1]	1,998	–	–	–
Overseas:				
Japan	44,905	48,026	–	–
USA	3,313	3,313	–	–
Thailand	–	–	2,152	2,152
England	–	–	2,314	2,317
Singapore	–	–	9,939	23,106
Indonesia	–	–	3,160	3,160
South Korea	–	–	1,552	–
Canada	–	–	8,430	8,430

Notes:
(1) a 50% owned joint venture of the Company.
(2) represents gross area.

MESSAGE FROM THE CHAIRMAN

Dear Shareholders:

As previously communicated in the interim report, financial year 2016/17 was an eventful year that has witnessed a wide range of macroeconomic changes and a shift in consumption patterns. These factors have significantly affected our performance in all of our operating regions, though the effects varied in each region. On the positive front, the Chinese middle class, with an ever-increasing disposable income, is showing a growing demand in quality and creative fashion products. Such demand has brought about a favorable business environment for us on the Mainland because we offer a multifaceted fashion platform featuring distinctive collections of the latest fashion concepts and shopping experiences, which captured the demand very well. As a result, our China business has continued to grow and has achieved positive results.

On the negative front, the business sentiment among fashion retailers in our core market of Hong Kong has reflected the substantial challenges of the retail industry in the complex Hong Kong market. A decline in tourism as a result of the strength of the Hong Kong dollar against major Asian currencies, alongside the softening local spending momentum has continued to suppress our Hong Kong business. Cost inflation in operating retail channels, such as rental and staff costs, also continued to put a negative pressure on our business as well. In addition, the warmer than usual winter in 2016 has further compromised the operating conditions in Hong Kong. Therefore, we have continued our store consolidation exercise in Hong Kong with an aim to enhance the overall performance and efficiency of our store portfolio.

Nevertheless, I am delighted with the Group's achievements during the year against a back-drop of the abovementioned complex trading conditions. It validates the benefits and resilience of our multifaceted business model with its inherent adaptability and flexibility against a rapidly changing retail environment. I trust that our unique and differentiating brand portfolio, comprising over 300 latest fashion brands and concepts, demonstrates our strong merchandising and design capabilities that would allow us to continue to influence fashion trends across the regions and capture growth therein.

I am confident that the Group is better equipped after difficult times. Our competitive advantages, which cannot be easily replicated, are further strengthened to meet the challenges in the retail market in the coming year and beyond. I remain deeply grateful to our customers and shareholders for their loyalty and trust. My team and I look forward to your continuing support as we work together to propel the Group to the next stage of development.

Sham Kar Wai
Chairman

24 May 2017

FINANCIAL HIGHLIGHTS

- Total turnover of the Group increased by 6.1% to HK$8,001.3 million.
- Total retail sales in Hong Kong decreased by 6.3% to HK$3,242.9 million. Sales area in Hong Kong also decreased by 7.7%. Comparable store sales growth rate in Hong Kong registered at -4.2% (FY15/16: -2.0%).
- Total retail sales in Mainland China increased by 16.0% to HK$3,461.3 million. Sales area in Mainland China increased by 18.2%. Comparable store sales growth rate in Mainland China registered at 7.1% (FY15/16: 3.9%).
- Total retail sales in Japan landed at HK$731.4 million or JPY10,227.0 million, representing 41.4% increase in Hong Kong Dollar or 27.2% increase in base currency from FY15/16.
- Total retail sales in Macau decreased by 2.5% to HK$216.5 million.
- Gross profit of the Group increased by 7.9% to HK$4,928.1 million at gross profit margin of 61.6% (FY15/16: 60.6%).
- Net profit of the Group increased by 50.2% to HK$315.0 million.
- If the exceptional non-recurring 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 FY15/16 is excluded, net profit of the Group increased by 14.6% to HK$315.0 million.
- Basic earnings per share increased by 52.9% to 26.0 HK cents.

Per share data	FY16/17	FY15/16	Change
EPS-basic (HK cents)	26.0	17.0	+52.9%
EPS-diluted (HK cents)	25.4	16.7	+52.1%
Dividend (HK cents)	13.0	8.4	+54.8%
Book value (HK$)[1]	2.54	2.39	+6.3%

Key statistics	FY16/17	FY15/16	Change
Inventory turnover (Days)[2]	173.8	163.1	+6.6%
Cash and cash equivalent (HK$ million)	1,817.8	1,967.1	-7.6%
Net cash (HK$ million)[3]	509.1	431.3	+18.0%
Debt to equity ratio (%)[4]	43.1	53.0	-18.7%
Return on equity ratio (%)[5]	10.6	7.3	+45.2%

Notes:

(1) Net asset value per share as at the year end date.

(2) Average of the inventory at the beginning and at the end of the year divided by cost of sales times number of days during the year.

(3) Cash and cash equivalents less borrowings.

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

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

I.T IS FASHION

shaping the fashion scene in Greater China

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

(a) Group

Financial year 2016/17 was not an encouraging year for the fashion retail business across many of the Group's operating regions. It was, indeed, an eventful year comprising political instabilities in advanced economies, economic adjustment on the Mainland, and upward currency pressure on the Hong Kong Dollar. These economic conditions have placed further suppressions on the retail industries around the various regions. The warmer than usual winter months in Hong Kong, alongside declining inbound tourist flow, made for an even more difficult trading environment in the midst of a dampened state of local consumption.

Despite the Group's operating results in Hong Kong being considerably affected by the aforementioned challenging conditions, we have continued to strengthen our leadership role and competitive advantages over the broader market through improvement of the consumer experience and further enhancement of our brand portfolio to ensure that we are delivering an optimal mix of the latest fashion products to our customers in a timely manner. Other market situations related to cost inflation in operating retail channels, such as rental and staff costs, also remain negative. Retailers in general have limited potential to reduce costs and, as a result, our store consolidation exercise in Hong Kong has inevitably continued with the objectives of mitigating cost pressure and enhancing overall store efficiency.

In contrast, our expansion on the Mainland continued against a backdrop of generally soft spending patterns and moderate economic development. The Group believes that the fundamentals of China, which include the growth of both the middle and upper classes, remain strong, and demand for quality and innovative fashion products is growing as well. As a result, our total trading area in China has increased by 18.2% compared to last year, and new cities were added (such as Nanning, Changchun and Kunming) to reflect our positive view to the growth of the region. Our self-managed stores are now present in 28 cities in China.

On the other hand, a growth in revenue along with increased profitability was achieved in our Japan segment. The success of a wide range of inspirational marketing campaigns and cross-border collaborative activities with numerous renowned business units were the key factors for that encouraging set of results.

The overall result of the Group has again been validated by the strength of our multifaceted business model that is inherently adaptable and flexible. The diminished earnings in our Hong Kong segment were largely offset by the improvement in earnings of our Mainland China and Japan businesses. Consequently, the Group managed to deliver another year of sustainable growth in turnover of 6.1% over last year to HK$8,001.3 million. Net profit came in at HK$315.0 million, representing an increase of 14.6% over last year if the exceptional non-recurring foreign exchange loss of HK$65.1 million as a result of the conversion of the Group's RMB fixed deposits into Hong Kong Dollar in FY15/16 is excluded. On a reporting basis, net profit of the Group increased by 50.2% to HK$315.0 million.

Turnover by Market

Our turnover in Hong Kong declined by 6.1%, to HK$3,280.4 million on the heels of a reduction in total trading area of 7.7%. Hong Kong contributed 41.0% of the total turnover (FY15/16: 46.3%).

The Group believes the marketplace in Mainland China will offer immense business opportunities in the longer term as a new class of rapidly growing cities is expected to soon become wealthy enough for their consumers to participate in the evolution of fashion. As a result, our retail network expansion has continued. And along with positive comparable store sales growth recorded for the period, our Mainland China operations have achieved another year of noticeable growth of 14.0%, to HK$3,601.2 million. It contributed 45.0% to total Group turnover (FY15/16: 41.9%).

The Japan segment, which accounted for 9.8% of total Group turnover (FY15/16: 7.4%), has continued to deliver sustainable growth. Turnover of our Japan businesses increased by 26.7% in local currency to JPY11,012.1 million, and there was an increase of 40.9% in Hong Kong Dollar to HK$787.6 million.

Breakdown of turnover by region of operations:

	Turnover			% of Turnover	
	FY16/17	FY15/16		**FY16/17**	FY15/16
	HK$ million	HK$ million	Change		
Hong Kong	**3,280.4**	3,494.0	-6.1%	**41.0%**	46.3%
Retail sales only	*3,242.9*	*3,459.5*	*-6.3%*		
Mainland China	**3,601.2**	3,159.4	+14.0%	**45.0%**	41.9%
Retail sales only	*3,461.3*	*2,983.6*	*+16.0%*		
Japan	**787.6**	559.0	+40.9%	**9.8%**	7.4%
Retail sales only	*731.4*	*517.2*	*+41.4%*		
Macau	**216.5**	222.0	-2.5%	**2.7%**	3.0%
Other	**115.6**	106.7	+8.3%	**1.5%**	1.4%
Total	**8,001.3**	7,541.1	+6.1%	**100.0%**	100.0%

Brand Mix

Alongside reviewing store portfolios to ensure we have the optimal mix of distribution channels, space, and store count in each of our operating districts, we also persistently upgrade the assortments of our brand portfolio with an aim to reinforce our uniquely differentiated offerings. That upgrade may lead to a rebalancing between international brand and in-house brand segments, adding new brands, and omitting nonperforming ones. Today, we are pleased that we are running a balanced portfolio showcasing over 300 distinctive fashion brands, all of which have their own identities that complement each other well. For the period under review, our in-house brand segment remained the largest revenue contributor, at 59.5% (FY15/16: 59.2%).

Breakdown of retail sales by brand category:

	Retail Sales			% of Retail Sales	
	FY16/17	FY15/16		**FY16/17**	FY15/16
	HK$ million	HK$ million	Change		
In-house brands	**4,624.6**	4,316.2	+7.2%	**59.5%**	59.2%
International brands	**3,089.8**	2,922.5	+5.7%	**39.8%**	40.1%
Licensed brands	**53.3**	50.3	+6.0%	**0.7%**	0.7%
	7,767.7	7,289.0	+6.6%	**100.0%**	100.0%

Dynamics in Margin and Cost

The Group continued to deliver sustainable growth in turnover at 6.1% with gross profit also increasing by 7.9% over last year along with an enhancement in gross margin of 1.0 percentage point to 61.6% amid a competitive retail landscape. Such expansion in gross margin was principally attributed to a reduction in mark-downs as related to sales during the period.

Cost-to-sales measure in our Hong Kong segment was significantly affected by, on the negative side, the decline in sales and the increase in the costs of running retail channels (rental and staff costs in particular) and on the positive side an offset from cost-to-sales efficiency enhancements achieved in many of our other key markets, such as Mainland China and Japan. As a consequence, the total operating cost ratio of the Group remained rather stable at 54.6% (FY15/16: 54.5%). The rent-to-sales ratio (including rental charges and building management fees) decreased by 0.3 percentage point to 24.7% whereas staff costs-to-sales ratio (excluding share option expenses) increased from 15.4% to 16.2%.

An operating profit of HK$571.6 million was recorded for the year ended 28 February 2017, representing an increase of 35.7% over that of last year. If the exceptional non-recurring foreign exchange loss of HK$65.1 million recorded in FY15/16 is excluded, the operating profit of the Group increased by 17.5% to HK$571.6 million.

(b) Hong Kong

As we noted earlier, our core market of Hong Kong has been affected by falling inbound tourist flows as a result of the strength of the Hong Kong Dollar along with weakening local consumption patterns. The general weakness in spending momentum was attributed to a wide range of challenges that included uncertain macroeconomic conditions, geopolitical disturbances around the regions, and the warmer than usual winter in 2016.

Turnover in Hong Kong declined by 6.1%, to HK$3,280.4 million, and retail sales also declined by 6.3%, to HK$3,242.9 million with comparable store sales growth registered at -4.2%. It is worth reiterating that this set of results was achieved on the back of a net decrease in trading area of 7.7% over last year. Rising cost pressure, particularly rental and staff costs, continued to suppress the profitability of our Hong Kong segment. As a result, our store consolidation exercise has continued.

The gross margin increased to 58.8% (FY15/16: 57.2%), such expansion in gross margin was predominately attributed to the fewer promotional discounting campaigns offered during the period. Nevertheless, such enhancement in gross margin was not sufficient to completely offset a decline in efficiency measured by operating cost on sales, which increased by 4.6 percentage points to 64.2%. As a result, an operating loss of HK$184.9 million was recorded for the year compared to an operating loss of HK$72.7 million for the previous year.

(c) **Mainland China**

Turning to Mainland China, we are gratified with the Group's achievements during the period alongside the progress in retail network expansion that we have achieved amid moderate economic developments and generally soft spending momentum. Our total trading area on the Mainland increased by 18.2% over last year owing to our positive future view of the consumer discretionary segment in this region. This means that we are now present in 28 cities and include new cities such as Changzhou, Guiyang, Kunming, Jinan, Taiyuan, Nanning and Changchun. The Group believes the marketplace will offer compelling business opportunities in the foreseeable future as Chinese consumers are increasingly more selective and fashion conscious, which has provided a favorable business environment for us that is underpinned by the unique nature of our brand portfolio that showcases a wide range of the latest fashion concepts.

Turnover of our Mainland China business managed to deliver another year of noticeable growth of 14.0% to HK$3,601.2 million amid negative translation effect from the depreciation of the Chinese Renminbi. Total retail sales also increased by 16.0%, to HK$3,461.3 million with comparable store sales growth registered at 7.1% (FY15/16: 3.9%). The gross margin decreased by 0.5 percentage point to 60.9%, owing predominately to exchange differences from the devaluation of Chinese Renminbi over the previous year. Moreover, a level of enhancement in efficiency measured by comparing operating cost-to-sales ratio has been achieved, landing at 51.8% (FY15/16: 53.6%) and, as a result, operating profit increased by 31.5% to HK$344.9 million.

(d) **Japan**

Our Japan business has continued to fare well in this highly competitive and fashion-enthusiastic market. We reinforced our customer loyalty and brand awareness through ongoing improvements in store designs (physical and digital) as well as focused and inspirational marketing efforts. We joined hands with numerous renowned street-wear names, fashion, sportswear names, and other business units around the world to further boost the brand equity of our brands within the A Bathing Ape group. The overwhelming responses to those marketing initiatives were evident in the additional sales growth driven for our Japan segment. Sales of our Japan business increased by 26.7%, to JPY11,012.1 million, whereas sales in Hong Kong Dollar terms grew by 40.9% to HK$787.6 million. Gross margin landed at 71.1% (FY15/16: 67.8%). Operating profit also increased by 48.0%, to HK$315.5 million as a result of the gross margin expansion and an efficiency enhancement measured by operating cost on sales.

(e) **Macau**

Total retail sales in Macau decreased by 2.5% to HK$216.5 million. Operating profit also decreased, by 11.3% over last year to HK$65.9 million.

Share of Results of Joint Ventures

A share of losses of joint ventures amounting to HK$5.5 million was recorded for the year ended 28 February 2017, representing a 79.6% decline in loss over last year. A principal positive factor was that our joint venture business with Galeries Lafayette has continued to achieve sales growth targets.

Inventory

The inventory turnover cycle of the Group increased to 174 days (FY15/16: 163 days). The increase in stock was, to a large extent, explained by the Group's continued expansion, particularly in Mainland China, but it also was due to the sales development in our Hong Kong segment trending lower than expected.

Cash Flows and Financial Position

The Group's cash and bank balances as at 28 February 2017 were HK$1,817.8 million compared to HK$1,967.1 million as at 29 February 2016 and its net cash balance amounted to HK$509.1 million (net cash is defined as cash and cash equivalents of HK$1,817.8 million less bank borrowings of HK$303.2 million and the Senior Notes of HK$1,005.5 million) versus HK$431.3 million as at 29 February 2016.

Cash inflow from operating activities for the year ended 28 February 2017 amounted to HK$443.3 million (FY15/16: HK$319.3 million).

Liquidity and Banking Facilities

As at 28 February 2017, the Group had aggregate banking facilities of approximately HK$1,505.1 million (29 February 2016: HK$1,967.2 million) for overdrafts, bank loans and trade financing, of which approximately HK$1,087.4 million (29 February 2016: HK$1,339.4 million) was unutilised 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 2017, bank borrowing was secured on land and buildings with a carrying amount of HK$196.7 million (29 February 2016: HK$203.1 million).

Contingent Liabilities

As at 28 February 2017, the Group did not have significant contingent liabilities (29 February 2016: Nil).

Foreign Exchange

The Group is exposed to foreign exchange risk arising from exposure in the Japanese Yen, Macau Pataca, Pound Sterling, Euro, United States 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 28 February 2017, the Group had a total of 6,295 (FY15/16: 6,604) 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.

Outlook

We anticipate that 2017 will be another eventful year fueled by uncertainties over global economic developments, economic adjustment on the Mainland, and geopolitical tensions across the various regions. Consumer spending momentum is, in general, projected to remain weak and affected by currency headwinds. For instance, the ongoing strength of the Hong Kong Dollar may further encourage outbound spending over local consumption and, concurrently, discourage inbound tourist traffic from Mainland China to Hong Kong.

Nevertheless, we also see growth opportunities in the coming year that we plan to capitalise on with an aim to expand our geographical reach, Mainland China in particular. We will continue to increase market share across all distribution channels that include our multi-brands, single-brand, and shop-in-shop or pop-up store formats alongside our digital channel.

We are confident that the Group is even better equipped after difficult times and is well positioned for changes in the industry. We are looking forward to delivering strong collections of the latest and most distinctive fashion brands and to the launch of new fashion concepts and emerging names along with new shopping experiences. We will pursue our sustainable growth strategy by further leveraging the competitive strengths and advantages we have successfully developed, including our solid financial fundamentals, a well-balanced business around a portfolio of diverse yet complementary fashion brands, and our leading position in the fashion industry.

BIOGRAPHIES OF DIRECTORS AND MANAGEMENT TEAM

Executive Directors

Mr. SHAM Kar Wai
Aged 50, is an Executive Director, the Chairman of the Board of Directors and the Chief Executive Officer of the Group. He founded the Group in November 1988 with his brother, Mr. Sham Kin Wai. Mr. Sham Kar Wai is responsible for the overall management and strategic development of the Group. He has nearly 30 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 47, 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 nearly 30 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.

Mr. CHAN Wai Kwan
Aged 46, is an Executive Director of the Company and the Chief Executive Officer of I.T China. Mr. Chan is accounting for the development of the Group's business and operations in the PRC. He joined the Group in January 2006. 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.

Independent Non-executive Directors

Mr. Francis GOUTENMACHER

Aged 75, was appointed as an Independent Non-executive Director of the Company 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 The 13 Holdings Limited. He was also 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 from 2010 to 2015. Both named companies are listed on The Stock Exchange of Hong Kong Limited. Mr. Goutenmacher was a director and the non-executive chairman of the board of directors of PLUKKA Limited, a company listed on the Australian Securities Exchange Limited, from 2015 to January 2017. 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 56, was appointed as an Independent Non-executive Director of the Company 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, the Chairman of the Corporate Governance Committee and a member of the Executive Committee of COSCO SHIPPING Ports Limited (formerly known as "COSCO Pacific Limited"), a company listed on The Stock Exchange of Hong Kong Limited.

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, the Chairman of the Investor Education Centre, a member of the Financial Reporting Council and a member of the Operations Review Committee of Independent Commission Against Corruption.

Dr. Wong is currently an independent non-executive director of Asia Investment Finance Group Limited, Bank of Qingdao Co., Ltd., China ZhengTong Auto Services Holdings Limited and Huarong International Financial Holdings Limited. He was also an independent non-executive director of AAG Energy Holdings Limited and CIG Yangtze Ports PLC. All the aforementioned companies are listed in Hong Kong. In addition, Dr. Wong is an independent non-executive director of Shanghai Fosun Pharmaceutical (Group) Co., Ltd., a company dual listed in Hong Kong and Shanghai, and Xinjiang Goldwind Science & Technology Co., Ltd. ("Xinjiang Goldwind"), a company dual listed in Hong Kong and Shenzhen. He was also an independent non-executive director of Xinjiang Goldwind from June 2011 to June 2016.

Dr. Wong 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.

Mr. MAK Wing Sum, Alvin

Aged 64, was appointed as an Independent Non-executive Director of the Company 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 a member of the Hong Kong Housing Society and a member of its audit committee and special committee on investment. He is also an independent non-executive director, chairman of the audit committee and a member of each of the remuneration committee and nomination committee of Goldpac Group Limited; an independent non-executive director, chairman of the nomination committee and a member of each of the audit committee and remuneration committee of Luk Fook Holdings (International) Limited; an independent non-executive director and a member of each of the audit committee, nomination committee and remuneration committee of Hong Kong Television Network 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

Miss HO Suk Han Sophia

Aged 48, is the Company Secretary. She joined the Group in May 2005 and is also 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 and its subsidiaries (collectively as the "Group") have applied and complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 28 February 2017, 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 six members, three 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 32 to 33. 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 as set out in the Listing Rules.

Mr. Francis Goutenmacher and Dr. Wong Tin Yau, Kelvin, JP have been appointed as an Independent Non-executive Director since August 2006 and August 2007 respectively. They have clearly demonstrated their exercise of independent judgment and provision of objective challenges and advices to Executive Directors and management team. The Board opined that there is no evidence that length of tenure is having an adverse impact on their 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 and the CG Code.

Nomination Committee reviews the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and makes 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 and risk management and internal control systems; overseeing the Group's environmental, social and governance ("ESG") issues; directing and monitoring management in pursuit of the Group's strategic objectives; and determining the remuneration packages of all directors and management team, 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, six resolution-in-writing were signed by all the Board members in the year ended 28 February 2017.

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 any 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 risk management and internal control systems; 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 was signed by all the Committee members in the year ended 28 February 2017. During the year ended 28 February 2017, 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, the Listing Rules and statutory compliance, the Group's risk management and internal control systems, the effectiveness of the internal audit, 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 risk management and internal control systems. The Audit Committee has also reviewed and made recommendations to the Board for the engagement of external auditor to perform audit and non-audit services and the 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 team, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment; and makes 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 four resolution-in-writing in the year ended 28 February 2017. During the year ended 28 February 2017, the Committee has discussed and reviewed the remuneration packages of the Directors and management team, discussed and reviewed the extension of term of service and directors' fee of the Independent Non-executive Directors, and reviewed its terms of reference. The remuneration policy of the Company is to enable the Company to retain and motivate employees (including Executive Directors) to meet corporate objectives. No Executive Director is allowed to approve his own remuneration. The remuneration package of Executive Directors 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 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.

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 six resolution-in-writing in the year ended 28 February 2017. During the year ended 28 February 2017, the Committee has discussed and reviewed the Board's structure, size, composition and diversity and its terms of reference and the Board Diversity Policy, the extension of term of service of Independent Non-executive Directors, the independence of Independent Non-executive Directors and the nomination of management candidate to the Board for consideration.

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 the Chief Executive Officer and any one Executive Director from time to time. The Committee met six times in the year ended 28 February 2017.

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 2017 are set out as follows:

	Meetings attendance					
	Board (Note 7)	Executive Committee	Audit Committee (Note 8)	Remuneration Committee (Note 9)	Nomination Committee (Note 10)	Annual General Meeting held on 12 August 2016
Executive Directors						
Mr. Sham Kar Wai (Notes 1 & 3)	4/4	6/6	4/4	1/1	6/6	1/1
Mr. Sham Kin Wai (Note 1)	4/4	6/6	N/A	N/A	N/A	1/1
Mr. Chan Wai Kwan (Notes 1 & 2)	4/4	0/6	N/A	N/A	N/A	1/1
Independent Non-executive Directors						
Mr. Francis Goutenmacher (Notes 1 & 4)	4/4	N/A	4/4	1/1	6/6	1/1
Dr. Wong Tin Yau, Kelvin, JP (Notes 1 & 5)	4/4	N/A	4/4	N/A	N/A	1/1
Mr. Mak Wing Sum, Alvin (Notes 1 & 6)	4/4	N/A	4/4	1/1	6/6	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. Chan Wai Kwan was appointed as Executive Director on 1 April 2016.
Note 3: Mr. Sham Kar Wai is the Chairman of the Board and Chief Executive Officer.
Note 4 Mr. Francis Goutenmacher is the Chairman of Remuneration Committee.
Note 5: Dr. Wong Tin Yau, Kelvin, JP is the Chairman of Audit Committee.
Note 6: Mr. Mak Wing Sum, Alvin is the Chairman of Nomination Committee.
Note 7: This column only records the attendance of Board meetings duly convened and held. In addition to this, six resolution-in-writing were signed by all Directors (four of which were signed after Mr. Chan Wai Kwan was appointed as Director) during the year ended 28 February 2017.
Note 8: 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 2017.
Note 9: This column only records the attendance of Committee meeting duly convened and held. In addition to this, four resolution-in-writing were signed by all the Committee members during the year ended 28 February 2017.
Note 10: 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 2017, the Board and Board Committees have reviewed the Company's policies and practices on corporate governance and made recommendations to the Board; evaluated the ESG risks and strategies and oversaw its risk management and internal control systems; 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; reviewed the Company's compliance with the CG Code and disclosures in the Corporate Governance Report; and reviewed the Company's disclosures in the ESG 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 the merits and contributions the selected candidates can 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 as 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 sound and advanced. Directors provide their records of training to the Company on a regularly basis. During the year under review, Directors, participated in this continuous professional development exercise by way of attending trainings and/or seminars organised by professional organisations and reading materials updating new practices, rules and regulations to keep themselves updated 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 pages 60 to 63.

During the year ended 28 February 2017, the fees paid or payable to PricewaterhouseCoopers were approximately HK$2,450,000 for audit services and approximately HK$890,000 for non-audit services (for the review of the interim results of the Company for the period ended 31 August 2016, tax compliance and tax advisory service) 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 2017, 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.

Risk Management and Internal Control

The Board is responsible for maintaining an appropriate and effective risk management and internal control systems to safeguard the Group's assets and shareholders' interests. The Group has established a risk management and internal control system which includes, but is not limited to, a defined organizational structure with limits of authority, a budget and performance evaluation system, a management reporting system, an enterprise risk management system and an annual control and risk self-assessment of major business units. These risk management and internal control systems reasonably, but do not absolutely ensure the non-occurrence of material misstatement, significant loss, error or fraud and they are designed to manage, rather than eliminate the risk of failure in the Group's operational systems to achieve the Group's business objectives.

To embed a risk-alert culture throughout the Group, risk assessment processes occur at both the enterprise and business unit levels. A risk management team has been established comprising of key executive members of the Board and other management from key functions and regions. Quarterly meetings are held and a risk register is maintained that considers key enterprise-level risks, their potential consequences, likelihood, impact and overall risk rating. Key risk indicators that help measure each risk on an ongoing basis is tracked by key risk owners who, along with management, execute risk responses for each identified risk in the risk register based on the Board's risk tolerance. At each quarterly meeting, the risks in the risk register are re-evaluated and potential new risks considered. Also, depending on changes in circumstances and the external environment, risk tolerances and risk responses are adjusted accordingly. Additionally, the Internal Audit Department conducts an annual control and risk self-assessment which allows management to identify and analyse the risks underlying the achievement of business objectives and to determine a basis for how such identified risks can be managed and mitigated. Using this risk-based approach, the Internal Audit Department derives a yearly audit plan, which is approved by the Audit Committee on an annual basis to assess the adequacy, effectiveness, efficiency and reliability of internal control procedures over financial, operational and compliance activities of the Group. The results of independent audit reviews together with the recommended remedial actions, in the form of internal audit reports, are submitted to the Audit Committee and management on a regular basis. Follow-up reviews are performed to ensure all identified issues have been satisfactorily resolved.

Directors and employees are reminded regularly to comply with the Company's Corporate Disclosure Policy and Inside Information Guidelines for the handling and dissemination of inside information. The said policy and guidelines can be viewed on the website of the Company (www.ithk.com).

During the year ended 28 February 2017, the Board, (i) through the Audit Committee with the assistance of the Internal Audit Department, has reviewed the effectiveness of the Group's material internal controls including financial, operational and compliance controls; (ii) has reviewed the effectiveness of the Group's risk management and internal control systems; and (iii) has reviewed resources the Group assigned to the staff with accounting, internal audit and financial reporting functions and the qualifications and experience of the said staff. The risk management and internal control reports for the year ended 28 February 2017 formed the basis for the assessment of the effectiveness of the risk management and internal control systems. No material deficiencies were identified.

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 2017, meetings with more than 210 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 (www.ithk.com) 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 2017.

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 21 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 (including relief from taxation) 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 the Company's Bye-laws, all votes of the shareholders at general meetings would be taken by poll.

No shareholders' enquiry was received during the year ended 28 February 2017.

The Company is committed to improving the sustainability of our operations and driving improvements. We strive to utilize resources efficiently and effectively in our operations to reduce impacts on the environment; raise our social responsibilities together with our stakeholders' including our business partners, suppliers, staff and customers; improve the well-being of our colleagues; and embrace our responsibility as a corporate citizen and enhance the relationship with the community.

The Environmental, Social and Governance Report highlights the Group's sustainability initiatives and achievements accomplished for the year ended 28 February 2017. This Report focuses on workplace with our dominant operational control and over 600 self-managed stores in Hong Kong and Mainland China.

ENVIRONMENTAL SUSTAINABILITY

We understand the potential impacts of our operations on the environment. It is therefore our commitment to ensure continual business growth, while at the same time, to achieve environmental sustainability.

In order to minimize depletion of natural resources during our operations. We are committed to protecting and conserving the environment with the following actions – on one hand, we put into practice a range of green measures throughout our operations and engage our staff in supporting green initiatives in improving energy efficiency, reducing waste and enhancing indoor environmental quality; and on the other hand, we continue to work closely with our business partners in the supply chain and monitor their performance so as to minimize the impacts arising from the manufacturing processes and logistics arrangement.

Energy Efficiency and Carbon Reduction

Green management is effective in educating and encouraging our staff to adopt environmentally responsible behaviors in order to minimize our carbon footprint. We have rolled out a list of energy saving initiatives in offices, warehouses and retail shops to continuously enhance our staff awareness and induce their behavioral change.

Examples of energy saving initiatives carried out in our offices, warehouses and retail shops – maximizing the use of natural light and energy-saving lighting systems; zoning for optimal control of lighting and air-conditioning; maintaining indoor temperature at around 25°C; installing energy-efficient office equipment; turning off office equipment when not in use; putting reminder message about the importance of energy and resources savings on or next to office equipment; switching off air-conditioning systems and lighting in vacant working areas and after operation hours.

As a leading fashion apparel company, all of our staff are encouraged to dress in smart casual according to the operational needs. This can help reducing air conditioning or heating load and reducing energy consumption.

With operations spread across the regions, we have monitored our transportation needs closely to further reduce our environmental footprint. To reduce our greenhouse gas emissions, we have put in place an I.T's Business Trip Policy to define the necessity of business trips. Electronic means, such as email communications, international telephone calls and video conferences, have been adopted as far as practicable with business partners and staff in different regions to reduce the number of business trips involved.

Goods delivery between warehouses and retail shops is one of our major sources of greenhouse gas emissions. In view of the extensive delivery network within the territory and cross regions, we have joined hand with our logistic contractors continuously to help minimize greenhouse gas emissions. Besides encouraging them to upgrade their transportation fleets with better energy saving models, we also convey green driving tips to their drivers. These include, for examples, arranging delivery services in non-peak hours, identifying the best possible delivery routes to reduce exhaust emissions, and switching off idling engines during loading and unloading to help minimize roadside emissions during products delivery.

Given that we have a vast store networks, the overall electricity consumption in our operation premises in Hong Kong and Mainland China were about 43,255,000kWh, with approximate 35,730 tonnes CO_2 emissions[1] during the year under review.

Waste Management

Waste management and reduction are important strategies which help conserve valuable resources. Not only we promote waste management measures within the Group, but also promote the importance of green concept to our customers and suppliers.

General office work normally generates paper waste. In view of advocating green office measures, we promote a "paperless" workplace and encourage our staff to view documents on digital screens instead of printing hard copies. Staff members are encouraged to practice double-sided printing, reuse paper printed on single-sided paper and reuse office consumable as far as possible. During the reporting year, our paper consumption was 90 tonnes and recycled approximately 4.7 tonnes of paper waste. Paper consumption and waste paper recycling are reviewed by designated administration staff on a regularly basis to identify room for improvement and further enhance the use of resources. For other operational needs, we have recycled over 1,300 pieces of furniture and over 1,200 pieces of toner cartridges during the year under review.

Regarding our retail services, we have utilized a green marketing concept to minimize paper waste production. Electronic posters and e-catalogues have been displayed in retail shops and disseminated via social media platforms to minimize the traditional printing of promotion materials. We strongly encourage the reuse of all carton boxes and packaging refills as far as feasible to deliver the merchandizes between shops and for storage in workplaces to further reduce waste. On one hand, we have requested our suppliers to provide plastic bags which could be recycled and on the other hand to encourage customers to bring their own shopping bags. I.T has posted notices in the shops to raise customers' awareness and reduce the distribution of plastics and shopping bags. Over the year, we have used about 784 tonnes paper and plastic packaging materials.

[1] The calculation involved the use of GHG emission factors listed by the relevant provider of electricity in Hong Kong and Mainland China.

Water Consumption

As I.T's business does not involve any production and manufacturing process, our water footprint in the apparel retail business is minimal, with the water usage of about 2,300,000L during the year under review. We consumed water in warehouses for cleaning and washing purposes, and for the operation of "Sweet Monster" ice-cream and pop-corn stores. All staff members have clear understanding on how to use water resources conscientiously and effectively.

Indoor Environmental Quality

To maintain good indoor air quality, we strive every effort to provide a healthy workplace and shopping environment for our staff, visitors and customers. Apart from conducting regular assessments for air quality in our premises, we have also implemented various measures to maintain good indoor air quality, e.g. air-conditioning systems and air filters are cleaned on a regular basis. Professional cleansing companies are engaged to ensure hygiene and cleanliness of our workplaces and shops.

SOCIAL RESPONSIBILITY

I.T regards people as our most important asset. We have established comprehensive staff policies and compensation benefits to attract and retain talents. We also strive to ensure a safe and healthy workplace, which also serves as a platform for staff to excel in career and personal development.

EMPLOYMENT AND LABOR PRACTICES

Our Workforce

As at 28 February 2017, we had more than 8,500 employees spanning Hong Kong, Mainland China and other regions, with a Female to Male ratio of about 7:3, their employment breakdown was senior level: 1%, middle level: 13%, and junior level: 86%. We also employed part-time staff to ease the pressure in the frontline, our full-time to part-time staff ratio was 7:3. We have a young and energetic workforce, with the majority 71% were aged below 30, 20% between 30 and 50, and 9% above 50.

The Group complies with relevant labor regulations and strictly adheres to all applicable codes of practice on employment terms. No violation of labor laws was recorded in the reporting period.

Benefits and Compensation

I.T advocates a merit-based principle based on staff competency to assemble a highly-efficient team. We offer a comprehensive and competitive compensation package to attract and retain talents. Promotion opportunities and salary adjustments are benchmarked against individual performance. Discretionary performance bonus is offered to outstanding staff as recognition of their contribution and as motivation for achieving a better self. Each year, Remuneration Committee of the Board of Directors reviews Management's proposal of the Group remuneration adjustment and discretionary performance bonus and gives advices when necessary.

In taking care of staff's needs, various fringe benefits such as annual leave, marriage leave, maternity and paternity leaves, are offered to enable staff relaxation to rest their body and mind. I.T adopts flexible working hours which gives our staff more flexibility and maximize the time use for career and personal development. As a special benefit in a leading fashion apparel company, staff attaining a certain grade has allowance to freely choose their daily wear or accessories from our retail shops and/or shop at an attractive staff discount.

Equal Opportunities

I.T is an equal opportunity employer. We assess candidates fairly based on their experience, qualifications and abilities. Our employment practices will, under no circumstances, be influenced or affected by an applicant's or employee's race, color, gender, age, disability or family status. During the year under review, we received no discrimination reports.

Occupational Health and Safety

The Group is committed to safeguarding our staff's health and safety. Various guidelines on work safety and emergency responses have been in place for staff to ensure their compliance. We strive to achieve zero accident and thus we have engaged an external professional safety consultant to make it our top priority to identify and address safety issues to avoid and minimize any safety risks. We have also formulated emergency plans and arranged relevant drills regularly to equip our staff with necessary safety knowledge.

With our continuous monitoring and stringent control on safety performance, the number of lost days due to work injury was 450 and we had not recorded any fatalities in our premises during the year.

Staff Development and Training

The Group is dedicated to staff development. We have arranged regular training courses to support staff's professional growth and career advancement. According to different operational needs, we offer a range of training topics to strengthen their knowledge and professionalism in the field, these includes training on sales and marketing skills, communication skills, leadership and management skills, styling and cosmetics, etc. In the year under review, the average training hours for our managerial grade and general grade were 8.7 and 12.8 hours respectively. We organize continuous professional training courses to Directors, Management and finance, accounting, legal and compliance staff from time to time.

Apart from training needs, we have also developed a variety of programs and competitions for our staff to drive for continuous improvements. For instance, we have arranged Top Sales Award, Image and Styling Competition, Shop Incentive Games, Mystery Shopper Service Awards, and Long Service Awards over the years, fostering team cohesion and cultivating a harmonious working environment.

OPERATING PRACTICES

The Group upholds a high standard of business integrity and service excellence throughout our operations. All staff members are required to observe a set of corporate policies when conducting business activities. We will also ask our supply chain partners to join hands with us to enhance the overall sustainability performance.

Business Conduct

The Group continues to build up our workforce with a high level of business ethics and integrity in being a trustworthy partner to customers and suppliers. To reinforce integrity in the workplace, we have the Code of Business Conducts and guidelines to provide official guidance for staff conduct to guard them against any incident of conflicts of interest, bribery, fraud or corruption. The Group also has a whistle-blowing policy and system for employees and stakeholders to directly report any misconduct or dishonest activity, such as suspected corruption, fraud and other forms of criminality, to the Chairman of the Audit Committee of the Board of Directors who is an Independent Non-executive Director of the Company to ensure investigation be conducted independently. Management regularly reviews the effectiveness of the risk management and internal control systems. In the year under review, no legal cases regarding corrupt practices have been brought against the Group or to the attention of the Chairman of the Audit Committee.

Supply Chain Management

Not only I.T is fully committed to operating our business with high level of ethics and integrity, we also hold our suppliers to the same high standards. The suppliers' conduct should value and comply with all human rights and social justice standards. Evaluation on the suppliers' performance will be carried out according to the pre-defined procurement guidelines and criteria during the tendering and quotation processes.

The Group has stepped up efforts to ensure the suppliers fulfilled our stringent requirements. Depending on the types of services or products to be purchased, I.T has monitored and evaluated their performance and operation efficiency and effectiveness through business meetings, factory visits and audits, and labor and employment practices reviews, sampling and costing exercises, quality assurance checks and fabric inspections as and when appropriate.

In the year under review, over 67% of our suppliers were located in Hong Kong and Mainland China. The remaining 33% of our suppliers were sourced from other regions.

Consumer Data Protection

We handle customer data with great care and customers can rest assured that their personal data is in good hands. Staff are trained on the data protection principles and are required to strictly follow the Personal Data (Privacy) Ordinance. A well-established privacy policy is also in place to ensure that all personal data is protected against unauthorized access, processing or erasure. The collected data is solely used for our e-commerce business and formal marketing purposes, such as broadcasting VIP promotional offers, new products and services to customers.

Intellectual Property Rights Protection

As a multi-national fashion apparel company, I.T carries over 300 international brands and licensed brands. All staff members are guided by internal policies and are well aware of the respect of third parties' intellectual property rights and so will pay extreme attention to ensure the proper usage of these intellectual properties. During the reporting year, our staff fully complied with the relevant requirements and no violation had been recorded.

Product Responsibility

I.T showcases a collection of international brands and in-house brands and offers unique shopping experience to our customers. We have therefore stipulated systematic inspection procedures in checking the quality of the products we deliver. Using a four-level approach in our in-house brands, we require our suppliers or relevant parties to carry out sufficient quality assurance and quality control inspections and audits in areas of fabric inspections, in-process garment inspection, statistical audits, and production monitoring. The inspection activities, testified by third-party assurance, help identify in-process improvements and enable us to receive quality products. We constantly communicate with our international brands suppliers of the industry standards in the regions to ensure the quality is maintained. During the year under review, we did not have any material non-compliance or breach of legislation related to product safety.

Service Satisfaction

Through a broad range of communication channels, we are committed to providing customers with a comfortable and pleasant shopping experience. These include hotline services, websites and social media platforms such as Facebook, twitter, Weibo, YouTube and Instagram to promote our latest initiatives and activities, and in turn to gather comments and feedback from them.

Whenever complaint about our product or service quality is received, Management would be informed of the details of the complaint within 24-hours. Relevant brand or retail team will be assigned to investigate the case and propose corrective action to prevent re-occurrence of the issue in future, including but not limited to refinement in the supply chain management. It is our pledge to reply the message sender within five to seven business days and resolve the case in a timely and satisfactory manner.

During the year under review, 229 complaints were received in relation to products and 512 cases to services and others. All cases were investigated and resolved. Other than complaints, we also received compliments from our customers, 62 messages were received in relation to our services and others.

COMMUNITY

The Group believes that it is our responsibility to give back to the community in which we operate by enabling the community to prosper through our initiatives. In the year under review, we have participated in several initiatives in supporting youth development and caring for people in need. By reaching out directly to the community, we hope to offer assistance and to create a positive impact on the lives of everyone in the community.

Supporting Youth Development

In recognition of the importance of the development of younger generations, the Group was one of the sponsors of the Fashion Asia 2016 Hong Kong, organized by the Hong Kong Design Centre Limited. I.T had arranged an exhibition tour for students from HKMA K S Lo College in which the tour offered students a valuable learning opportunity in fashion trade and business development.

Caring for People in Need

Committed to upholding our corporate responsibility, we have participated in a number of social and charitable programs to deliver our care and warmth to the community. Examples of meaningful activities:–

Kiss & Share

In February and March 2016, our in-house brand, b+ab, launched a meaningful "Kiss & Share" event for the underprivileged. The sales proceeds were donated to Hong Kong Association for Cleft Lip and Palate to support the healthy physical and psychological growth of the patients.

2016 "Santa is Everywhere @ Harbour City" Christmas Fund-raising Campaign

Organized by the Hong Kong Blood Cancer Foundation, I.T had made cash donations and displayed a 3D installation art piece in Harbour City during the festive season. We are dedicated to improving and supporting the quality life for both the blood cancer patients and their families.

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 2017.

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 16 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 2017 are set out in Note 16 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 64.

The board of directors of the Company (the "Board") has resolved to recommend the payment of a final dividend of 13.0 HK cents per share for the year ended 28 February 2017 (2016: 8.4 HK cents per share).

BUSINESS REVIEW

A review of the Group's business for the year ended 28 February 2017, a discussion on the Group's future business development and principal risks and uncertainties that the Group is facing are provided in the sections headed "*Message from the Chairman*" on pages 18 to 19 and "*Management Discussion and Analysis*" on pages 24 to 31.

The financial risk management objectives and policies of the Group is laid out in Note 3 to the consolidated financial statements.

Other than the transaction of acquiring a land use right to set up a logistics and distribution center in the PRC the Company announced on 27 April 2017, no important event affecting the Group had occurred since the end of the year ended 28 February 2017.

An analysis of the Group's performance for the year ended 28 February 2017 by financial key performance indicators is set out on pages 20 to 21.

The Company promotes the culture of adhering to the highest ethical standards of business conduct and commits to comply with all prevailing laws and regulations in all its operating regions. During the year, the Company did not aware of any material non-compliance or breach of legislation.

SUSTAINABILITY

The Group is committed to improving the sustainability of its operations and driving improvements. It strives to utilise resources efficiently and effectively in its operations to reduce impacts on the environment; raise its social responsibilities and its stakeholders'; improve the well-being of its staff; embrace its responsibility as a corporate citizen and enhance the relationship with the communities. The Company maintains harmonious relationship with its stakeholders including its business partners, suppliers, logistics service providers, staff and customers for the long term growth. During the year, the Company continued to:–

- *Environmental*

  to push forward energy saving measures and emissions reduction throughout its operations, covering packaging, lighting and supplies. Eco-friendly supplies or equipment like recycled paper, LED lights, packaging materials, etc. were used whenever practicable. Packaging materials and fixtures and furniture were reused as far as possible. To reduce carbon emissions, consumption of electricity and water was minimized and business travels were carried out only when necessary. We continuously worked with our suppliers and logistics service providers in exploring further opportunities to reduce emissions.

- *Employee*

  to dedicate to providing a safe, healthy and joyous working environment for all staff and to provide opportunities for staff's self-development and advancement in all aspects. The Company provided numerous training programs to enhance the staff's skills and standards. Two ways performance assessment systems and incentive mechanism were in place to enhance staff's care development. Safety audits were conducted to identify and eliminate risks and a safe and healthy workplace is maintained.

- *Community*

  to be actively involved in the charities and community services. Various activities were conducted to promote environmental awareness, support children development and care for people in need.

The Group's environmental, social and governance report (the "ESG Report") as set out in the section headed "*Environmental, Social and Governance Report*" on pages 43 to 46 laid out the details of the policies and attainments of the Company on the environmental and social aspects and how it works with its stakeholders for the sustainability.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$843,000 (2016: HK$885,000).

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 28 February 2017, the Company's reserve available for cash distribution, as computed in accordance with The Companies Act 1981 of Bermuda (as amended), amounted to HK$1,089,063,000, of which HK$155,454,000 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 121 and 122.

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

During the year ended 28 February 2017, the Board considered the value of the Company's shares was consistently undervalued and the Company purchased a total of 16,180,000 shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of HK$50,297,449. All the purchased shares were cancelled.

Month	Number of shares purchased	Purchase price per share Highest HK$	Purchase price per share Lowest HK$	Total purchase price paid HK$
March 2016	494,000	1.88	1.84	916,380
November 2016	5,948,000	3.20	2.82	17,868,583
December 2016	9,738,000	3.39	3.13	31,512,486
Total	16,180,000			50,297,449

As at 28 February 2017, the total number of issued shares of the Company was 1,195,797,307.

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 28 February 2017.

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
Mr. Chan Wai Kwan (appointed on 1 April 2016)

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. Sham Kar Wai and Mr. Mak Wing Sum, Alvin will retire by rotation at the forthcoming annual general meeting of the Company (the "2017 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 2017 while Mr. Mak Wing Sum, Alvin's on 30 March 2018. 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 and Dr. Wong Tin Yau, Kelvin, JP have been appointed as an Independent Non-executive Director since August 2006 and August 2007 respectively. They have clearly demonstrated their exercise of independent judgment and provision of objective challenges and advices to Executive Directors and management team. There is no evidence that length of tenure is having an adverse impact on their independence.

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

DIRECTORS' SERVICE CONTRACTS

Each of the Directors who are proposed for re-election at the 2017 AGM does not have a service contract with the Company which is not determinable within one year without payment of compensation, other than the 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 34 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 38.

PENSION-DEFINED CONTRIBUTION PLANS

Details of pension defined contribution plans of the Group are set out in Note 9 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISIONS

The Company's Bye-laws provide that all Directors and officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty. Directors' and officers' liability insurance is arranged to cover the Directors and officers of the Company and its subsidiaries against any potential costs and liabilities arising from claims brought against them.

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 in the section headed "*Biographies of Directors and Management Team*" on pages 32 to 33.

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 2016 are set out below:

Name of Directors	Details of changes
Executive Directors	
Mr. Sham Kar Wai	– the annual package was revised to HK$9,639,569 commenced from 1 April 2017.
Mr. Sham Kin Wai	– the annual package was revised to HK$6,971,206 commenced from 1 April 2017.
Mr. Chan Wai Kwan	– the annual package was revised to approximately HK$4,550,000 commenced from 1 April 2017.
Independent Non-executive Directors	
Mr. Francis Goutenmacher	– resigned as a director and the non-executive chairman of the board of directors of PLUKKA Limited, a company listed on the Australian Securities Exchange Limited, in January 2017.
	– the director's fee was revised to HK$276,000 per annum commenced from 1 April 2017.
Dr. Wong Tin Yau, Kelvin, JP	– ceased as a member of the Corruption Prevention Advisory Committee of Independent Commission Against Corruption with effect from 31 December 2016.
	– appointed as a member of the Operations Review Committee of Independent Commission Against Corruption with effect from 1 January 2017.
	– appointed as the Chairman of the Investor Education Centre with effect from 1 January 2017.
	– the director's fee was revised to HK$276,000 per annum commenced from 1 April 2017.
Mr. Mak Wing Sum, Alvin	– the director's fee was revised to HK$276,000 per annum commenced from 1 April 2017.

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

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

As at 28 February 2017, the interests and short positions of the Directors and Chief Executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

(a) Long positions in the shares of the Company

	No. of shares held				
Director	Beneficiary of trust (Note 1)	Interest in underlying shares/equity derivatives (Note 2)	Direct interest	Total	Percentage of issued shares (Note 4)
Sham Kar Wai (Note 3)	698,564,441	35,048,379	6,834,000	740,446,820	61.92%
Sham Kin Wai (Note 3)	698,564,441	35,048,379	6,834,000	740,446,820	61.92%

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 1,195,797,307 shares as at 28 February 2017.

(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)
	Strengthen Source 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%	
Sham Kin Wai	3WH Limited	Beneficial owner	50%	
	Strengthen Source 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 2017.

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 48,040,214, representing 4.02% of the issued shares of the Company.

No share option was granted, exercised or lapsed during the year ended 28 February 2017. 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 2016 and 28 February 2017
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
				121,151,895

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

As at 28 February 2017, 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	Long/short position
Yau Shuk Ching Chingmy (Notes 1 & 2)	Beneficiary of a trust/ Interest of spouse	740,446,820	61.92%	Long
Wong Choi Shan (Notes 1 & 3)	Beneficiary of a trust/ Interest of spouse	740,446,820	61.92%	Long
Effective Convey Limited (Note 4)	Beneficial owner/ Interest in corporation	698,564,441	58.41%	Long
Dynamic Vitality Limited (Notes 1 & 5)	Interest in corporation	698,564,441	58.41%	Long
HSBC International Trustee Limited (Notes 1 & 5)	Trustee	698,564,441	58.41%	Long
Fine Honour Limited (Note 4)	Beneficial owner	169,197,830	14.14%	Long
Fortune Symbol Limited (Note 4)	Beneficial owner	60,028,130	5.01%	Long
Fresh Start Holdings Limited (Note 4)	Beneficial owner	60,028,130	5.01%	Long
Sure Elite Limited (Note 4)	Beneficial owner	60,028,130	5.01%	Long
Yeung Chun Kam (Note 6)	Joint interest	64,270,000	5.27%	Long
Yeung Chun Fan (Note 6)	Joint interest	64,270,000	5.27%	Long
Cheung Wai Yee (Note 7)	Interest of spouse	64,270,000	5.27%	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 controlled company	61,568,000	5.02%	Long
NT Asian Discovery Master Fund	Beneficial owner	60,916,000	5.03%	Long

Notes:

1. 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.

2. Spouse of Mr. Sham Kar Wai. Out of the 740,446,820 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.

3. Spouse of Mr. Sham Kin Wai. Out of the 740,446,820 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.

4. 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.

5. 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.

6. 64,270,000 shares are held by Dr. Yeung Chun Kam and Mr. Yeung Chun Fan jointly.

7. Spouse of Mr. Yeung Chun Fan.

8. According to the notice filed by Greenwoods Asset Management Limited ("Greenwoods Management"), out of the 61,878,000 shares, 14,128,000 shares are held by Greenwoods Management and 6,528,000 shares and 41,222,000 shares are held by its controlled corporation, Golden China Master Fund ("Golden China") and Greenwoods China Alpha Master Fund ("Greenwoods China") respectively.

9. According to the notice filed by Greenwoods Asset Management Holdings Limited (Greenwoods Holdings"), Greenwoods Holdings held the shares through its controlled corporations, Greenwoods Management, Golden China and Greenwoods China.

10. According to the notice filed by Unique Element Corp. ("UEC"), UEC held the shares through its controlled corporations, Greenwoods Holdings, Greenwoods Management, Golden China and Greenwoods China.

11. According to the notice filed by Jiang Jinzhi, Jiang Jinzhi held the shares through his controlled corporations, UEC, Greenwoods Holdings, Greenwoods Management, Golden China and Greenwoods China.

12. Shares are held by Capital Research and Management Company, a wholly-owned subsidiary of The Capital Group Companies, Inc..

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 2017, which did not constitute connected transactions under the Listing Rules, are disclosed in Note 32 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 2017.

(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 would 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.

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.

(b) The New Facilities

Reference is made to the announcements made by the Company on 24 February 2012, 1 December 2014 and 24 April 2017 pursuant to Rule 13.18 of the Listing Rules. Terms used herein have the same meaning as those defined in the announcement dated 24 April 2017 (the "New Facilities Announcement").

On 24 April 2017, 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 Banking Facility Letter for the purpose of refinancing in full the facilities under the facility agreement dated 1 December 2014. Pursuant to the Banking Facility Letter, it is (among other matters) an event of default if (i) Mr. Sham Kar Wai and Mr. Sham Kin Wai, the current Executive Directors, 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 at least 40% of the beneficial shareholding, carrying at least 40% of the voting rights in the Company, free from any encumbrance. Upon occurrence of an event of default, the obligation of the Lender to make the New Facility available may be terminated, and all advance of the New Facility together with accrued interest and all other sums payable under the Banking Facility Letter may become immediately due and payable.

Details of the New Facility are set out below:–

Banking Facility Letter:	the facility letter dated 20 March 2017 executed by I.T Finance Limited and the Lender;
Borrower:	I.T Finance Limited;
Lender:	The Hongkong and Shanghai Banking Corporation Limited;
Facility:	a term loan of up to HK$200 million repayable by eight equal quarterly instalments of HK$25 million commencing 15 months after the first drawdown.

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 section headed "*Corporate Governance Report*" on pages 36 to 42.

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers who will retire at the 2017 AGM and being eligible, offer themselves for re-appointment.

On behalf of the Board

Sham Kar Wai
Chairman

Hong Kong, 24 May 2017

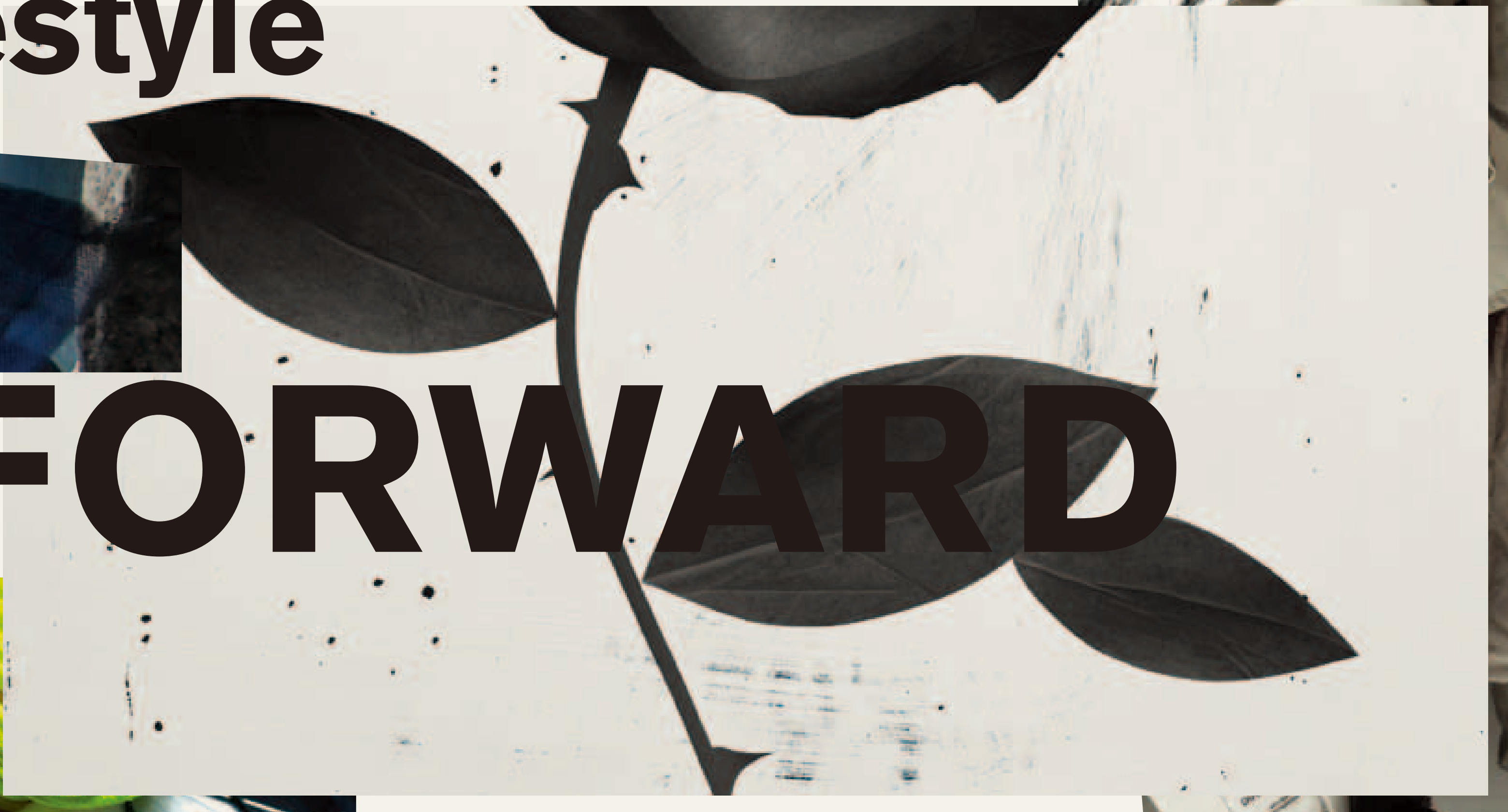
I.T IS

a fashion icon

TREND SETTING

inspiration

a lifestyle



MOVING FORWARD

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of I.T Limited (the "Company") and its subsidiaries (the "Group") set out on pages 64 to 120, which comprise:

- the consolidated statement of financial position as at 28 February 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 28 February 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Goodwill impairment assessment
- Impairment of property, furniture and equipment
- Valuation and impairment of inventories

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Goodwill impairment assessment	
Refer to notes 4(b) and 15 to the consolidated financial statements. At 28 February 2017, the Group carried a goodwill of HK$230 million relating to the acquisition of I.T China Limited in 2007 which is engaged in the sales of fashion wears and accessories in Mainland China. As described in the basis of preparation and accounting policies in note 2.6(a) to the consolidated financial statements, the goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The slower economic growth and the demographic changes that resulted in a more rapid fashion cycle, have increased the risk that the carrying amounts of goodwill may be impaired. Management has concluded that there is no impairment in respect of the goodwill for the year ended 28 February 2017. This conclusion was based on the annual impairment test whereby the recoverable amount has been determined based on the fair value less costs of disposal calculation of the cash generating unit. The calculation used a discounted cash flow model which involved significant management judgement with respect to assumptions used such as the long-term growth rate, gross margin and discount rate.	Our procedures in relation to management's impairment assessment of goodwill included: – Understanding and evaluating management process and controls over the preparation of the cash flow forecasts; – Checking the consistency between the cash flow forecasts and the Board approved budgets; – Assessing the appropriateness of the valuation methodology used by management; – Evaluating the reasonableness of management's key assumptions used in the cash flow projection based on our knowledge of the business and industry; – Comparing the forecast long-term growth rate and gross margin with economic data and our retail industry knowledge; – Comparing historical actual annual performance result with the forecast; – Assessing the reasonableness of discount rate adopted by management with support from our internal valuation specialist; and – Reviewing the sensitivity analysis performed by the management to ascertain that the selected adverse changes of key assumptions would not cause the carrying amount of the goodwill to exceed the recoverable amount. We found the assumptions made by the management in relation to the fair value less costs of disposal calculation to be reasonable based on the available evidence.
Impairment of property, furniture and equipment	
Refer to notes 4(a) and 14 to the consolidated financial statements. The Group has material operational assets which are subject to impairment test in the event of trading performance is below expectation. As described in the basis of preparation and accounting policies in note 2.5 to the consolidated financial statements, property, furniture and equipment are carried at historical cost less accumulated depreciation and accumulated impairment losses, if any. Management prepared discounted cash flow analysis on the retail stores with negative earnings before interest, tax, depreciation and amortisation ("EBITDA"). The recoverable amounts were determined based on the value-in-use calculations of these retail stores. These calculations involved significant management judgement with respect to the assumptions used including the long-term growth rate, gross margin and store costs such as rent, payroll costs and general operating costs.	Our procedures in relation to management's impairment assessment of property, furniture and equipment included: – Understanding and evaluating management process and controls over the preparation of the cash flow forecasts; – Checking the consistency between the cash flow forecasts and the Board approved budgets; – Assessing the appropriateness of the valuation methodology used by management; and – Evaluating the key assumptions used in the value-in-use calculations by applying our knowledge of the business and industry, comparing the cash flow forecasts with the historical actual performance results of the stores, discussing business plans with senior management and performing market research on long-term growth rate and gross margin. We found the assumptions made by the management in relation to the value-in-use calculations to be reasonable based on the available evidence.

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation and impairment of inventories	
Refer to notes 4(c) and 18 to the consolidated financial statements. At 28 February 2017, inventories of the Group amounted to HK$1,536 million. As described in the basis of preparation and accounting policies in note 2.11 to the consolidated financial statements, inventories are carried at the lower of cost and net realisable value. The Group is engaged in the retails of apparels and footwear and is subject to changing consumer demands and fashion trends. Management judgement is required for assessing the appropriate level of inventory provision in light of the current challenging business environment. Management identified the slow moving inventory items and determined the net realisable value of the inventories based upon the ageing analysis of the inventories focusing on seasonality and current market conditions.	Our procedures in relation to management's impairment assessment of inventories included: – Understanding and evaluating the appropriateness of the basis for management used in estimating the level of provision for inventories by considering the level of inventory write-offs in the prior years, stock aging as at 28 February 2017 and the subsequent sales after year ended 28 February 2017; – Performing analytics on stock holding and inventory movement data to identify products with indication of slow moving or obsolescence; and – Comparing the carrying amount of the inventories, on a sample basis, to their net realisable value through review of sales of the inventories subsequent to the year end to check the completeness and accuracy of the associated provision. Where there are no subsequent sales of the respective inventories after the year end, we challenged management as to the realisable value of the inventories, corroborating explanations with the aging and marketability of the respective inventories, as appropriate. Based on the procedures performed, we found the estimations of management in relation to the impairment assessment of inventories to be supportable by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those audit committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lee Kin Wah, Albert.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 May 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 28 February 2017

	Note	2017 HK$'000	2016 HK$'000
Turnover	5	8,001,329	7,541,132
Cost of sales	7	(3,073,211)	(2,974,792)
Gross profit		4,928,118	4,566,340
Other losses, net	6	(14,275)	(63,786)
Operating expenses	7	(4,367,995)	(4,107,326)
Other income	8	25,703	26,033
Operating profit		571,551	421,261
Finance income	10	15,264	41,307
Finance costs	10	(74,043)	(79,513)
Share of losses of joint ventures	17	(5,510)	(27,008)
Profit before income tax		507,262	356,047
Income tax expense	11	(192,220)	(146,310)
Profit for the year		315,042	209,737
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss			
Currency translation differences		(70,672)	(36,904)
Cash flow hedge recognised as finance costs	10	56,436	39,606
Fair value changes on cash flow hedge, net of tax		(26,280)	(10,807)
Total other comprehensive loss for the year		(40,516)	(8,105)
Total comprehensive income for the year		274,526	201,632
Profit attributable to:			
– Equity holders of the Company	12	314,047	209,011
– Non-controlling interests		995	726
		315,042	209,737
Total comprehensive income attributable to:			
– Equity holders of the Company		273,531	200,812
– Non-controlling interests		995	820
		274,526	201,632
Earnings per share attributable to equity holders of the Company for the year (expressed in HK cent per share)			
– basic	12	26.0	17.0
– diluted	12	25.4	16.7
Dividends	13	155,454	101,806

The notes on pages 68 to 120 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 28 February 2017

	Note	28 February 2017 HK$'000	29 February 2016 HK$'000
ASSETS			
Non-current assets			
Property, furniture and equipment	14	796,046	856,606
Intangible assets	15	321,197	345,633
Investments in and loans to joint ventures	17	138,694	139,278
Rental deposits	20	303,762	296,483
Prepayments for non-current assets	20	5,916	15,675
Deferred income tax assets	26	144,423	129,594
		1,710,038	1,783,269
Current assets			
Inventories	18	1,536,432	1,390,974
Trade and other receivables	19	226,765	232,423
Amounts due from joint ventures	17	60,912	52,880
Prepayments and other deposits	20	346,853	370,735
Current income tax recoverable		5,741	1,603
Cash and cash equivalents	21	1,817,804	1,967,111
		3,994,507	4,015,726
LIABILITIES			
Current liabilities			
Borrowings	22	(262,796)	(273,396)
Trade payables	23	(393,126)	(433,130)
Accruals and other payables	24	(621,016)	(649,489)
Derivative financial instruments	25	–	(42)
Amounts due to joint ventures	17	(24,285)	(33,863)
Current income tax liabilities		(117,175)	(68,406)
		(1,418,398)	(1,458,326)
Net current assets		2,576,109	2,557,400
Non-current liabilities			
Borrowings	22	(1,045,861)	(1,262,462)
Accruals	24	(6,733)	(8,583)
Derivative financial instruments	25	(158,476)	(132,196)
Deferred income tax liabilities	26	(37,371)	(40,636)
		(1,248,441)	(1,443,877)
Net assets		3,037,706	2,896,792
EQUITY			
Capital and reserves			
Share capital	27	119,580	121,198
Reserves	28	2,915,373	2,773,836
Non-controlling interests		2,753	1,758
Total equity		3,037,706	2,896,792

The consolidated financial statements on pages 64 to 120 were approved by the board of Directors on 24 May 2017 and were signed on its behalf.

SHAM KAR WAI
Chairman

SHAM KIN WAI
Director

The notes on pages 68 to 120 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 28 February 2017

	Note	Attributable to equity holders of the Company Share capital HK$'000	 Reserves HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 March 2016		**121,198**	**2,773,836**	**1,758**	**2,896,792**
Comprehensive income:					
– Profit for the year		**–**	**314,047**	**995**	**315,042**
Other comprehensive income/(loss):					
– Currency translation differences		**–**	**(70,672)**	**–**	**(70,672)**
– Cash flow hedge recognised as finance costs		**–**	**56,436**	**–**	**56,436**
– Fair value changes on cash flow hedge, net of tax		**–**	**(26,280)**	**–**	**(26,280)**
Total comprehensive income		**–**	**273,531**	**995**	**274,526**
Transactions with equity holders:					
Final dividend for the year ended 29 February 2016		**–**	**(101,765)**	**–**	**(101,765)**
Repurchase of shares	27 & 28	**(1,618)**	**(48,679)**	**–**	**(50,297)**
Share option scheme					
– value of employment services	28	**–**	**23,798**	**–**	**23,798**
Reversal of tax credit from exercise of share options		**–**	**(5,348)**	**–**	**(5,348)**
Total transactions with equity holders		**(1,618)**	**(131,994)**	**–**	**(133,612)**
Balance at 28 February 2017		**119,580**	**2,915,373**	**2,753**	**3,037,706**
Balance at 1 March 2015		122,760	2,716,421	938	2,840,119
Comprehensive income:					
– Profit for the year		–	209,011	726	209,737
Other comprehensive income/(loss):					
– Currency translation differences		–	(36,998)	94	(36,904)
– Cash flow hedge recognised as finance costs		–	39,606	–	39,606
– Fair value changes on cash flow hedge, net of tax		–	(10,807)	–	(10,807)
Total comprehensive income		–	200,812	820	201,632
Transactions with equity holders:					
Final dividend for the year ended 28 February 2015		–	(134,685)	–	(134,685)
Repurchase of shares	27 & 28	(1,562)	(30,127)	–	(31,689)
Share option scheme					
– value of employment services	28	–	23,876	–	23,876
Reversal of tax credit from exercise of share options		–	(2,461)	–	(2,461)
Total transactions with equity holders		(1,562)	(143,397)	–	(144,959)
Balance at 29 February 2016		121,198	2,773,836	1,758	2,896,792

The notes on pages 68 to 120 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 28 February 2017

	Note	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Cash generated from operations	29(a)	686,746	549,457
Interest paid		(74,043)	(76,904)
Hong Kong profits tax refund/(paid)		6,047	(36,928)
Overseas income tax paid		(175,447)	(116,369)
Net cash generated from operating activities		443,303	319,256
Cash flows from investing activities			
Purchase of property, furniture and equipment		(245,161)	(321,914)
Purchase of intangible assets		(1,659)	(17,903)
Increase in prepayments for non-current assets		–	(1,112)
Proceeds from disposal of property, furniture and equipment	29(b)	760	–
Capital injection to joint ventures		–	(6,000)
Interest received		11,999	44,627
Net cash used in investing activities		(234,061)	(302,302)
Cash flows from financing activities			
Repurchase of shares		(50,297)	(31,689)
Proceeds from borrowings		–	360,048
Repayments of borrowings		(177,763)	(523,129)
Dividends paid		(101,765)	(134,685)
Net cash used in financing activities		(329,825)	(329,455)
Net decrease in cash and cash equivalents		(120,583)	(312,501)
Cash and cash equivalents, beginning of the year		1,967,111	2,294,103
Currency translation differences		(28,724)	(14,491)
Cash and cash equivalents, end of the year	29(c)	1,817,804	1,967,111

The notes on pages 68 to 120 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

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

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

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

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

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 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).

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.

(a) New standards and amendments to standards adopted by the Group

The following new and amendments to standards are mandatory for the financial year beginning 1 March 2016:

Annual Improvements Projects (Amendments)	Annual Improvements 2012-2014 Cycle
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements

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 2016 that are expected to have a material impact on the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

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

The following new standards and amendments to existing standards have been published and are mandatory for accounting periods beginning on or after 28 February 2017 or later periods and have not been early adopted by the Group:

HKAS 7 (Amendments)	Disclosure Initiative [1]
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses [1]
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions [2]
HKFRS 9	Financial Instruments [2]
HKFRS 15	Revenue from Contracts with Customers [2]
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 [2]
HKFRS 16	Leases [3]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]

[1] Effective for the Group for annual periods beginning on or after 1 January 2017
[2] Effective for the Group for annual periods beginning on or after 1 January 2018
[3] Effective for the Group for annual periods beginning on or after 1 January 2019
[4] Effective date to be determined

The Group will apply the above new standards and amendments to existing standards when they become effective. The Group anticipates that the application of the above new standards and amendments to existing standards have no material impact on the results and the financial position of the Group, except for HKFRS 16 "Leases" as explained below:

HKFRS 16 "Leases"

The Group is a lessee of certain land and buildings which are currently classified as operating leases. As at 28 February 2017, the Group has non-cancellable operating lease commitment of HK$3,128,806,000 (Note 31). The Group's current accounting policy for such leases is to record the rental expenses in the Group's consolidated statement of comprehensive income in the year they are incurred with the related operating lease commitments being separately disclosed. HKFRS 16 provides new provisions for the accounting treatment of leases which no longer allows lessees to recognise leases outside of the consolidated statement of financial position. Instead, all non-current leases must be recognised in the form of assets (for the right of use) and financial liabilities (for the payment obligations) in the consolidated statement of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from such reporting obligation. The new standard will therefore result in derecognition of prepaid operating leases, increase in right-of-use assets and increase in lease liabilities in the Group's consolidated statement of financial position. In the Group's consolidated statement of comprehensive income, the annual rental and amortisation expenses of prepaid operating lease under otherwise identical circumstances will decrease, while depreciation of right of use of assets and interest expense arising from the financial liabilities will increase. The Group expects to adopt the new standards when they become effective.

2.2 CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of February 2017.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 CONSOLIDATION (Continued)

(a) Subsidiaries (Continued)

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.

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 of 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 CONSOLIDATION (Continued)

(b) Joint arrangement (Continued)

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.

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 consolidated 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 consolidated 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
Furniture and equipment	3 to 5 years
Motor vehicles and yacht	4 to 10 years

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in the consolidated 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).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 INTANGIBLE ASSETS (Continued)

(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) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over five years.

(f) 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).

(g) Club debentures

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

2.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for 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 and other receivables", "cash and cash equivalents" and "amounts due from joint ventures" in the consolidated 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 statement of comprehensive income. 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 statement of comprehensive income.

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 value. 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 value of various derivative instruments used for hedging purposes are disclosed in Note 25. Movements on the hedging reserve in shareholders' equity are shown in Note 28. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

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

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

(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 AND OTHER RECEIVABLES

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

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

2.13 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(a) Current income tax

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 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.

(b) Deferred income tax

Inside basis differences

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.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and joint arrangements, 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 are recognised on deductible temporary differences arising from investments in subsidiaries and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

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

2 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).

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.

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 consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

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

2.24 DIVIDEND DISTRIBUTION

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 SUBSIDIES

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

Government subsidies relating to costs are defined 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.

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 Taiwan Dollar, Chinese Renminbi and Korean Won. 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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(a) Foreign exchange risk (Continued)

The table below summaries the changes in the Group's profit or loss and shareholders' equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the statement of financial position date. The analysis has been determined assuming that the general depreciation trend in foreign exchange rates against functional currency in respective countries had occurred at the statement of financial position date and that all other variables remain constant.

		As at 28 February 2017		As at 29 February 2016	
Functional currency	Foreign currency	Hypothetical depreciation in foreign exchange rate	Positive/ (negative) effect on profit or loss and shareholders' equity HK$'000	Hypothetical depreciation in foreign exchange rate	Positive/ (negative) effect on profit or loss and shareholders' equity HK$'000
Hong Kong Dollar	Euro	5%	(1,671)	5%	(1,648)
Hong Kong Dollar	Pound Sterling	5%	346	5%	(416)
Hong Kong Dollar	Japanese Yen	10%	(3,975)	10%	3,147
Hong Kong Dollar	Chinese Renminbi	5%	285	5%	640
Hong Kong Dollar	Korean Won	5%	522	5%	(303)
Chinese Renminbi	United States Dollar	5%	(169)	5%	(157)
Japanese Yen	United States Dollar	10%	(2,673)	10%	(2,687)

As at 28 February 2017, foreign exchange risks on financial assets and liabilities denominated in Macau Pataca and New Taiwan Dollar were insignificant to the Group.

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

(b) Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents, trade and other receivables, rental deposits, derivative financial instruments and amounts due from 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 2017, all the bank deposits are deposited in the high quality financial institutions without significant credit risk. Management does not expect any losses from non-performance by these institutions.

The credit quality of trade and other receivables, rental deposits and amount due from 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 2017, the Company provided corporate guarantees of HK$2,043,204,000 (29 February 2016: HK$2,335,734,000) 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 amounts due from joint ventures, trade and other receivables, rental deposits and cash and cash equivalents is on Notes 17, 19, 20 and 21 to the consolidated financial statements.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(c) Liquidity risk

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

The table below analyses the Group's 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.

	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 2017					
Borrowings subject to a repayment on demand clause	95,264	–	–	–	95,264
Borrowings and interest payment	173,429	42,575	–	–	216,004
Senior Notes and interest payment	63,077	1,040,775	–	–	1,103,852
Trade payables	393,126	–	–	–	393,126
Accruals and other payables	621,016	6,733	–	–	627,749
Amounts due to joint ventures	24,285	–	–	–	24,285
	1,370,197	1,090,083	–	–	2,460,280
As at 29 February 2016					
Borrowings subject to a repayment on demand clause	105,476	–	–	–	105,476
Borrowings and interest payment	173,955	173,955	39,610	–	387,520
Senior Notes and interest payment	66,368	66,368	1,068,743	–	1,201,479
Trade payables	433,130	–	–	–	433,130
Accruals and other payables	649,489	8,583	–	–	658,072
Amounts due to joint ventures	33,863	–	–	–	33,863
Interest rate swap contract not qualified for hedge accounting	57	–	–	–	57
	1,462,338	248,906	1,108,353	–	2,819,597

The table below analyses the Group'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.

	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 2017					
Currency and interest rate swap contracts – cash flow hedges:					
– outflow	(65,002)	(1,162,964)	–	–	(1,227,966)
– inflow	63,077	1,040,775	–	–	1,103,852
As at 29 February 2016					
Currency and interest rate swap contracts – cash flow hedges:					
– outflow	(65,002)	(65,002)	(1,162,964)	–	(1,292,968)
– inflow	66,368	66,368	1,095,077	–	1,227,813

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 2017	12,050	11,879	34,609	42,094	100,632
As at 29 February 2016	11,683	11,569	34,020	52,759	110,031

(d) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As at 28 February 2017, except for the cash at bank and in hand of HK$1,647,804,000 (29 February 2016: HK$1,143,355,000) and the bank borrowings of HK$303,173,000 (29 February 2016: HK$480,934,000), the Group has no significant interest bearing assets and liabilities dependent on changes in market interest rate. The short-term bank deposits and bank borrowings at market interest rates expose the Group to cash flow interest rate risk which is insignificant to the Group. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact resulted from the changes in interest rates.

At 28 February 2017, 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$13,446,000 (29 February 2016: HK$6,624,000) 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.

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 and other receivables and rental deposits, and current financial liabilities, including amounts due to joint ventures, trade 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 2017 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).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 FAIR VALUE ESTIMATION (Continued)

The following table presents the Group's financial instruments carried at fair value as at 28 February 2017 and 29 February 2016:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 28 February 2017				
Liabilities				
Currency and interest rate swap contracts – cash flow hedges	–	(158,476)	–	(158,476)
	–	(158,476)	–	(158,476)
As at 29 February 2016				
Liabilities				
Currency and interest rate swap contracts – cash flow hedges	–	(132,196)	–	(132,196)
Interest rate swap contract not qualified for hedge accounting	–	(42)	–	(42)
	–	(132,238)	–	(132,238)

There were no transfers between levels 1, 2 and 3 during the year.

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 maximise 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.

3.3 CAPITAL RISK MANAGEMENT

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

In order to maintain or adjust the capital structure, the Group may obtain financing from external borrowings, adjust the amount of dividends paid to shareholders, return capital to shareholders and issue new shares 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:

	28 February 2017	29 February 2016
Cash and cash equivalents (HK$'000)	1,817,804	1,967,111
Current ratio (Current assets divided by current liabilities)	2.82	2.75
Gearing ratio (Cash and cash equivalents less total borrowings, divided by total equity)	N/A	N/A

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.

As at 28 February 2017 and 29 February 2016, the Group was at net cash position, hence the gearing ratio is not applicable.

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 consolidated statement of comprehensive income.

The Group has material operational assets used in the retail stores which are subject to impairment test in the event of trading performance is below expectation. An asset impairment assessment was carried out against the underperforming retail stores and an impairment of property, furniture and equipment of HK$13,345,000 was recognised for the year ended 28 February 2017. Management has performed discounted cash flow analysis on the retail stores with negative EBITDA and the recoverable amounts were determined based on value-in-use calculations of these retails stores. Key assumptions used in the calculations including the long-term growth rate, gross margin and store costs such as rent, payroll costs and general operating costs.

(b) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on fair value less costs of disposal 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 insolation.

(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 maximise 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 and other receivables and amounts due from joint ventures

The Group's management determines the provision for impairment of deposits, trade 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(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 consolidated statement of comprehensive income in the subsequent remaining vesting period of the relevant share options.

5 TURNOVER AND SEGMENT INFORMATION

(a) Turnover

	2017 HK$'000	2016 HK$'000
Turnover – sales of fashion wears and accessories	8,001,329	7,541,132

(b) Segment information

The chief operating decision maker ("CODM") has been identified as the executive director 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, amortisation of intangible assets, share of losses of joint ventures and income tax expense ("EBITDA"). Finance income, finance costs and losses arising from conversion of Chinese Renminbi fixed deposit into Hong Kong Dollar 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.

5 TURNOVER AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

The segment information provided to the CODM for the reportable segments for the years ended 28 February 2017 and 29 February 2016 are as follows:

	Hong Kong		Mainland China		Japan		Macau		Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	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	3,280,361	3,494,028	3,601,183	3,159,410	787,587	559,013	216,514	221,974	115,684	106,707	8,001,329	7,541,132
EBITDA	(56,877)	59,127	495,414	403,287	326,301	222,202	76,883	82,926	33,385	14,743	875,106	782,285
Depreciation and amortisation	(114,440)	(121,977)	(150,450)	(148,575)	(10,771)	(9,073)	(11,029)	(8,668)	(3,520)	(5,665)	(290,210)	(293,958)
(Impairment)/reversal of impairment of property, furniture and equipment	(13,573)	(9,660)	(72)	7,663	-	-	-	-	300	220	(13,345)	(1,777)
Impairment of intangible assets	-	(143)	-	-	-	-	-	-	-	-	-	(143)
Segment profit/(loss)	(184,890)	(72,653)	344,892	262,375	315,530	213,129	65,854	74,258	30,165	9,298	571,551	486,407
Losses arising from conversion of Chinese Renminbi fixed deposit into Hong Kong Dollar											-	(65,146)
Operating profit											571,551	421,261
Finance income											15,264	41,307
Finance costs											(74,043)	(79,513)
Share of losses of joint ventures											(5,510)	(27,008)
Profit before income tax											507,262	356,047
Total segment non-current assets	525,887	579,558	743,659	761,902	115,529	127,781	37,301	36,780	4,545	8,376	1,426,921	1,514,397
Total segment assets	2,106,955	2,750,970	2,416,358	2,219,089	563,769	379,368	217,612	64,071	50,081	62,142	5,354,775	5,475,640

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

	28 February 2017 HK$'000	29 February 2016 HK$'000
Segment assets for reportable segments	5,304,694	5,413,498
Other segment assets	50,081	62,142
	5,354,775	5,475,640
Unallocated:		
Deferred income tax assets and current income tax recoverable	150,164	131,197
Investments in and amounts due from joint ventures	199,606	192,158
	5,704,545	5,798,995

6 OTHER LOSSES, NET

	2017 HK$'000	2016 HK$'000
Fair value gains on derivative financial instruments		
– foreign currency swap contract	–	30
– interest rate swap contract	42	947
Net exchange (losses)/gains	(14,317)	387
Losses arising from conversion of Chinese Renminbi fixed deposit into Hong Kong Dollar *(Note a)*		
– fair value losses from forward exchange contracts	–	(15,377)
– exchange losses	–	(49,769)
Others	–	(4)
	(14,275)	(63,786)

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 of HK$15,377,000 and HK$49,769,000 respectively.

7 EXPENSES BY NATURE

	2017 HK$'000	2016 HK$'000
Cost of inventories sold	2,954,713	2,880,861
Provision for write-downs of inventories to net realisable value	62,948	31,850
Employment costs (including directors' emoluments) (Note 9)	1,321,484	1,184,543
Operating lease rentals of premises		
– minimum lease payments	1,492,178	1,446,719
– contingent rents	252,817	221,309
Building management fee	232,920	220,174
Advertising and promotion costs	126,016	124,178
Commission expenses	87,167	71,029
Bank charges	83,913	84,421
Utilities expenses	60,219	65,796
Freight charges	34,582	38,283
Depreciation of property, furniture and equipment	276,473	279,818
Impairment of property, furniture and equipment	13,345	1,777
Impairment of intangible assets	–	143
Reversal of onerous contract provision	(870)	(34,937)
Loss on disposal of property, furniture and equipment	3,592	7,181
Licence fees (included in operating expenses)		
– amortisation of licence rights	173	2,123
– contingent licence fees	25,516	22,099
Amortisation of intangible assets (excluding licence fees)	13,564	12,017
Reversal of impairment of trade receivables	(280)	(1,900)
(Reversal of)/provision for impairment of amounts due from joint ventures	(372)	6,585
Auditors' remuneration		
– audit services	2,450	2,700
– non-audit services	550	600
Other expenses	398,108	414,749
Total	7,441,206	7,082,118
Representing:		
Cost of sales	3,073,211	2,974,792
Operating expenses	4,367,995	4,107,326
	7,441,206	7,082,118

8 OTHER INCOME

	2017 HK$'000	2016 HK$'000
Government grants	15,289	12,859
Others	10,414	13,174
	25,703	26,033

9 EMPLOYMENT COSTS

	2017 HK$'000	2016 HK$'000
Salaries, commission and allowances	1,155,711	1,026,384
Pension costs – employer's contributions to defined contribution plans and provision for long service payment	138,046	125,569
Share-based payment	23,798	23,876
Welfare and other benefits	3,929	8,714
	1,321,484	1,184,543

(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 2014) 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 MOP30 per month, while the Group contributes up to MOP60 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.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include three (2016: two) directors whose emoluments are reflected in Note 34. The emoluments payable to the remaining two (2016: three) individuals are as follows:

	2017 HK$'000	2016 HK$'000
Salaries	6,697	10,190
Bonus	–	9,500
Other benefits *(Note i)*	7,651	7,832
Employer's contributions to pension scheme	299	321
	14,647	27,843

Note:

(i) Other benefits include housing allowance and the amortisation to the consolidated 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.

9 EMPLOYMENT COSTS (Continued)

(b) Five highest paid individuals (Continued)

The emoluments of the remaining two (2016: three) individuals fell within the following bands:

	2017	2016
HK$5,500,001 - HK$6,000,000	–	1
HK$7,000,001 - HK$7,500,000	2	–
HK$10,00,001 - HK$10,500,000	–	1
HK$12,000,001 - HK$12,500,000	–	1
	2	3

(c) During the year ended 28 February 2017, 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 (2016: Nil).

10 FINANCE INCOME AND COSTS

	2017 HK$'000	2016 HK$'000
Interest income from		
– bank deposits	11,402	39,337
– amounts due from joint ventures	810	854
– others *(Note i)*	3,052	1,116
Finance income	15,264	41,307
Interest expense on borrowings wholly repayable within five years	(70,263)	(82,193)
Net foreign exchange transaction gain	52,656	42,286
Transfer from hedging reserve		
– interest rate and currency swaps: cash flow hedge	(56,436)	(39,606)
Finance costs	(74,043)	(79,513)
Net finance costs	(58,779)	(38,206)

Note:

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

11 INCOME TAX EXPENSE

The Company is exempted from income taxes in Bermuda until March 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% (2016: 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 rate of 25% (2016: 25%) on the estimated assessable profits of the Group's operations in Mainland China.

Taiwan profits tax has been provided at the rate of 17% (2016: 17%) on the estimated assessable profits of the Group's operations in Taiwan.

11 INCOME TAX EXPENSE (Continued)

Macau Complementary (Corporate) Tax has been provided at the applicable rate of 12% (2016: 12%) on the estimated assessable profit in excess of HK$582,000 (approximately MOP600,000) of the Group's operations in Macau.

Japan Corporate Income Tax has been provided at the applicable rate of 35.36% for the period from 1 March 2016 to 31 August 2016 and 34.81% for the period from 1 September 2016 to 28 February 2017. The applicable rate and for the period from 1 March 2015 to 31 August 2015 was 37.11% and 35.36% for the period from 1 September 2015 to 29 February 2016 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% (2016: 45.03%).

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

	2017 HK$'000	2016 HK$'000
Current income tax		
– Hong Kong profits tax	14,884	5,711
– Mainland China enterprise income tax	79,662	54,215
– Overseas income tax	126,445	81,792
– Over-provision in prior year	(5,648)	(349)
	215,343	141,369
Deferred income tax (Note 26)	(23,123)	4,941
	192,220	146,310

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

	2017 HK$'000	2016 HK$'000
Profit before income tax	507,262	356,047
Adjustment: share of losses of joint ventures, net of tax	5,510	27,008
Adjusted profit before income tax	512,772	383,055
Tax calculated at applicable tax rates	170,493	123,825
Income not subject to tax	(3,556)	(6,800)
Expenses not deductible for tax purposes	10,256	23,396
Effect on change of overseas income tax rate	(83)	–
Impact of deferred tax not recognised	(3,892)	(4,639)
Withholding tax	22,506	12,442
Utilisation of previously unrecognised tax loss	–	(1,565)
Write-off of deferred tax previously recognised	2,144	–
Over-provision in prior year	(5,648)	(349)
Income tax expense	192,220	146,310

The weighted average applicable tax rate was 33.2% (2016: 32.3%). The increase is mainly caused by a change of the distribution of profits of the Group's entities operating in different locations.

12 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.

	2017	2016
Profit attributable to equity holders of the Company (HK$'000)	314,047	209,011
Weighted average number of ordinary shares in issue ('000)	1,208,804	1,226,275
Basic earnings per share (HK cent)	26.0	17.0

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.

	2017	2016
Profit attributable to equity holders of the Company (HK$'000)	314,047	209,011
Weighted average number of ordinary shares in issue ('000)	1,208,804	1,226,275
Adjustments for share options ('000)	27,555	25,839
Weighted average number of ordinary shares for diluted earnings per share ('000)	1,236,359	1,252,114
Diluted earnings per share (HK cent)	25.4	16.7

13 DIVIDENDS

	2017 HK$'000	2016 HK$'000
Final dividend, proposed, 13.0 HK cents (2016: 8.4 HK cents) per ordinary share	155,454	101,806

The dividends paid in the years ended 28 February 2017 and 29 February 2016 were HK$101,765,000 (8.4 HK cents per share) and HK$134,685,000 (11.0 HK cents per share) respectively.

A final dividend of 13.0 HK cents (2016: 8.4 HK cents per ordinary share) for the year ended 28 February 2017 is to be proposed at the annual general meeting.

14 PROPERTY, FURNITURE AND EQUIPMENT

	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 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	243,877	495,602	76,354	20,577	836,410
Year ended 29 February 2016					
Opening net book amount	243,877	495,602	76,354	20,577	836,410
Additions	–	272,107	44,770	5,037	321,914
Disposals	–	(6,017)	(1,164)	–	(7,181)
Impairment	–	(1,777)	–	–	(1,777)
Depreciation	(8,762)	(237,400)	(29,214)	(4,442)	(279,818)
Currency translation differences	(1,073)	(9,560)	(3,031)	722	(12,942)
Closing net book amount	234,042	512,955	87,715	21,894	856,606
At 29 February 2016					
Cost	271,300	1,331,616	216,083	60,597	1,879,596
Accumulated depreciation and impairment	(37,258)	(818,661)	(128,368)	(38,703)	(1,022,990)
Net book amount	234,042	512,955	87,715	21,894	856,606
Year ended 28 February 2017					
Opening net book amount	234,042	512,955	87,715	21,894	856,606
Additions	–	216,010	33,330	5,580	254,920
Disposals	–	(3,261)	(814)	(277)	(4,352)
Impairment	–	(13,345)	–	–	(13,345)
Depreciation	(6,800)	(235,967)	(28,333)	(5,373)	(276,473)
Currency translation differences	228	(17,348)	(2,958)	(1,232)	(21,310)
Closing net book amount	227,470	459,044	88,940	20,592	796,046
At 28 February 2017					
Cost	271,535	1,453,815	225,778	62,234	2,013,362
Accumulated depreciation and impairment	(44,065)	(994,771)	(136,838)	(41,642)	(1,217,316)
Net book amount	227,470	459,044	88,940	20,592	796,046

Depreciation and impairment expenses have been included in operating expenses.

As at 28 February 2017, certain bank borrowings of the Group are secured by the land and buildings with carrying amounts of HK$196,660,000 (29 February 2016: HK$203,143,000) (Note 22).

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

15 INTANGIBLE ASSETS

	Goodwill HK$'000	Licence rights HK$'000	Franchise contracts and distribution agreements HK$'000	Trademarks HK$'000	Computer software HK$'000	Other intangible assets HK$'000	Club debentures HK$'000	Total HK$'000
At 1 March 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	292,571	2,280	5,061	14,394	–	–	8,098	322,404
Year ended 29 February 2016								
Opening net book amount	292,571	2,280	5,061	14,394	–	–	8,098	322,404
Additions	–	–	1,395	489	43,221	–	–	45,105
Amortisation	–	(2,123)	(2,068)	(2,768)	(7,181)	–	–	(14,140)
Impairment	–	–	–	(143)	–	–	–	(143)
Currency translation differences	(7,839)	8	(142)	602	(222)	–	–	(7,593)
Closing net book amount	284,732	165	4,246	12,574	35,818	–	8,098	345,633
At 29 February 2016								
Cost	355,651	3,677	21,129	22,864	42,955	3,496	8,098	457,870
Accumulated amortisation and impairment	(70,919)	(3,512)	(16,883)	(10,290)	(7,137)	(3,496)	–	(112,237)
Net book amount	284,732	165	4,246	12,574	35,818	–	8,098	345,633
Year ended 28 February 2017								
Opening net book amount	284,732	165	4,246	12,574	35,818	–	8,098	345,633
Additions	–	–	1,102	37	520	–	–	1,659
Amortisation	–	(173)	(2,150)	(2,758)	(8,656)	–	–	(13,737)
Currency translation differences	(12,064)	8	(159)	190	(333)	–	–	(12,358)
Closing net book amount	272,668	–	3,039	10,043	27,349	–	8,098	321,197
At 28 February 2017								
Cost	343,587	2,253	21,374	23,060	43,016	3,521	8,098	444,909
Accumulated amortisation and impairment	(70,919)	(2,253)	(18,335)	(13,017)	(15,667)	(3,521)	–	(123,712)
Net book amount	272,668	–	3,039	10,043	27,349	–	8,098	321,197

Amortisation and impairment expenses have been included in operating expenses.

15 INTANGIBLE ASSETS (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$'000	Currency translation differences HK$'000	Ending HK$'000
28 February 2017			
Mainland China	242,665	(12,360)	230,305
Japan	42,067	296	42,363
	284,732	(12,064)	272,668
29 February 2016			
Mainland China	252,590	(9,925)	242,665
Japan	39,981	2,086	42,067
	292,571	(7,839)	284,732

The recoverable amounts of the CGUs are determined based on fair value less costs of disposal estimations. These estimations use cash flow projections based on financial forecasts approved by management covering a period of 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 post-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 fair value less costs of disposal calculations is a level 3 fair value measurement.

The key assumptions used for fair value less costs of disposal calculations for the years ended 28 February 2017 and 29 February 2016 are as follows:

	Mainland China		Japan	
	28 February 2017	29 February 2016	**28 February 2017**	29 February 2016
Long-term growth rate	**2%**	2%	**3%**	0%
Gross margin	**40% to 77%**	49% to 77%	**62%**	61% to 62%
Discount rate (post-tax)	**12%**	12%	**10%**	10%

During the years ended 28 February 2017 and 29 February 2016, no impairment was recognised in respect of the goodwill.

16 SUBSIDIARIES

Details of the principal subsidiaries as at 28 February 2017:

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
Amwell Development Limited	Hong Kong	HK$300,000	–	100%	–	Lease holding
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
Cheerwood Limited	Hong Kong	HK$2	–	100%	–	Lease holding
Chocoolate Limited	Hong Kong	HK$500,000	–	100%	–	Trading of fashion wears and accessories
Double Park Limited	Hong Kong	HK$500,000	–	100%	–	Lease holding
Elegant Century Enterprises Limited	Hong Kong	HK$500,000	–	100%	–	Trading of fashion wears and accessories
Golden Easy Development Limited	Hong Kong	HK$1	–	100%	–	Lease holding
Guangzhou Sparkle Star Trading Limited (ii)	Mainland China	US$1,100,000	–	100%	–	Retail of fashion wears and accessories
i.t apparels Limited	Hong Kong	HK$1,000,000	–	100%	–	Retail and trading of fashion wears and accessories
I.T China Limited	Hong Kong	HK$60,000,000	–	100%	–	Investment holding
I.T China Sourcing Limited	Hong Kong	HK$1	–	100%	–	Sourcing
I.T Distribution Limited	Hong Kong	HK$2	–	100%	–	Trading of fashion wears and accessories
I.T ezhop (HK) Limited	Hong Kong	HK$1	–	100%	–	Retail of fashion wears and accessories
I.T ezhop (Shanghai) Limited (ii)	Mainland China	RMB1,840,000	–	100%	–	Retail of fashion wears and accessories
I.T Finance Limited	Hong Kong	HK$1	–	100%	–	Provision of financing services
I.T Licensing Limited	Hong Kong	HK$1,000,000	–	100%	–	Retail of fashion wears and accessories
I.T (Macau) Limited	Macau	MOP9,270,000	–	100%	–	Retail of fashion wears and accessories
I.T Nowhere Holdings (HK) Limited	Hong Kong	HK$1	–	100%	–	Investment holding
I.T Sourcing Limited	Hong Kong	HK$2	–	100%	–	Sourcing
I.T Taiwan Limited	Hong Kong and Taiwan	HK$1	–	100%	–	Retail of fashion wears and accessories

16 SUBSIDIARIES (Continued)

Details of the principal subsidiaries as at 28 February 2017 (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
ithk holdings limited	British Virgin Islands	US$20,000	100%	100%	–	Investment holding
Izzue Limited	Hong Kong	HK$500,000	–	100%	–	Retail and trading of fashion wears and accessories
Jademan Group Limited	Hong Kong	HK$1	–	100%	–	Dormant
Janport Limited	Hong Kong	HK$1	–	100%	–	Dormant
Joyful Way Development Limited	Hong Kong	HK$1	–	100%	–	Lease holding
Kenchart Investments Limited	Hong Kong	HK$300,000	–	100%	–	Trading of fashion wears and accessories
Kenchart Development Limited	Hong Kong	HK$1	–	100%	–	Investment holding
Kenchart (Kunshan) Limited (ii)	Mainland China	RMB250,000,000	–	100%	–	Dormant
Mega Charm Apparels (Chengdu) Limited (ii)	Mainland China	RMB30,000,000	–	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
Mega Charm Apparels (Shanghai) Limited (ii)	Mainland China	US$12,000,000	–	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
Pride Wide Trading (Shanghai) Limited (ii)	Mainland China	US$600,000	–	100%	–	Retail of fashion wears and accessories
Regent Cheer Limited	Hong Kong	HK$1,000,000	–	100%	–	Retail of fashion wears and accessories
Right Young Limited	Hong Kong	HK$1	–	100%	–	Retail of food and beverages
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	US$750,000	–	100%	–	Retail of fashion wears and accessories
Sanjose Limited	Hong Kong	HK$2	–	100%	–	Property holding
Zoompac Apparel (Shanghai) Limited (ii)	Mainland China	US$8,000,000	–	100%	–	Retail and trading of fashion wears and accessories

16 SUBSIDIARIES (Continued)

Details of the principal subsidiaries as at 28 February 2017 (Continued):

Notes:

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

(ii) I. T ezhop (Shanghai) Limited, Mega Charm Apparels (Shanghai) Limited, Pride Wide Trading (Shanghai) Limited, Prime Vantage Trading (Shanghai) Limited, Zoompac Apparel (Shanghai) Limited, Guangzhou Sparkle Star Trading Limited, Kenchart (Kunshan) Limited, Mega Charm Apparels (Chengdu) Limited and Mega Charm Apparels (Beijing) Limited, are wholly foreign owned enterprises established in Shanghai, Guangzhou, Kunshan, Chengdu and Beijing, Mainland China to be operated for 30 years up to year 2044, 20 years up to year 2027, 20 years up to year 2028, 20 years up to year 2027, 30 years up to year 2035, 30 years up to 2040, 20 years up to 2035, 30 years up to year 2043 and 20 years up to year 2030, respectively.

17 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES

	28 February 2017 HK$'000	29 February 2016 HK$'000
Share of net assets (Note (a))	109,379	119,936
Loans to joint ventures (Note (b))	29,315	19,342
	138,694	139,278
Amounts due from joint ventures (Note (b))	60,912	52,880
Amounts due to joint ventures (Note (b))	(24,285)	(33,863)

(a) Share of net assets of joint ventures

	28 February 2017 HK$'000	29 February 2016 HK$'000
Beginning of the year	119,936	145,491
Share of results of joint ventures		
– loss before income tax	(5,872)	(27,910)
– income tax credit	362	902
– currency translation differences	(5,047)	(4,547)
Capital injection in a joint venture	–	6,000
End of the year	109,379	119,936

17 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES (Continued)

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

Details of the principal joint ventures as at 28 February 2017:

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$12,000,002	50%	Retail of fashion wears and accessories
FCIT China Limited	Hong Kong	HK$2	50%	Investment holding
ZIT H.K. Limited	Hong Kong	HK$1,000,000	50%	Retail of fashion wears and accessories
Glory Premium Limited	Hong Kong	HK$4,500,000	50%	Investment holding
Kenchart Apparel (Shanghai) Limited (i)	Mainland China	US$3,700,000	50%	Retail of fashion wears and accessories
FCIT (Macau), Limited	Macau	MOP1,030,000	50%	Retail of fashion wears and accessories
Galeries Lafayette (China) Limited	Hong Kong	HK$425,485,166	50%	Investment holding
Galeries 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%	Operation of a supermarket
Camper I.T China Limited	Hong Kong	HK$6,000,000	50%	Investment holding
Camper (Shanghai) Limited (iv)	Mainland China	US$3,500,000	50%	Retail of foot wears

Notes:

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

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

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

17 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES (Continued)

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

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

	28 February 2017 HK$'000	29 February 2016 HK$'000
Assets		
Non-current assets	171,332	194,105
Current assets		
– Cash and cash equivalents	107,020	95,617
– Other current assets	228,261	220,279
	335,281	315,896
Total assets	506,613	510,001
Liabilities		
Non-current liabilities		
– Financial liabilities	–	(15,290)
– Other non-current liabilities	–	(755)
	–	(16,045)
Current liabilities		
– Financial liabilities (excluding trade and other payables)	(143,067)	(216,521)
– Other current liabilities (including trade and other payables)	(168,168)	(57,435)
	(311,235)	(273,956)
Total liabilities	(311,235)	(290,001)
Net assets	195,378	220,000

Summarised statement of comprehensive income

	28 February 2017 HK$'000	29 February 2016 HK$'000
Turnover	466,294	489,815
Cost of sales	(168,112)	(189,432)
Other expenditures	(315,360)	(358,690)
Loss after tax	(17,178)	(58,307)
Other comprehensive loss	(10,669)	(6,791)
Total comprehensive loss	(27,847)	(65,098)

17 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES (Continued)

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

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

	28 February 2017 HK$'000	29 February 2016 HK$'000
Turnover	319,477	311,823
Non-current assets	145,641	169,055
Current assets	165,840	152,142
Current liabilities	(131,490)	(146,461)
Net assets	179,991	174,736
Profit/(loss)	5,999	(38,738)
Other comprehensive loss	(5,765)	(5,105)
Total comprehensive income/(loss)	234	(43,843)

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.

(b) Balances with joint ventures

	28 February 2017 HK$'000	29 February 2016 HK$'000
Due from joint ventures		
ZIT H.K. Limited *(i)*	17,813	14,252
FCIT China Limited *(ii)*	33,763	32,290
Glory Premium Limited *(iv)*	2,075	2,069
Galeries Lafayette (China) Limited *(iv)*	–	952
Galeries Lafayette (Beijing) Limited *(iv)*	19,055	18,870
Camper (Shanghai) Limited *(iii)*	25,716	13,330
FCUK IT Company *(iv)*	1,855	881
	100,277	82,644
Less: provision for impairment	(10,050)	(10,422)
Due from joint ventures, net of provision	90,227	72,222
Due to joint ventures		
Kenchart Apparel (Shanghai) Limited *(iv)*	(15,618)	(27,796)
FCUK IT Company *(iv)*	(3,668)	(2,245)
ZIT H.K. Limited *(iv)*	(4,777)	(3,533)
Camper I.T China Limited *(iv)*	(73)	(141)
FCIT China Limited *(iv)*	(149)	(148)
	(24,285)	(33,863)

Notes:

(i) As at 28 February 2017, the loan to ZIT H.K. Limited of approximately HK$9,100,000 (29 February 2016: HK$9,100,000) was unsecured, interest bearing at 5% (29 February 2016: 5%) per annum and fully repayable at the termination of the joint venture. The remaining balance is unsecured, non-interest bearing and repayable on demand.

(ii) As at 28 February 2017, the loan to FCIT China Limited of approximately HK$8,000,000 (29 February 2016: HK$7,645,000) was unsecured, non-interest bearing and repayable on demand. This amount is carried at amortised costs using the effective interest rate of 5.5% (29 February 2016: 5.5%) per annum. The remaining balance is unsecured, non-interest bearing and repayable on demand.

(iii) As at 28 February 2017, the loan to Camper (Shanghai) Limited of approximately HK$18,841,000 (29 February 2016: HK$10,050,000) was unsecured, non-interest bearing and has no fixed term of repayment. The remaining balance is unsecured, non-interest bearing and repayable on demand.

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

17 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES (Continued)

(b) Balances with joint ventures (Continued)

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

	28 February 2017 HK$'000	29 February 2016 HK$'000
Beginning of the year	10,422	3,837
(Reversal of)/provision for the year	(372)	6,585
End of the year	10,050	10,422

The carrying amounts of amounts due from/(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:

	28 February 2017 HK$'000	29 February 2016 HK$'000
Hong Kong Dollar	29,699	20,919
Pound Sterling	5,260	5,321
Euro	997	3,153
United States Dollar	29,062	29,062
Macau Pataca	488	1,968
Chinese Renminbi	34,771	22,221
	100,277	82,644

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

	28 February 2017 HK$'000	29 February 2016 HK$'000
Hong Kong Dollar	8,667	6,026
Chinese Renminbi	15,618	27,837
	24,285	33,863

(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.

18 INVENTORIES

	28 February 2017 HK$'000	29 February 2016 HK$'000
Merchandise stock for resale	1,533,683	1,387,421
Raw materials	2,749	3,553
	1,536,432	1,390,974

The cost of inventories recognised as expense and included in cost of sales amounted to approximately HK$2,954,713,000 (29 February 2016: HK$2,880,861,000).

19 TRADE AND OTHER RECEIVABLES

	28 February 2017 HK$'000	29 February 2016 HK$'000
Trade receivables	218,343	228,208
Less: provision for impairment of trade receivables	(1,218)	(1,553)
Trade receivables – net	217,125	226,655
Interest receivables	305	902
Other receivables	9,335	4,866
Trade and other receivables	226,765	232,423

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

	28 February 2017 HK$'000	29 February 2016 HK$'000
Beginning of the year	1,553	3,390
Reversal of impairment of trade receivables	(280)	(1,900)
Write-off of provision for impairment	(66)	–
Currency translation differences	11	63
End of the year	1,218	1,553

As of 28 February 2017, trade receivables of HK$1,218,000 (29 February 2016: HK$1,553,000) were impaired. The ageing of these receivables is as follows:

	28 February 2017 HK$'000	29 February 2016 HK$'000
Over 90 days	1,218	1,553

The ageing analysis of trade receivables past due but not impaired as at 28 February 2017 and 29 February 2016 is as follows:

	28 February 2017 HK$'000	29 February 2016 HK$'000
Over 90 days	360	192

There were no other receivables past due but not impaired as at 28 February 2017 and 29 February 2016.

19 TRADE AND OTHER RECEIVABLES (Continued)

The ageing analysis of trade receivables is as follows:

	28 February 2017 HK$'000	29 February 2016 HK$'000
0 to 30 days	165,726	176,678
31 to 60 days	48,896	45,862
61 to 90 days	2,143	3,923
Over 90 days	1,578	1,745
	218,343	228,208

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

	28 February 2017 HK$'000	29 February 2016 HK$'000
Chinese Renminbi	152,595	151,104
Hong Kong Dollar	24,705	41,253
Japanese Yen	31,300	22,983
United States Dollar	4,857	2,381
Others	13,308	14,702
	226,765	232,423

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

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

As at 28 February 2017 and 29 February 2016, the maximum exposure to credit risk is the carrying values of trade and other receivables. The Group does not hold any collateral.

20 RENTAL DEPOSITS, PREPAYMENTS AND OTHER DEPOSITS

	28 February 2017 HK$'000	29 February 2016 HK$'000
Rental deposits	472,121	478,354
Prepayments	163,048	180,741
Utility and other deposits	21,362	23,798
	656,531	682,893
Less: non-current portion:		
Rental deposits	(303,762)	(296,483)
Prepayments for non-current assets	(5,916)	(15,675)
	346,853	370,735

As at 28 February 2017, rental deposits are carried at amortised costs using the effective interest rates ranging from 0.2% to 5% (29 February 2016: 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 2017 and 29 February 2016, the maximum exposure to credit risk is the carrying amounts of rental deposits and other deposits. The Group does not hold any collateral against the rental deposits.

21 CASH AND CASH EQUIVALENTS

	28 February 2017 HK$'000	29 February 2016 HK$'000
Cash at bank and in hand	1,647,804	1,143,355
Short-term bank deposits	170,000	823,756
	1,817,804	1,967,111

The interest rates for short-term bank deposits was approximately 1.3% (29 February 2016: 0.8%) 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 2017 and 29 February 2016, 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:

	28 February 2017 HK$'000	29 February 2016 HK$'000
Chinese Renminbi	569,872	491,697
Hong Kong Dollar	703,616	1,161,833
Japanese Yen	331,559	134,886
Euro	100,123	56,847
United States Dollar	71,534	50,303
Pound Sterling	15,008	33,644
Others	26,092	37,901
	1,817,804	1,967,111

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.

22 BORROWINGS

	28 February 2017 HK$'000	29 February 2016 HK$'000
Non-current borrowings		
– Bank borrowings	40,377	207,538
– Senior Notes (Note a)	1,005,484	1,054,924
	1,045,861	1,262,462
Current borrowings		
– Portion of bank borrowings due for repayment within one year	179,646	179,646
– Portion of bank borrowings due for repayment after one year which contain a repayable on demand clause	83,150	93,750
	262,796	273,396
	1,308,657	1,535,858

22 BORROWINGS (Continued)

The fair values of current borrowings approximate their carrying amounts, as the impact of discounting is not significant. As at 28 February 2017, the effective borrowing cost was 5.4% (29 February 2016: 5.1%) per annum. Except for the Senior Notes, the bank borrowings bear interest at floating rates that are market dependent.

As at 28 February 2017, bank borrowings of HK$93,750,000 (29 February 2016: HK$104,350,000) were secured by the Group's certain land and buildings with carrying amounts of HK$196,660,000 (29 February 2016: HK$203,143,000) (Note 14).

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 maturity of borrowings is as follows:

	28 February 2017 HK$'000	29 February 2016 HK$'000
Within 1 year	262,796	273,396
Between 1 and 2 years	1,045,861	169,046
Between 2 and 5 years	–	1,093,416
	1,308,657	1,535,858

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

	28 February 2017 HK$'000	29 February 2016 HK$'000
Chinese Renminbi	1,005,484	1,054,924
Hong Kong Dollar	303,173	480,934
	1,308,657	1,535,858

Details of the Group's banking facilities are set out in Note 30.

23 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	28 February 2017 HK$'000	29 February 2016 HK$'000
0 to 30 days	112,211	249,279
31 to 60 days	137,386	94,831
61 to 90 days	70,901	57,396
91 to 180 days	36,633	18,510
181 to 365 days	18,251	6,219
Over 365 days	17,744	6,895
	393,126	433,130

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

The trade payables are denominated in the following currencies:

	28 February 2017 HK$'000	29 February 2016 HK$'000
Chinese Renminbi	145,115	205,292
Hong Kong Dollar	5,020	12,579
Euro	66,480	23,640
Japanese Yen	123,252	101,018
United States Dollar	20,907	59,298
Pound Sterling	21,919	25,233
Korean Won	10,433	6,065
Others	–	5
	393,126	433,130

24 ACCRUALS AND OTHER PAYABLES

	28 February 2017 HK$'000	29 February 2016 HK$'000
Unutilised coupon	6,774	5,659
Accruals		
– Rented premises	225,764	239,807
– Employment costs	103,081	42,445
– Others	120,268	140,302
Other payables	171,862	229,859
	627,749	658,072
Less: non-current portion:		
Accruals – Rented premises	(6,733)	(8,583)
	621,016	649,489

Other payables are denominated in the following currencies:

	28 February 2017 HK$'000	29 February 2016 HK$'000
Chinese Renminbi	114,199	166,132
Hong Kong Dollar	47,119	51,324
Japanese Yen	8,852	10,330
Others	1,692	2,073
	171,862	229,859

The carrying amounts of other payables approximate their fair values.

25 DERIVATIVE FINANCIAL INSTRUMENTS

	28 February 2017		29 February 2016	
	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 *(Note a)*	–	(158,476)	–	(132,196)
Not qualified for hedge accounting:				
Interest rate swap contract, at market value *(Note b)*	–	–	–	(42)
	–	(158,476)	–	(132,238)
Less: current portion				
Interest rate swap contract, at market value *(Note b)*	–	–	–	42
	–	(158,476)	–	(132,196)

Notes:

(a) As at 28 February 2017, the notional principal amounts of the outstanding foreign currency and interest rate swap contract were RMB894,000,000 (29 February 2016: RMB894,000,000), which has been designated as the hedging instrument for the Senior Notes (Note 22). As at 28 February 2017, the fixed interest rate for the Senior Notes was 6.25% (29 February 2016: 6.25%) per annum. The swap exchange rate is 1.2645 HK$ per one RMB (29 February 2016: 1.2645 HK$ per one RMB) whereas the swap interest rate is 5.75% (29 February 2016: 5.75%) per annum. Gains and losses recognised in the hedging reserve in equity (Note 28) on foreign currency and interest rate swap contract as of 28 February 2017 will be continuously released to the consolidated 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. The contract was matured on 2 March 2016.

26 DEFERRED INCOME TAX

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:

	28 February 2017 HK$'000	29 February 2016 HK$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	136,508	125,071
– Deferred income tax assets to be recovered within 12 months	7,915	4,523
	144,423	129,594
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	(12,914)	(25,186)
– Deferred income tax liabilities to be settled within 12 months	(24,457)	(15,450)
	(37,371)	(40,636)
Deferred income tax assets (net)	107,052	88,958

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

	28 February 2017 HK$'000	29 February 2016 HK$'000
Beginning of the year	88,958	98,282
Recognised in the consolidated statement of comprehensive income (Note 11)	23,123	(4,941)
Recognised directly in equity	(5,348)	(2,461)
Currency translation differences	319	(1,922)
End of the year	107,052	88,958

26 DEFERRED INCOME TAX (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	
	28 February 2017 HK$'000	29 February 2016 HK$'000	28 February 2017 HK$'000	29 February 2016 HK$'000	28 February 2017 HK$'000	29 February 2016 HK$'000	28 February 2017 HK$'000	29 February 2016 HK$'000	28 February 2017 HK$'000	29 February 2016 HK$'000
Beginning of the year	38,202	31,173	76,558	103,757	5,348	7,809	31,434	16,270	151,542	159,009
Recognised in the consolidated statement of comprehensive income	4,479	6,350	16,128	(24,662)	-	–	38,193	15,389	58,800	(2,923)
Recognised directly in equity	-	–	-	–	(5,348)	(2,461)	-	–	(5,348)	(2,461)
Currency translation differences	74	679	(2,935)	(2,537)	-	–	52	(225)	(2,809)	(2,083)
End of the year	42,755	38,202	89,751	76,558	-	5,348	69,679	31,434	202,185	151,542

Deferred tax liabilities –

	Withholding tax		Accelerated tax depreciation		Total	
	28 February 2017 HK$'000	29 February 2016 HK$'000	28 February 2017 HK$'000	29 February 2016 HK$'000	28 February 2017 HK$'000	29 February 2016 HK$'000
Beginning of the year	(37,022)	(24,827)	(25,562)	(35,900)	(62,584)	(60,727)
Recognised in the consolidated statement of comprehensive income	(22,506)	(12,442)	(13,171)	10,424	(35,677)	(2,018)
Currency translation differences	1,847	247	1,281	(86)	3,128	161
End of the year	(57,681)	(37,022)	(37,452)	(25,562)	(95,133)	(62,584)

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 2017, the Group has unrecognised tax losses of HK$35,881,000 (29 February 2016: HK$1,544,000).

The expiry date of unrecognised tax losses are as follows:

	28 February 2017 HK$'000	29 February 2016 HK$'000
2018	54	57
2019	431	453
2020	501	528
2021	481	506
2022	579	–
No expiry date	33,835	–
	35,881	1,544

27 SHARE CAPITAL

Movements were:

	Number of ordinary shares '000	Share capital HK$'000
Issued and fully paid:		
At 1 March 2015	1,227,603	122,760
Repurchase of shares *(Note i)*	(15,626)	(1,562)
At 29 February 2016	1,211,977	121,198
Repurchase of shares *(Note i)*	(16,180)	(1,618)
At 28 February 2017	1,195,797	119,580

Note:

(i) During the year ended 28 February 2017, the Group acquired 16,180,000 (29 February 2016: 15,626,000) of its shares through purchases on the Stock Exchange. The total amount paid to acquire the shares was HK$50,297,000 (29 February 2016: HK$31,689,000) 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 of Hong Kong Limited on the date of the offer; and (iii) the average closing price of the shares as stated in the daily quotation sheets issued by The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of offer. A consideration of HK$10 is payable on acceptance of the grant of options.

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

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

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

27 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:

	28 February 2017		29 February 2016	
	Exercise price per share HK$	Options '000	Exercise price per share HK$	Options '000
Beginning of the year	2.95	121,152	2.95	121,152
Exercised	–	–	–	–
Expired	–	–	–	–
End of the year	2.95	121,152	2.95	121,152

No options were exercised during the years ended 28 February 2017 and 29 February 2016.

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

	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	
Expiry date	HK$	HK$	28 February 2017 '000	29 February 2016 '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
			121,152	121,152

28 RESERVES

	Share premium HK$'000	Share-based payment reserve HK$'000	Capital reserve HK$'000	Currency translation reserve HK$'000	Statutory reserve (Note i) HK$'000	Hedging reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 March 2016	861,411	144,864	46,063	(22,506)	55,872	(66,852)	1,754,984	2,773,836
Profit for the year	–	–	–	–	–	–	314,047	314,047
Transfer to statutory reserve	–	–	–	–	3,351	–	(3,351)	–
Share option scheme								
– value of employment services	–	23,798	–	–	–	–	–	23,798
Repurchase of shares	(48,679)	–	–	–	–	–	–	(48,679)
Final dividend for the year ended								
29 February 2016	–	–	–	–	–	–	(101,765)	(101,765)
Currency translation differences								
– Group	–	–	–	(65,625)	–	–	–	(65,625)
– Joint ventures	–	–	–	(5,047)	–	–	–	(5,047)
Reversal of tax credit from								
exercise of share options	–	–	(5,348)	–	–	–	–	(5,348)
Cash flow hedge recognised as finance costs	–	–	–	–	–	56,436	–	56,436
Fain value change on cash flow hedge,								
net of tax	–	–	–	–	–	(26,280)	–	(26,280)
Balance at 28 February 2017	812,732	168,662	40,715	(93,178)	59,223	(36,696)	1,963,915	2,915,373
Analysed by –								
Company and subsidiaries	812,732	168,662	40,715	(90,059)	59,223	(36,696)	1,963,915	2,918,492
Joint ventures	–	–	–	(3,119)	–	–	–	(3,119)
Balance at 28 February 2017	812,732	168,662	40,715	(93,178)	59,223	(36,696)	1,963,915	2,915,373
Representing –								
2017 Final dividend proposed							155,454	
Others							1,808,461	
							1,963,915	

28 RESERVES (Continued)

	Share premium HK$'000	Share-based payment reserve HK$'000	Capital reserve HK$'000	Currency translation reserve HK$'000	Statutory reserve (Note i) HK$'000	Hedging reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 March 2015	891,538	120,988	48,524	14,492	50,191	(95,651)	1,686,339	2,716,421
Profit for the year	–	–	–	–	–	–	209,011	209,011
Transfer to statutory reserve	–	–	–	–	5,681	–	(5,681)	–
Share option scheme								
– value of employment services	–	23,876	–	–	–	–	–	23,876
Repurchase of shares	(30,127)	–	–	–	–	–	–	(30,127)
Final dividend for the year ended 28 February 2015	–	–	–	–	–	–	(134,685)	(134,685)
Currency translation differences								
– Group	–	–	–	(32,451)	–	–	–	(32,451)
– Joint ventures	–	–	–	(4,547)	–	–	–	(4,547)
Reversal of tax credit from exercise of share options	–	–	(2,461)	–	–	–	–	(2,461)
Cash flow hedge recognised as finance costs	–	–	–	–	–	39,606	–	39,606
Fain value change on cash flow hedge, net of tax	–	–	–	–	–	(10,807)	–	(10,807)
Balance at 29 February 2016	861,411	144,864	46,063	(22,506)	55,872	(66,852)	1,754,984	2,773,836
Analysed by –								
Company and subsidiaries	861,411	144,864	46,063	(24,434)	55,872	(66,852)	1,754,984	2,771,908
Joint ventures	–	–	–	1,928	–	–	–	1,928
Balance at 29 February 2016	861,411	144,864	46,063	(22,506)	55,872	(66,852)	1,754,984	2,773,836
Representing –								
2016 Final dividend proposed							101,806	
Others							1,653,178	
							1,754,984	

Note:

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

29 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	2017 HK$'000	2016 HK$'000
Profit before tax for the year	507,262	356,047
Adjustments for:		
– Interest expense	74,043	79,513
– Interest income	(15,264)	(41,307)
– Share of losses of joint ventures	5,510	27,008
– Depreciation of property, furniture and equipment	276,473	279,818
– Impairment for property, furniture and equipment	13,345	1,777
– Amortisation of intangible assets	13,737	14,140
– Impairment of intangible assets	–	143
– Fair value gains on derivative financial instruments	(42)	(977)
– Loss on disposal of property, furniture and equipment	3,592	7,181
– Share-based payment	23,798	23,876
	902,454	747,219
Changes in working capital:		
– Inventories	(171,385)	(139,267)
– Trade and other receivables	1,688	4,417
– Prepayments and other deposits	8,554	(61,864)
– Amounts due from joint ventures	(18,392)	(1,677)
– Trade payables	(29,085)	50,457
– Accruals and other payables	1,385	(51,143)
– Amounts due to joint ventures	(8,473)	1,315
Cash generated from operations	686,746	549,457

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

	2017 HK$'000	2016 HK$'000
Net book amount (Note 14)	4,352	7,181
Loss on disposal of property, furniture and equipment	(3,592)	(7,181)
Proceeds from disposal of property, furniture and equipment	760	–

(c) Analysis of cash and cash equivalents:

	28 February 2017 HK$'000	29 February 2016 HK$'000
Cash and bank deposits	1,817,804	1,967,111

30 BANKING FACILITIES AND PLEDGE OF ASSETS

As at 28 February 2017, the Group had aggregate banking facilities of approximately HK$1,505,057,000 (29 February 2016: HK$1,967,203,000) at floating rate for overdrafts, bank loans and trade financing, of which approximately HK$1,087,442,000 (29 February 2016: HK$1,339,357,000) was unutilised as at the same date. These facilities are secured by corporate guarantees provided by the Company and certain subsidiaries as well as pledge of certain property, furniture and equipment.

31 COMMITMENTS

(a) Capital commitments

	28 February 2017 HK$'000	29 February 2016 HK$'000
Contracted but not provided for		
– acquisition of fixture and furniture	5,135	2,448

(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:

	28 February 2017 HK$'000	29 February 2016 HK$'000
Not later than one year	1,310,305	1,255,749
Later than one year and not later than five years	1,717,512	1,964,502
Later than five years	100,989	18,110
	3,128,806	3,238,361

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.

32 RELATED PARTY TRANSACTIONS

As at 28 February 2017, the Group was controlled by Effective Convey Limited (incorporated in the British Virgin Islands), which directly and indirectly owns a total of 61.92% 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:

	2017 HK$'000	2016 HK$'000
Interest income from (2)		
– FCIT China Limited (1)	355	399
– ZIT H.K. Limited (1)	455	455
Commission income from (3)		
– FCUK IT Company (1)	995	1,464
– ZIT H.K. Limited (1)	746	1,051
Service fees income from (3)		
– FCUK IT Company (1)	2,277	2,707
– FCIT China Limited (1)	11	15
– ZIT H.K. Limited (1)	1,482	1,295
– FCIT (Macau), Limited (1)	411	552
– Camper (Shanghai) Limited (1)	2,621	2,998
– Galeries Lafayette (China) Limited (1)	946	1,967
Commission fees payable to (3)		
– Galeries Lafayette (Beijing) Limited (1)	22,241	19,945
Purchase of goods from (4)		
– FCIT China Limited (1)	1,773	1,666

Notes:

(1) FCUK IT Company, FCIT China Limited, ZIT H.K. Limited, FCIT (Macau), Limited, Camper (Shanghai) 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% (29 February 2016: 5.5%) per annum.

Interest income on amount due from ZIT H.K. Limited is charged at 5% (29 February 2016: 5%) per annum.

(3) Commission income, service fees income and commission fees are recharged at terms agreed by the parties.

(4) 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 34.

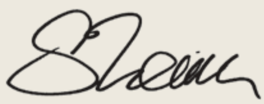
33 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	Note	28 February 2017 HK$'000	29 February 2016 HK$'000
ASSETS			
Non-current assets			
Investments in and amounts due from subsidiaries		324,798	301,000
Current assets			
Prepayments and other deposits		165	165
Cash and cash equivalents		1,075	1,080
Amounts due from subsidiaries		3,014,153	3,328,129
		3,015,393	3,329,374
LIABILITIES			
Current liabilities			
Accruals and other payables		(18,135)	(21,912)
Amount due to a subsidiary		–	(232,224)
Current income tax liabilities		(6,470)	(6,470)
		(24,605)	(260,606)
Net current assets		2,990,788	3,068,768
Non-current liabilities			
Borrowings		(1,005,484)	(1,054,924)
Derivative financial instruments		(158,476)	(132,196)
		(1,163,960)	(1,187,120)
Net assets		2,151,626	2,182,648
EQUITY			
Capital and reserves			
Share capital		119,580	121,198
Reserves	(a)	2,032,046	2,061,450
Total equity		2,151,626	2,182,648

The statement of financial position of the Company was approved by the Board of Directors on 24 May 2017 and were signed on its behalf.

SHAM KAR WAI
Chairman



SHAM KIN WAI
Director

33 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note (a) Reserve movement of the 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 2016	861,411	143,149	136,680	(66,852)	987,062	2,061,450
Profit for the year	–	–	–	–	67,086	67,086
Share option scheme – value of employment services	–	23,798	–	–	–	23,798
Repurchase of shares	(48,679)	–	–	–	–	(48,679)
Final dividend for the year ended 29 February 2016	–	–	–	–	(101,765)	(101,765)
Cash flow hedge recognised as finance costs	–	–	–	56,436	–	56,436
Fain value change on cash flow hedge, net of tax	–	–	–	(26,280)	–	(26,280)
Balance at 28 February 2017	812,732	166,947	136,680	(36,696)	952,383	2,032,046
Representing –						
2017 Final dividend proposed					155,454	
Others					796,929	
					952,383	
Balance at 1 March 2015	891,538	119,273	136,680	(95,651)	1,122,284	2,174,124
Loss for the year	–	–	–	–	(537)	(537)
Share option scheme – value of employment services	–	23,876	–	–	–	23,876
Repurchase of shares	(30,127)	–	–	–	–	(30,127)
Final dividend for the year ended 28 February 2015	–	–	–	–	(134,685)	(134,685)
Cash flow hedge recognised as finance costs	–	–	–	39,606	–	39,606
Fain value change on cash flow hedge, net of tax	–	–	–	(10,807)	–	(10,807)
Balance at 29 February 2016	861,411	143,149	136,680	(66,852)	987,062	2,061,450
Representing –						
2016 Final dividend proposed					101,806	
Others					885,256	
					987,062	

34 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)

The remuneration of each director and the chief executive for the year ended 28 February 2017 is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking						
Name of directors	**Fees HK$'000**	**Salary HK$'000**	**Discretionary bonuses HK$'000**	**Housing allowance HK$'000**	**Estimated money value of other benefits HK$'000**	**Employer's contributions to a retirement benefit scheme HK$'000**	**Total HK$'000**
Executive directors							
Mr. Sham Kar Wai (Chief Executive Officer)	–	7,771	22,000	1,680	8,095	18	39,564
Mr. Sham Kin Wai	–	5,275	18,000	1,560	8,095	18	32,948
Mr. Chan Wai Kwan, Kenny	–	3,920	2,514	292	–	18	6,744
Independent non-executive directors							
Dr. Wong Tin Yau, Kelvin, JP	270	–	–	–	–	–	270
Mr. Francis Goutenmacher	270	–	–	–	–	–	270
Mr. Mak Wing Sum, Alvin	270	–	–	–	–	–	270
	810	16,966	42,514	3,532	16,190	54	80,066

The remuneration of each director and the chief executive for the year ended 29 February 2016 is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking						
Name of directors	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Housing allowance HK$'000	Estimated money value of other benefits HK$'000	Employer's contributions to a retirement benefit scheme HK$'000	Total HK$'000
Executive directors							
Mr. Sham Kar Wai (Chief Executive Officer)	–	7,743	–	1,680	8,095	18	17,536
Mr. Sham Kin Wai	–	5,254	–	1,560	8,095	18	14,927
Independent non-executive directors							
Dr. Wong Tin Yau, Kelvin, JP	269	–	–	–	–	–	269
Mr. Francis Goutenmacher	269	–	–	–	–	–	269
Mr. Mak Wing Sum, Alvin	269	–	–	–	–	–	269
	807	12,997	–	3,240	16,190	36	33,270

34 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (Continued)

No remunerations were paid or receivable in respect of accepting office as directors during the year ended 28 February 2017 (2016: Nil).

No directors waived any emoluments during the year ended 28 February 2017 (2016: Nil).

No emoluments were paid or receivable in respect of directors' other services in connection with the management of affairs of the Company or its subsidiary undertakings during the year ended 28 February 2017 (2016: Nil).

There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities as at 28 February 2017 (29 February 2016: Nil).

Except disclosed above, no director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year ended 28 February 2017 (2016: Nil).

35 EVENTS AFTER REPORTING PERIOD

On 27 April, 2017, the Group successfully bid the land use right of the land located in Kunshan, the PRC, for setting up a logistics and distribution center at a consideration of RMB32.5 million (equivalent to approximately HK$36.7 million). On 4 May 2017, the Group signed the Land Bid Award with the Land and Resources Bureau.

FIVE YEARS FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	Year ended 28 February 2017 HK$'000	Year ended 29 February 2016 HK$'000	Year ended 28 February 2015 HK$'000	Year ended 28 February 2014 HK$'000	Year ended 28 February 2013 HK$'000
Turnover	8,001,329	7,541,132	7,180,540	6,746,874	6,543,109
Cost of sales	(3,073,211)	(2,974,792)	(2,716,192)	(2,702,521)	(2,693,460)
Gross profit	4,928,118	4,566,340	4,464,348	4,044,353	3,849,649
Other losses, net	(14,275)	(63,786)	(19,329)	(5,074)	(6,221)
Impairment of goodwill	–	–	–	(5,557)	–
Operating expenses	(4,367,995)	(4,107,326)	(3,971,212)	(3,625,354)	(3,367,346)
Other income	25,703	26,033	19,960	9,750	–
Operating profit	571,551	421,261	493,767	418,118	476,082
Finance income	15,264	41,307	63,509	44,190	10,649
Finance costs	(74,043)	(79,513)	(85,092)	(75,210)	(27,554)
Share of losses of joint ventures	(5,510)	(27,008)	(35,821)	(41,768)	(11,461)
Profit before income tax	507,262	356,047	436,363	345,330	447,716
Income tax expense	(192,220)	(146,310)	(123,503)	(65,298)	(62,685)
Profit for the year	315,042	209,737	312,860	280,032	385,031
Dividend	155,454	101,806	147,312	122,876	36,846

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 28 February 2017 HK$'000	As at 29 February 2016 HK$'000	As at 28 February 2015 HK$'000	As at 28 February 2014 HK$'000	As at 28 February 2013 HK$'000
ASSETS					
Non-current assets					
Property, furniture and equipment	796,046	856,606	836,410	913,145	934,128
Intangible assets	321,197	345,633	322,404	343,043	359,338
Investments in and loans to joint ventures	138,694	139,278	166,828	220,396	199,074
Rental deposits	303,762	296,483	316,835	307,028	298,675
Prepayment for non-current assets	5,916	15,675	41,765	14,862	5,868
Derivative financial instruments	–	–	–	2,622	–
Deferred income tax assets	144,423	129,594	132,427	135,722	116,154
	1,710,038	1,783,269	1,816,669	1,936,818	1,913,237
Current assets					
Inventories	1,536,432	1,390,974	1,260,598	1,116,693	1,211,240
Trade, bills and other receivables	226,765	232,423	243,926	181,242	133,736
Amounts due from joint ventures	60,912	52,880	50,086	36,449	25,388
Prepayments and other deposits	346,853	370,735	285,613	250,611	221,299
Derivative financial instruments	–	–	–	–	1,163
Current income tax recoverable	5,741	1,603	21,714	–	–
Cash and cash equivalents	1,817,804	1,967,111	2,294,103	2,315,498	961,158
	3,994,507	4,015,726	4,156,040	3,900,493	2,553,984
LIABILITIES					
Current liabilities					
Borrowings	(262,796)	(273,396)	(267,431)	(496,385)	(365,661)
Trade and bill payables	(393,126)	(433,130)	(385,280)	(357,924)	(273,552)
Accruals and other payables	(621,016)	(649,489)	(707,859)	(573,909)	(476,177)
Amounts due to joint ventures	(24,285)	(33,863)	(33,693)	(24,022)	(51,549)
Derivative financial instruments	–	(42)	(30)	–	(1,600)
Current income tax liabilities	(117,175)	(68,406)	(100,949)	(32,373)	(23,585)
	(1,418,398)	(1,458,326)	(1,495,242)	(1,484,613)	(1,192,124)
Net current assets	2,576,109	2,557,400	2,660,798	2,415,880	1,361,860
Total assets less current liabilities	4,286,147	4,340,669	4,477,467	4,352,698	3,275,097
Non-current liabilities					
Borrowings	(1,045,861)	(1,262,462)	(1,468,808)	(1,494,642)	(668,462)
Accruals	(6,733)	(8,583)	(12,017)	(9,893)	(14,140)
Derivative financial instruments	(158,476)	(132,196)	(122,378)	(6,691)	(6,140)
Deferred income tax liabilities	(37,371)	(40,636)	(34,145)	(45,155)	(32,984)
	(1,248,441)	(1,443,877)	(1,637,348)	(1,556,381)	(721,726)
Net assets	3,037,706	2,896,792	2,840,119	2,796,317	2,553,371
EQUITY					
Capital and reserves					
Share capital	119,580	121,198	122,760	122,876	122,818
Reserves	2,915,373	2,773,836	2,716,421	2,672,756	2,430,553
Non-controlling interests	2,753	1,758	938	685	–
Total equity	3,037,706	2,896,792	2,840,119	2,796,317	2,553,371

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