

**I.T
INTERIM
REPORT
17/18**

STOCK CODE: 999

I.T LIMITED INTERIM REPORT

17/18

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IT

IS



a fashion icon
TREND SETTING

inspiration
a lifestyle

MOVING FORWARD

CORPORATE PROFILE

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

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2 Church Street

Hamilton HM 11

Bermuda

Head Office and Principal Place of Business in Hong Kong

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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

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Corporate Website

www.ithk.com

Stock Code

Shares: 00999

Senior Notes due 2018: 85923 (I.T N1805-R)

HIGHLIGHTS

- Total turnover of the Group increased by 0.2% to HK\$3,652.0 million.
- Total retail sales in Hong Kong and Macau decreased by 11.2% to HK\$1,449.2 million. Comparable store sales growth rate registered at -6.9% (FY16/17: -1.5%). Total trading area reduced by 5.8%.
- Total retail sales in Mainland China increased by 7.3% to HK\$1,635.7 million on the back of double-digit percentage growth in sales area and positive comparable store sales growth rate at 0.9% (FY16/17: 4.6%)
- Total retail sales in Japan and the USA landed at HK\$421.1 million or JPY6,000.1 million representing 28.9% increase in Hong Kong Dollar or 33.5% increase in base currency from FY16/17.
- Gross profit of the Group increased by 3.4% to HK\$2,283.4 million at gross profit margin of 62.5% (FY16/17: 60.6%).
- Net profit of the Group increased by 54.5% to HK\$60.4 million.
- Basic earnings per share increased by 56.3% to 5.0 HK cents.

Per share data	31 August 2017	31 August 2016	Change
EPS-basic (HK\$)	0.050	0.032	+56.3%
EPS-diluted (HK\$)	0.049	0.031	+58.1%
Book value (HK\$) ⁽¹⁾	2.55	2.38	+7.1%

Key statistics	31 August 2017	31 August 2016	Change
Inventory turnover (Days) ⁽²⁾	200.4	187.2	+7.1%
Cash and cash equivalent (HK\$ million)	1,956.8	1,766.4	+10.8%
Net cash (HK\$ million) ⁽³⁾	625.7	343.2	+82.3%
Debt to equity ratio (%) ⁽⁴⁾	43.6	49.4	-11.7%
Return on equity ratio (%) ⁽⁵⁾	2.0	1.3	+53.9%

Notes:

- (1) Net asset value per share as at end of the period.
- (2) Average of the inventory at the beginning and at the end of the period divided by cost of sales times number of days during the period.
- (3) Cash and cash equivalents less borrowings.
- (4) Borrowings divided by total equity at the end of the period.
- (5) Profit attributable to equity holders of the Company for the period divided by average of the total equity at the beginning and at the end of the period.

Store Coverage

	A. No. of stores			
	Self-managed		Franchised	
	31 August 2017	28 February 2017	31 August 2017	28 February 2017
Greater China:				
Hong Kong				
I.T	217	230	-	-
FCUK IT ⁽¹⁾	4	6	-	-
ZIT H.K. ⁽¹⁾	3	3	-	-
Mainland China				
I.T	441	435	44	59
FCIT China ⁽¹⁾	13	16	-	-
Camper I.T China ⁽¹⁾	9	9	-	-
Taiwan	22	20	-	-
Macau				
I.T	15	15	-	-
FCIT Macau ⁽¹⁾	1	1	-	-
ZIT H.K. ⁽¹⁾	1	1	-	-
Overseas:				
Japan	21	21	-	-
USA	1	1	-	-
Thailand	-	-	1	1
England	-	-	8	8
Singapore	-	-	5	5
Indonesia	-	-	1	1
South Korea	-	-	1	1
Canada	-	-	3	3
Dubai	-	-	2	-

	B. Sales footage ⁽²⁾			
	Self-managed		Franchised	
	31 August 2017	28 February 2017	31 August 2017	28 February 2017
Greater China:				
Hong Kong				
I.T	545,753	551,899	-	-
FCUK IT ⁽¹⁾	4,883	7,272	-	-
ZIT H.K. ⁽¹⁾	2,797	2,797	-	-
Mainland China				
I.T	1,413,530	1,351,168	62,123	84,504
FCIT China ⁽¹⁾	19,016	24,130	-	-
Camper I.T China ⁽¹⁾	6,104	6,336	-	-
Taiwan	37,745	35,098	-	-
Macau				
I.T	40,470	40,470	-	-
FCIT Macau ⁽¹⁾	3,330	3,330	-	-
ZIT H.K. ⁽¹⁾	1,998	1,998	-	-
Overseas:				
Japan	44,905	44,905	-	-
USA	3,313	3,313	-	-
Thailand	-	-	2,152	2,152
England	-	-	2,312	2,312
Singapore	-	-	9,939	9,939
Indonesia	-	-	3,160	3,160
South Korea	-	-	1,552	1,552
Canada	-	-	8,430	8,430
Dubai	-	-	607	-

Notes:

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

(2) represents gross area.

INDEPENDENT REVIEW REPORT



羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF I.T LIMITED
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 13 to 34, which comprises the interim condensed consolidated statement of financial position of I.T Limited (the "Company") and its subsidiaries (together, the "Group") as at 31 August 2017 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

A handwritten signature in black ink, appearing to be 'W T', with a long vertical line extending downwards from the 'T'.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 October 2017

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 August 2017

	Note	Six months ended 31 August	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Turnover	6	3,652,005	3,643,200
Cost of sales	8	(1,368,645)	(1,434,007)
Gross profit		2,283,360	2,209,193
Other gains/(losses), net	7	3,644	(5,240)
Operating expenses	8	(2,123,108)	(2,098,050)
Other income	9	23,857	19,077
Operating profit		187,753	124,980
Finance income	10	9,993	6,607
Finance costs	10	(35,834)	(37,789)
Share of profits/(losses) of joint ventures		4,112	(3,897)
Profit before income tax		166,024	89,901
Income tax expense	11	(105,659)	(50,838)
Profit for the period		60,365	39,063
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Currency translation differences		77,343	1,156
Cash flow hedge recognised as finance costs		(38,318)	28,158
Fair value changes on cash flow hedge, net of tax		67,157	36
Total other comprehensive income for the period		106,182	29,350
Total comprehensive income for the period		166,547	68,413
Profit attributable to:			
– Equity holders of the Company		59,754	38,633
– Non-controlling interests		611	430
		60,365	39,063
Total comprehensive income attributable to:			
– Equity holders of the Company		165,859	67,783
– Non-controlling interests		688	630
		166,547	68,413
Earnings per share attributable to equity holders of the Company for the period (expressed in HK cent per share)			
– basic	13	5.0	3.2
– diluted	13	4.9	3.1

The accompanying notes are an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 August 2017

	Note	As at 31 August 2017 (Unaudited) HK\$'000	As at 28 February 2017 (Audited) HK\$'000
ASSETS			
Non-current assets			
Property, furniture and equipment	14	844,848	796,046
Intangible assets	14	325,015	321,197
Investments in and loans to joint ventures	15	151,828	138,694
Rental deposits	17	285,288	303,762
Prepayments for non-current assets	17	20,287	5,916
Deferred income tax assets		145,772	144,423
		<u>1,773,038</u>	<u>1,710,038</u>
Current assets			
Inventories		1,445,558	1,536,432
Trade and other receivables	16	238,888	226,765
Amounts due from joint ventures	15	61,087	60,912
Prepayments and other deposits	17	378,147	346,853
Current income tax recoverable		3,418	5,741
Cash and cash equivalents		1,956,776	1,817,804
		<u>4,083,874</u>	<u>3,994,507</u>
LIABILITIES			
Current liabilities			
Borrowings	21	(1,158,180)	(262,796)
Trade payables	19	(385,856)	(393,126)
Accruals and other payables	20	(789,482)	(621,016)
Derivative financial instruments	18	(91,319)	-
Amounts due to joint ventures	15	(17,925)	(24,285)
Current income tax liabilities		(148,647)	(117,175)
		<u>(2,591,409)</u>	<u>(1,418,398)</u>
Net current assets		<u>1,492,465</u>	<u>2,576,109</u>
Non-current liabilities			
Borrowings	21	(172,976)	(1,045,861)
Accruals	20	(6,953)	(6,733)
Derivative financial instruments	18	(1,281)	(158,476)
Deferred income tax liabilities		(32,352)	(37,371)
		<u>(213,562)</u>	<u>(1,248,441)</u>
Net assets		<u>3,051,941</u>	<u>3,037,706</u>
EQUITY			
Capital and reserves			
Share capital	22	119,580	119,580
Reserves	23	2,929,672	2,915,373
Non-controlling interests		2,689	2,753
Total equity		<u>3,051,941</u>	<u>3,037,706</u>



SHAM KAR WAI
Chairman



SHAM KIN WAI
Director

The accompanying notes are an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 August 2017

	Share capital (Unaudited) HK\$'000	Reserves (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 March 2017	119,580	2,915,373	2,753	3,037,706
Profit for the period	-	59,754	611	60,365
Other comprehensive income:				
- currency translation differences	-	77,266	77	77,343
- cash flow hedge recognised as finance costs	-	(38,318)	-	(38,318)
- fair value changes on cash flow hedge, net of tax	-	67,157	-	67,157
Total comprehensive income for the six months ended 31 August 2017	-	165,859	688	166,547
Transaction with owners:				
Final dividends for the year ended 28 February 2017	-	(155,454)	-	(155,454)
Final dividends to non-controlling interests for the year ended 28 February 2017	-	-	(752)	(752)
Share option scheme				
- value of employment services	-	3,894	-	3,894
Total transaction with owners	-	(151,560)	(752)	(152,312)
Balance at 31 August 2017	119,580	2,929,672	2,689	3,051,941
Balance at 1 March 2016	121,198	2,773,836	1,758	2,896,792
Profit for the period	-	38,633	430	39,063
Other comprehensive income:				
- currency translation differences	-	956	200	1,156
- cash flow hedge recognised as finance costs	-	28,158	-	28,158
- fair value changes on cash flow hedge, net of tax	-	36	-	36
Total comprehensive income for the six months ended 31 August 2016	-	67,783	630	68,413
Transaction with owners:				
Final dividends for the year ended 29 February 2016	-	(101,765)	-	(101,765)
Repurchase of shares	(49)	(867)	-	(916)
Tax credit from exercise of share options	-	6,693	-	6,693
Share option scheme				
- value of employment services	-	11,997	-	11,997
Total transaction with owners	(49)	(83,942)	-	(83,991)
Balance at 31 August 2016	121,149	2,757,677	2,388	2,881,214

The accompanying notes are an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 31 August 2017

	Six months ended 31 August	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Cash flows from operating activities		
Cash generated from operations	436,938	178,245
Interest paid	(35,475)	(37,433)
Hong Kong profits tax (paid)/refunded	(2,094)	8,511
Overseas income tax paid	(78,637)	(43,298)
	<u>320,732</u>	<u>106,025</u>
Net cash generated from operating activities	<u>320,732</u>	<u>106,025</u>
Cash flows from investing activities		
Purchase of property, furniture and equipment	(198,730)	(133,186)
Increase in intangible assets	-	(1,377)
Proceeds from disposal of property, furniture and equipment	-	314
Capital injection to joint ventures	(3,000)	-
Interest received	7,934	5,203
	<u>(193,796)</u>	<u>(129,046)</u>
Net cash used in investing activities	<u>(193,796)</u>	<u>(129,046)</u>
Cash flows from financing activities		
Proceeds from borrowings	197,723	-
Repayments of borrowings	(212,861)	(88,883)
Repurchases of shares	-	(916)
Dividends paid	-	(96,175)
Dividends paid to non-controlling interests	(752)	-
	<u>(15,890)</u>	<u>(185,974)</u>
Net cash used in financing activities	<u>(15,890)</u>	<u>(185,974)</u>
Net increase/(decrease) in cash and cash equivalents	111,046	(208,995)
Currency translation differences	27,926	8,255
Cash and cash equivalents, at 1 March	<u>1,817,804</u>	<u>1,967,111</u>
Cash and cash equivalents, at 31 August	<u>1,956,776</u>	<u>1,766,371</u>

The accompanying notes are an integral part of this condensed interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 HM 11, Bermuda.

The Company is listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

This condensed consolidated interim financial information is presented in Hong Kong Dollar (“HK\$”), unless otherwise stated.

This condensed consolidated interim financial information was approved for issue by the board of directors on 24 October 2017.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 31 August 2017 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

This condensed consolidated interim financial information should be read in conjunction with the Group’s annual financial statements for the year ended 28 February 2017, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3 ACCOUNTING POLICIES

The accounting policies applied and methods of computation used in the preparation of this interim financial report are consistent with those used in the annual financial statements for the year ended 28 February 2017, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of the revised standards and amendments issued by the HKICPA.

The following new standards and amendments are mandatory for the financial year beginning 1 March 2017 and have no material impact to the Group.

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses

The following new standards and amendments have been issued but are not effective for the financial year beginning 1 March 2017 and have not been early adopted:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15
HKAS 40 (Amendments)	Transfer of Investment Property
HK(IFRIC) Int-22	Foreign Currency Transactions and Advance Consideration
HKFRS 16	Leases
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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:

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

3 ACCOUNTING POLICIES (Continued)

HKFRS 16 “Leases”

The Group is a lessee of certain land and buildings which are currently classified as operating leases. As at 31 August 2017, the Group has non-cancellable operating lease commitments of HK\$3,148,741,000 (Note 25(b)). 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 lease liabilities will increase. The Group expects to adopt the new standards when they become effective.

4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 28 February 2017.

5 FINANCIAL RISK MANAGEMENT

5.1 Fair value estimation

The Group measures its fair value of the financial instruments carried at fair value as at 31 August 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).

The following table presents the Group's financial instruments carried at fair value as at 31 August and 28 February 2017:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 August 2017				
Liabilities				
Currency and interest rate swap contracts				
– cash flow hedges	–	(91,319)	–	(91,319)
Currency swap contract not qualified for hedge accounting	–	(1,281)	–	(1,281)
	<u>–</u>	<u>(92,600)</u>	<u>–</u>	<u>(92,600)</u>
	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)
	<u>–</u>	<u>(158,476)</u>	<u>–</u>	<u>(158,476)</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

6 TURNOVER AND SEGMENT INFORMATION

	Six months ended 31 August	
	2017	2016
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Turnover		
– Sales of fashion wears and accessories	<u>3,652,005</u>	<u>3,643,200</u>

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

The CODM considers the business from geographic perspective and assesses the performance of the geographical segment based on a measure of profit before impairment of goodwill, intangible assets and property, furniture and equipment, depreciation of property, furniture and equipment, amortisation of intangible assets, share of profits/(losses) of joint ventures and income tax expense (“EBITDA”). Finance income and finance costs are not allocated to operating segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group. The information provided to the CODM is measured in a manner consistent with that in the financial statements.

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

The segment information provided to the CODM for the reportable segments is as follows:

	Hong Kong and Macau		Mainland China		(Unaudited) Japan and the USA		Other		Total	
	Six months ended 31 August		Six months ended 31 August		Six months ended 31 August		Six months ended 31 August		Six months ended 31 August	
	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
Turnover	<u>1,466,640</u>	<u>1,647,790</u>	<u>1,674,125</u>	<u>1,598,081</u>	<u>456,768</u>	<u>348,490</u>	<u>54,472</u>	<u>48,839</u>	<u>3,652,005</u>	<u>3,643,200</u>
EBITDA	(49,934)	(36,207)	185,876	152,995	197,402	150,034	12,633	13,177	345,977	279,999
Depreciation, amortisation and impairment	(61,988)	(77,067)	(90,575)	(70,998)	(3,846)	(5,503)	(1,815)	(1,451)	(158,224)	(155,019)
Operating (loss)/profit	<u>(111,922)</u>	<u>(113,274)</u>	<u>95,301</u>	<u>81,997</u>	<u>193,556</u>	<u>144,531</u>	<u>10,818</u>	<u>11,726</u>	187,753	124,980
Finance income									9,993	6,607
Finance costs									(35,834)	(37,789)
Share of profits/(losses) of joint ventures									4,112	(3,897)
Profit before income tax									<u>166,024</u>	<u>89,901</u>
	Hong Kong and Macau		Mainland China		Japan and the USA		Other		Total	
	HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000	
Total segment assets										
As at 31 August 2017	<u>2,466,517</u>		<u>2,433,156</u>		<u>550,596</u>		<u>44,538</u>		<u>5,494,807</u>	
As at 28 February 2017	<u>2,324,567</u>		<u>2,416,358</u>		<u>563,769</u>		<u>50,081</u>		<u>5,354,775</u>	

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

6 TURNOVER AND SEGMENT INFORMATION (Continued)

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

	As at 31 August 2017 (Unaudited) HK\$'000	As at 28 February 2017 (Audited) HK\$'000
Segment assets for reportable segments	5,450,269	5,304,694
Other segments assets	44,538	50,081
	<u>5,494,807</u>	<u>5,354,775</u>
Unallocated:		
Deferred income tax assets and current income tax recoverable	149,190	150,164
Investments in and amounts due from joint ventures	212,915	199,606
	<u>5,856,912</u>	<u>5,704,545</u>

7 OTHER GAINS/(LOSSES), NET

	Six months ended 31 August 2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Fair value (losses)/gains on derivative financial instruments		
– foreign currency swap contract	(1,281)	–
– interest rate swap contract	–	42
Net exchange gains/(losses)	4,925	(5,282)
	<u>3,644</u>	<u>(5,240)</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

8 EXPENSES BY NATURE

	Six months ended 31 August	
	2017	2016
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Cost of inventories sold	1,354,644	1,362,067
Provision for write-downs of inventories to net realisable value	17,642	44,455
Employment costs (including directors' emoluments)	627,653	628,135
Operating lease rentals of premises		
– minimum lease payments	735,872	749,664
– contingent rents	107,855	98,917
Building management fee	121,699	115,779
Advertising and promotion costs	62,225	53,458
Commission expenses	46,053	39,227
Bank charges	38,017	40,357
Utilities expenses	28,097	30,711
Freight charges	13,722	15,889
Depreciation of property, furniture and equipment	139,977	132,799
Impairment of property, furniture and equipment	11,425	15,304
Reversal of onerous contract provision	–	(870)
Loss on disposals of property, furniture and equipment	777	3,444
Licence fees	9,256	13,919
Amortisation of intangible assets	6,822	6,916
Provision for impairment of amounts due from joint ventures	4,000	625
Other expenses	166,017	181,261
	<u>3,491,753</u>	<u>3,532,057</u>
Total		
Representing:		
Cost of sales	1,368,645	1,434,007
Operating expenses	2,123,108	2,098,050
	<u>3,491,753</u>	<u>3,532,057</u>

9 OTHER INCOME

	Six months ended 31 August	
	2017	2016
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Government grants	19,958	14,214
Others	3,899	4,863
	<u>23,857</u>	<u>19,077</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

10 FINANCE COSTS, NET

	Six months ended 31 August	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Interest income from		
– bank deposits	8,227	4,993
– amounts due from joint ventures	228	428
– others (i)	1,538	1,186
	<hr/>	<hr/>
Finance income	9,993	6,607
	<hr/>	<hr/>
Interest expense	(36,515)	(35,021)
Net foreign exchange transaction gain	(37,637)	25,390
Transfer from hedging reserve		
– interest rate and currency swaps: cash flow hedge	38,318	(28,158)
	<hr/>	<hr/>
Finance costs	(35,834)	(37,789)
	<hr/>	<hr/>
Net finance costs	<u>(25,841)</u>	<u>(31,182)</u>

Note:

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

11 INCOME TAX EXPENSE

The Company is exempted from income taxes in Bermuda until March 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% (six months ended 31 August 2016: 16.5%) on the estimated assessable profits of the Group's operation in Hong Kong.

Mainland China enterprise income tax has been provided at the applicable rate of 25% (six months ended 31 August 2016: 25%) on the estimated assessable profits of the Group's operations in Mainland China.

Japan Corporate Income Tax has been provided at the applicable rate of 34.81% (six months ended 31 August 2016: 35.36%) on the estimated assessable profits of the Group's operations in Japan.

Macau Complementary (Corporate) tax has been provided at the applicable rate of 12% (six months ended 31 August 2016: 12%) on the estimated assessable profits in excess of HK\$582,000 (approximately MOP600,000) of the Group's operations in Macau.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

11 INCOME TAX EXPENSE (Continued)

Taiwan profits tax has been provided at the rate of 17% (six months ended 31 August 2016: 17%) on the estimated assessable profits of the Group's operations in Taiwan.

The applicable US enterprise income tax rate for subsidiary operating in the United States of America is 45.03% (six months ended 31 August 2016: 45.03%).

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

	Six months ended 31 August	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Current income tax		
– Hong Kong profits tax	2,618	9,473
– Mainland China enterprise income tax	31,641	27,616
– Overseas income tax	74,871	54,415
– Under/(over)-provision in prior year	2,042	(1,954)
Deferred income tax	(5,513)	(38,712)
	<u>105,659</u>	<u>50,838</u>

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 31 August 2017 is 43.7% (six months ended 31 August 2016: 51.0%). The decrease is mainly caused by a change of the distribution of profits of the Group's entities operating in different locations.

12 DIVIDENDS

A final dividend relating to the year ended 28 February 2017 amounting to HK\$155,454,000 is included in other payables and was paid in September 2017.

The Board does not declare the payment of an interim dividend for the six months ended 31 August 2017 (six months ended 31 August 2016: Nil).

13 EARNINGS PER SHARE

Basic

The calculation of basic earnings per share for the period 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 period.

	Six months ended 31 August	
	2017 (Unaudited)	2016 (Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	<u>59,754</u>	<u>38,633</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,195,797</u>	<u>1,211,642</u>
Basic earnings per share (HK cent)	<u>5.0</u>	<u>3.2</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

13 EARNINGS PER SHARE (Continued)

Diluted

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

	Six months ended 31 August	
	2017 (Unaudited)	2016 (Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	<u>59,754</u>	<u>38,633</u>
Weighted average number of ordinary shares in issue ('000)	1,195,797	1,211,642
Adjustments for share options ('000)	<u>35,333</u>	<u>22,261</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>1,231,130</u>	<u>1,233,903</u>
Diluted earnings per share (HK cent)	<u>4.9</u>	<u>3.1</u>

14 PROPERTY, FURNITURE AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, furniture and equipment (Unaudited) HK\$'000	Intangible assets (Unaudited) HK\$'000
	Six months ended 31 August 2017	
Opening net book amount as at 1 March 2017	796,046	321,197
Additions	184,565	–
Disposals	(777)	–
Depreciation and amortisation	(139,977)	(6,822)
Impairment	(11,425)	–
Exchange differences	<u>16,416</u>	<u>10,640</u>
Closing net book amount as at 31 August 2017	<u>844,848</u>	<u>325,015</u>
Six months ended 31 August 2016		
Opening net book amount as at 1 March 2016	856,606	345,633
Additions	111,192	1,377
Disposals	(3,758)	–
Depreciation and amortisation	(132,799)	(6,916)
Impairment	(15,304)	–
Exchange differences	<u>(3,824)</u>	<u>(693)</u>
Closing net book amount as at 31 August 2016	<u>812,113</u>	<u>339,401</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

15 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES

	As at 31 August 2017 (Unaudited) HK\$'000	As at 28 February 2017 (Audited) HK\$'000
Share of net assets	121,728	109,379
Loans to joint ventures	30,100	29,315
	<u>151,828</u>	<u>138,694</u>
Amounts due from joint ventures	<u>61,087</u>	<u>60,912</u>
Amounts due to joint ventures	<u>(17,925)</u>	<u>(24,285)</u>
(a) Balances with joint ventures		

	As at 31 August 2017 (Unaudited) HK\$'000	As at 28 February 2017 (Audited) HK\$'000
Due from joint ventures		
ZIT H.K. Limited (Note i)	18,307	17,813
FCIT China Limited (Note ii)	34,010	33,763
Glory Premium Limited (Note iv)	2,246	2,075
Galleries Lafayette (Beijing) Limited (Note iv)	18,484	19,055
Camper (Shanghai) Limited (Note iii)	31,544	25,716
Camper I.T China Limited (Note iv)	58	-
FCUK IT Company (Note iv)	588	1,855
	<u>105,237</u>	<u>100,277</u>
Less: provision for impairment	<u>(14,050)</u>	<u>(10,050)</u>
Due from joint ventures, net of provision	<u>91,187</u>	<u>90,227</u>
Due to joint ventures		
Kenchart Apparel (Shanghai) Limited (Note iv)	(11,341)	(15,618)
FCUK IT Company (Note iv)	(1,303)	(3,668)
ZIT H.K. Limited (Note iv)	(5,111)	(4,777)
Camper I.T China Limited (Note iv)	(132)	(73)
FCIT China Limited (Note iv)	(38)	(149)
	<u>(17,925)</u>	<u>(24,285)</u>

Notes:

- (i) As at 31 August 2017, the loan to ZIT H.K. Limited of approximately HK\$9,100,000 (28 February 2017: HK\$9,100,000) is unsecured, interest bearing at 5% (28 February 2017: 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 31 August 2017, the loan to FCIT China Limited of approximately HK\$8,000,000 (28 February 2017: HK\$8,000,000) is unsecured, non-interest bearing and has no fixed term of repayment. The remaining balance is unsecured, non-interest bearing and repayable on demand.
- (iii) As at 31 August 2017, the loan to Camper (Shanghai) Limited of approximately HK\$23,398,000 (28 February 2017: HK\$18,841,000) is unsecured, non-interest bearing and has no fixed term of repayment. The remaining balance is unsecured, non-interest bearing and repayable on demand.
- (iv) These balances with joint ventures are unsecured, non-interest bearing and repayable on demand.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

15 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES (Continued)

(b) Details of the principal joint ventures:

Name	Place of incorporation/ establishment and operations	Issued and fully paid/ registered capital	Percentage of equity interest attributable to the Group indirectly	Principal activities
FCUK IT Company	Hong Kong	HK\$18,000,002	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	Mainland China	US\$3,700,000	50%	Retail of fashion wears and accessories
FCIT (Macau), Limited	Macau	MOP1,030,000	50%	Retail of fashion wears and accessories
Galleries Lafayette (China) Limited	Hong Kong	HK\$425,485,166	50%	Investment holding
Galleries Lafayette (Beijing) Limited	Mainland China	US\$15,000,000	50%	Operation of a department store
Macaron (Beijing) Limited	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	Mainland China	US\$3,500,000	50%	Retails of foot wears

16 TRADE AND OTHER RECEIVABLES

	As at 31 August 2017 (Unaudited) HK\$'000	As at 28 February 2017 (Audited) HK\$'000
Trade receivables	233,237	218,343
Less: provision for impairment of trade receivables	(1,255)	(1,218)
Trade receivables – net	<u>231,982</u>	<u>217,125</u>
Interest receivables	598	305
Other receivables	6,308	9,335
Trade and other receivables	<u><u>238,888</u></u>	<u><u>226,765</u></u>

The Group's sales are mainly settled by cash or credit/debit cards. The Group grants to a limited number of corporate customers credit periods ranging from 30 to 60 days.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

16 TRADE AND OTHER RECEIVABLES (Continued)

The ageing analysis of the trade receivables is as follows:

	As at 31 August 2017 (Unaudited) HK\$'000	As at 28 February 2017 (Audited) HK\$'000
0 to 30 days	167,007	165,726
31 to 60 days	45,258	48,896
61 to 90 days	17,808	2,143
Over 90 days	3,164	1,578
	<u>233,237</u>	<u>218,343</u>

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

17 RENTAL DEPOSITS, PREPAYMENTS AND OTHER DEPOSITS

	As at 31 August 2017 (Unaudited) HK\$'000	As at 28 February 2017 (Audited) HK\$'000
Rental deposits	480,445	472,121
Prepayments	172,271	163,048
Utilities and other deposits	31,006	21,362
	<u>683,722</u>	<u>656,531</u>
Less: non-current portion:		
Rental deposits	(285,288)	(303,762)
Prepayments for non-current assets	(20,287)	(5,916)
	<u>378,147</u>	<u>346,853</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

18 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 August 2017 Liabilities (Unaudited) HK\$'000	As at 28 February 2017 Liabilities (Audited) HK\$'000
Qualified for hedge accounting – cash flow hedge:		
Foreign currency and interest rate swap contract, at market value (a)	(91,319)	(158,476)
Not qualified for hedge accounting:		
Currency swap contract, at market value (b)	(1,281)	–
	<u>(92,600)</u>	<u>(158,476)</u>
Less: current portion		
Foreign currency and interest rate swap contract, at market value (a)	91,319	–
	<u>(1,281)</u>	<u>(158,476)</u>

Notes:

- (a) As at 31 August 2017, the notional principal amounts of the outstanding foreign currency and interest rate swap contracts were RMB894,000,000 (28 February 2017: RMB894,000,000), which has been designated as the hedging instrument for the Senior Notes (Note 21). As at 31 August 2017, the fixed interest rate for the Senior Notes was 6.25% (28 February 2017: 6.25%) per annum. The swap exchange rate is 1.2645 HK\$ per one RMB (28 February 2017: 1.2645 HK\$ per one RMB) whereas the swap interest rate is 5.75% (28 February 2017: 5.75%) per annum. Gains and losses recognised in the hedging reserve in equity (Note 23) on foreign currency and interest rate swap contract as of 31 August 2017 will be continuously released to the statement of comprehensive income until the repayment of the Senior Notes.
- (b) As at 31 August 2017, the notional principal amount of the outstanding currency swap contracts to buy United States Dollar for economic hedge against foreign exchange risk exposures relating to liabilities denominated in United States Dollar was USD6,000,000.

19 TRADE PAYABLES

The ageing analysis of trade payables based on invoice date is as follows:

	As at 31 August 2017 (Unaudited) HK\$'000	As at 28 February 2017 (Audited) HK\$'000
0 to 30 days	210,567	112,211
31 to 60 days	99,977	137,386
61 to 90 days	24,400	70,901
91 to 180 days	17,479	36,633
181 to 365 days	14,604	18,251
Over 365 days	18,829	17,744
	<u>385,856</u>	<u>393,126</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

20 ACCRUALS AND OTHER PAYABLES

	As at 31 August 2017 (Unaudited) HK\$'000	As at 28 February 2017 (Audited) HK\$'000
Unutilised coupon	7,358	6,774
Accruals		
– Rented premises	285,062	225,764
– Employment costs	95,234	103,081
– Others	120,783	120,268
Dividends payables	155,454	5,590
Other payables	132,544	166,272
	<u>796,435</u>	<u>627,749</u>
Less: Non-current portion		
Accruals – Rented premises	<u>(6,953)</u>	<u>(6,733)</u>
	<u>789,482</u>	<u>621,016</u>

21 BORROWINGS

	As at 31 August 2017 (Unaudited) HK\$'000	As at 28 February 2017 (Audited) HK\$'000
Non-current borrowings		
– Bank borrowings	172,976	40,377
– Senior Notes (a)	–	1,005,484
	<u>172,976</u>	<u>1,045,861</u>
Current borrowings		
– Bank borrowings	113,450	262,796
– Senior Notes (a)	1,044,730	–
	<u>1,158,180</u>	<u>262,796</u>
	<u>1,331,156</u>	<u>1,308,657</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

21 BORROWINGS (Continued)

Movements in borrowings are analysed as follows:

	(Unaudited) HK\$'000
Six months ended 31 August 2017	
As at 1 March 2017	1,308,657
Proceeds from borrowings	197,723
Repayments of borrowings	(212,861)
Exchange differences	37,637
	<u>1,331,156</u>
Six months ended 31 August 2016	
As at 1 March 2016	1,535,858
Repayments of borrowings	(88,883)
Exchange differences	(23,779)
	<u>1,423,196</u>

The fair values of current borrowings approximate their carrying amounts, as the impact of discounting is not significant. As at 31 August 2017, the effective borrowing cost was 5.0% (as at 28 February 2017: 5.4%) per annum.

Interest expense on borrowings for the six months ended 31 August 2017 is approximately HK\$36,515,000 (six months ended 31 August 2016: HK\$35,021,000).

Details of the Group's banking facilities are set out in Note 24.

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 six months ended 31 August 2014, the Group has 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. The purchased Senior Notes amounting to RMB106,000,000 during the six months ended 31 August 2014 was then duly cancelled pursuant to the terms and conditions of the Senior Notes. As at 31 August 2017 and 28 February 2017, 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

22 SHARE CAPITAL

Movements were:

	Number of ordinary shares '000	Share capital HK\$'000
Issued and fully paid:		
At 1 March 2017 (Audited) and 31 August 2017 (Unaudited)	<u>1,195,797</u>	<u>119,580</u>
At 1 March 2016 (Audited)	1,211,977	121,198
Repurchase of share (i)	<u>(494)</u>	<u>(49)</u>
At 31 August 2016 (Unaudited)	<u>1,211,483</u>	<u>121,149</u>

Note:

- (i) For the six months ended 31 August 2016, the Group acquired 494,000 of its shares through purchases on the Stock Exchange in March 2016. The total amount paid to acquire the shares was HK\$916,000 and has been deducted from shareholders' equity. No repurchase of share for the six months ended 31 August 2017.

Share options

Details of the Share Option Schemes are set out in the annual report for the year ended 28 February 2017. Movements in the number of share options outstanding and the exercise prices are as follows:

	Six months ended 31 August			
	2017		2016	
	Weighted- average exercise price per share HK\$	Options (thousands)	Weighted- average exercise price per share HK\$	Options (thousands)
Beginning and end of the period	2.95	<u>121,152</u>	2.95	<u>121,152</u>

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

Expiry date	Exercise price after issue of scrip shares HK\$	Share options (thousands)	
		As at 31 August 2017	As at 31 August 2016
27 December 2019	1.23	33,805	33,805
11 February 2020	1.43	22,537	22,537
17 March 2021	4.96	40,250	40,250
16 September 2022	3.42	24,560	24,560
		<u>121,152</u>	<u>121,152</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

23 RESERVES

	Share premium (Unaudited) HK\$'000	Share-based payment reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Foreign exchange translation reserve (Unaudited) HK\$'000	Statutory reserve (Unaudited) HK\$'000	Hedging reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 March 2017	812,732	168,662	40,715	(93,178)	59,223	(36,696)	1,963,915	2,915,373
Share option scheme								
– value of employment services	-	3,894	-	-	-	-	-	3,894
Profit for the period	-	-	-	-	-	-	59,754	59,754
Final dividends for the year ended 28 February 2017							(155,454)	(155,454)
Currency translation differences								
– Group	-	-	-	72,028	-	-	-	72,028
– Joint ventures	-	-	-	5,238	-	-	-	5,238
Cash flow hedge recognised as finance costs	-	-	-	-	-	(38,318)	-	(38,318)
Fair value changes on cash flow hedge, net of tax	-	-	-	-	-	67,157	-	67,157
Balance at 31 August 2017	812,732	172,556	40,715	(15,912)	59,223	(7,857)	1,868,215	2,929,672
Balance at 1 March 2016	861,411	144,864	46,063	(22,506)	55,872	(66,852)	1,754,984	2,773,836
Share option scheme								
– value of employment services	-	11,997	-	-	-	-	-	11,997
Repurchase of share	(867)	-	-	-	-	-	-	(867)
Profit for the period	-	-	-	-	-	-	38,633	38,633
Final dividends for the year ended 29 February 2016							(101,765)	(101,765)
Tax credit from exercise of share options	-	-	6,693	-	-	-	-	6,693
Currency translation differences								
– Group	-	-	-	3,206	-	-	-	3,206
– Joint ventures	-	-	-	(2,250)	-	-	-	(2,250)
Cash flow hedge recognised as finance costs	-	-	-	-	-	28,158	-	28,158
Fair value changes on cash flow hedge, net of tax	-	-	-	-	-	36	-	36
Balance at 31 August 2016	860,544	156,861	52,756	(21,550)	55,872	(38,658)	1,691,852	2,757,677

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

24 BANKING FACILITIES AND PLEDGE OF ASSETS

As at 31 August 2017, the Group had aggregate banking facilities of approximately HK\$1,483,450,000 (28 February 2017: approximately HK\$1,505,057,000) at floating rate for overdrafts, bank loans and trade financing, of which approximately HK\$1,036,095,000 (28 February 2017: approximately HK\$1,087,442,000) 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.

25 COMMITMENTS

(a) Capital commitments

	As at 31 August 2017 (Unaudited) HK\$'000	As at 28 February 2017 (Audited) HK\$'000
Contracted but not provided for		
– acquisition of fixture and furniture	13,685	5,135
– acquisition of land	30,454	–
	<u>44,139</u>	<u>5,135</u>

(b) 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 minimal lease payments are as follows:

	As at 31 August 2017 (Unaudited) HK\$'000	As at 28 February 2017 (Audited) HK\$'000
Not later than one year	1,325,638	1,310,305
Later than one year and not later than five years	1,728,643	1,717,512
Later than five years	94,460	100,989
	<u>3,148,741</u>	<u>3,128,806</u>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

26 RELATED PARTY TRANSACTIONS

(a) As at 31 August 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.

(b) Details of significant transactions with related parties:

	Six months ended 31 August	
	2017	2016
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest income from joint ventures	228	428
Service fees income from joint ventures	3,209	3,444
Commission fees payable to a joint venture	10,944	10,546
Purchases of goods from joint ventures	4,265	4,668
Commission income from joint ventures	690	914
	<u>690</u>	<u>914</u>

(c) Key management compensation

	Six months ended 31 August	
	2017	2016
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Salaries and allowances	10,142	9,854
Pension costs – employer's contributions to a defined contribution plan	27	27
Share options granted	3,544	8,172
	<u>13,713</u>	<u>18,053</u>

27 SEASONALITY

The sales of fashion wears and accessories are subject to seasonal fluctuations, with higher sales amount in the third and fourth quarters of the financial year. This is due to seasonal weather conditions and holiday periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

(a) Group

Throughout the reporting period, the Group continued to leverage on the benefits of its inherently adaptable and flexible business model and well-diversified portfolio of brands across a number of distribution channels to grow the business from strength to strength. Specially, we strategised on focused and innovative marketing initiatives that aimed to maintain a high level of awareness for each of our brands while further enhancing the global recognition of the Group. During the first half of the financial year, we cooperated closely with many renowned business units and pop stars worldwide on business-boosting collaborative campaigns, ranging from limited-collection product lines to the sponsorship of car racing events. We also continued to upgrade the makeup of our highly distinctive brand portfolio through the introduction of the latest fashion concepts and trending new ideas. For instance, we further expanded our food and beverage portfolio by exclusively introducing FLIPPER'S Pancakes, originating in Tokyo, Japan. During the reporting period, multiple emerging European and American street wear names were also launched. The responses to our fashion themes and other introductions have been overwhelmingly positive.

A new multi-brand store concept, "*i.t blue block*", was also introduced in Hysan Place, Causeway Bay, Hong Kong, in July of this year. This new and sizeable store layout allows us to showcase not only a wide range of new fashion brands but also new lines of beauty and lifestyle products. The unique concept also offers customers a new shopping experience, where they can move freely between differently themed attractions in a way that suits them the most.

Irrespective of our operating regions having had varying levels of performance, with some markets contracting (e.g. our Hong Kong segment, where the market situation with regard to the costs of operating retail channels was still considered negative) and others growing considerably well (e.g. our Japan businesses), we continued to explore and capture business opportunities across the entire fashion spectrum. We paid particular attention to product and price segments where our penetration was still comparatively low, and filled these open spaces with new product launches and creative marketing initiatives. We believe that these efforts, together with our untiring zeal for helping to promote the latest fashion trends, related directly to the positive results that we achieved in the first half of the fiscal year. Turnover of the Group increased by 0.2% over the corresponding period of the previous year to HK\$3,652.0 million, whereas the Group's net profit totaled to HK\$60.4 million, representing a year-on-year increase of 54.5%.

Turnover by Market

Turnover in our Hong Kong and Macau segment decreased by 11.0%, to HK\$1,466.6 million. The decline in turnover was due to a reduction in total trading area of 5.8% and a negative result in terms of the comparable store sales growth that was registered for the reporting period. The Hong Kong and Macau segment contributed 40.2% towards the total turnover (FY16/17: 45.2%).

The Group has continued to drive expansion in markets outside its hometown, Hong Kong, while also extending its leadership role in the fashion retail communities across these regions. On Mainland China, for instance, the Group extended its business into new cities and penetrated deeper into cities where it already had an existing presence during the reporting period. As a result, our total trading area on the Mainland increased by a double-digit percentage compared to the corresponding period of the previous year. Turnover of our Mainland China operations increased by 4.8% to HK\$1,674.1 million, contributing 45.8% towards the Group's total turnover (FY16/17: 43.9%).

The overwhelmingly positive response to all our brand collections with the 'A Bathing Ape' group, along with the success of a wide range of creative marketing campaigns, contributed to the strong performance of our Japan and the USA-based business during the reporting period. Turnover of Japan and the USA segment increased by 35.7% to JPY6,508.8 million, equating to an increase of 31.1% in Hong Kong Dollars, to HK\$456.8 million. Japan and the USA segment accounted for 12.5% of the Group's total turnover (FY16/17: 9.6%).

Breakdown of turnover by region of operations:

	Turnover			% of Turnover	
	Six months ended			Six months ended	
	31 August			31 August	
	2017	2016	Change	2017	2016
	HK\$ million	HK\$ million			
Hong Kong and Macau	1,466.6	1,647.8	-11.0%	40.2%	45.2%
Retail sales only	1,449.2	1,631.9	-11.2%		
Mainland China	1,674.1	1,598.1	+4.8%	45.8%	43.9%
Retail sales only	1,635.7	1,523.7	+7.4%		
Japan and the USA	456.8	348.5	+31.1%	12.5%	9.6%
Retail sales only	421.1	326.7	+28.9%		
Other	54.5	48.8	+11.7%	1.5%	1.3%
Total	3,652.0	3,643.2	+0.2%	100.0%	100.0%

Brand Mix

One particularly bright aspect of our multi-faceted business structure, alongside our sizeable and diversified brand portfolio, is that it always allows us to encourage competition and innovation, which combine to provide us with a significant market edge. Encouraging competition and innovation also gives us the flexibility to upgrade the assortment of our offerings through rebalancing between and within each of our in-house and international brand portfolios in a “right ones in, wrong ones out” manner. For the reporting period, our in-house brands segment continued to provide us with the largest revenue contribution, equating to 58.0% (FY16/17: 58.2%).

Margin and Cost Dynamics

Turnover of the Group increased slightly by 0.2% during the reporting period compared to the corresponding period of the previous year, on the heels of the double-digit percentage decline in turnover of our Hong Kong and Macau segment. Our distribution network in Hong Kong, meanwhile, underwent a downsizing process with the objectives of mitigating cost pressure and enhancing overall store efficiency. As a result, sales declined from the net closure of retail outlets. Gross margin of the Group increased 1.9 percentage points to 62.5% amid a competitive retail landscape. This expansion was primarily attributed to a reduction in discount activities and a more favorable market situation with regard to the purchasing currencies in some of our operating regions, such as Mainland China, during the reporting period compared to the corresponding period of the previous year. Gross profit of the Group increased by 3.4%.

Rent-to-sales ratio (including rental charges and building management fees) of the Group decreased by 0.1 percentage point to 26.4%, whereas staff cost-to-sales ratio (excluding share option expenses) increased from 17.0% to 17.1%. Consequently, total operating costs as a percentage of sales increased to 58.1% (FY16/17: 57.6%).

On a positive note, the uplift seen in the Group's gross profit was sufficient to offset the increase in the operating cost. As a result, an operating profit of HK\$187.8 million was recorded for the reporting period, representing an increase of 50.2% over the corresponding period of the previous year.

(b) **Hong Kong and Macau**

Macroeconomic disturbances combined with significant regional geopolitical risks have created broad disruptions to the recovery of the appetite for consumption, which is best reflected by the sustained weakness in Hong Kong apparel retail sales throughout the reporting period. Other market factors, such as the spending momentum of inbound tourists, were also considered negative, as evidenced by the diminishment in consumption per capita of overnight visitors during the reporting period. It is also important to note that the growing trend for life experiences that encouraged outbound tourist flow increasingly placed downward pressure on the recovery of local consumption sentiment. Looking specifically into the second quarter, the sales were also negatively affected by the unstable weather conditions and multiple typhoons that took place in August of this year.

Turnover in our Hong Kong and Macau segment declined by 11.0% compared to the corresponding period of the previous year to HK\$1,466.6 million, and retail sales also declined by 11.2% to HK\$1,449.2 million with comparable store sales growth registering -6.9%. As noted earlier, our retail network in Hong Kong was undergoing store closures with the aims to mitigate cost pressure and enhance overall store efficiency. There was a net decrease in trading area of 5.8% over the corresponding period of the previous year.

Gross margin increased by 0.4 percentage point to 59.9%. This rise was primarily a result of a decrease in markdowns in relation to sales along with an improvement in sales mix in favor of higher margin businesses.

Despite operating costs increasing as a percentage of sales, we are especially encouraged by the reduction in operating expenses that the Group achieved through the store consolidation and cost control exercises conducted in Hong Kong. Besides the aforementioned enhancement in gross margin, the operating loss of our Hong Kong and Macau segment was reduced to HK\$111.9 million for the six months ended 31 August 2017 (FY16/17: operating loss of HK\$113.3 million) amid a diminishment in sales and comparable store sales growth.

(c) **Mainland China**

Turning to the Mainland, our unique proximity to our customers was further developed, as mirrored by the increase in total trading area of 12.6% over the corresponding period of the previous year. We now have an even more diversified retail presence in twenty-nine cities, which include a new city, Xuzhou.

During the reporting period, turnover attributable to our Mainland China businesses amounted to HK\$1,674.1 million, representing an increase of 4.8% over the corresponding period of the previous year. Total retail sales increased by 7.3% to HK\$1,635.7 million, with comparable store sales growth rising by 0.9% (FY16/17: 4.6%). The gross margin increased by 3.2 percentage points to 61.6%, owing predominantly to lower purchasing costs during the reporting period as a result of the appreciation of the Chinese Renminbi. Operating costs also increased as a percentage of sales, primarily due to higher rent and staff costs, as well as other general and administrative expenses resulting from the considerable expansion in trading area. Assimilating all the above mentioned trends, the operating profit of our Mainland China segment managed to deliver another period of solid growth, registering a rise of 16.2% to HK\$95.3 million.

(d) **Japan and the USA**

We are particularly excited about our positive performance in Japan and the USA, where sales registered a growth of 35.7% to JPY6,508.8 million. Sales in Hong Kong Dollar terms grew by 31.1% to HK\$456.8 million on the back of successful product launches and innovative marketing campaigns, which included collaborative activities with numerous renowned fashion names and business units. Gross margin increased to 71.9% (FY16/17: 71.6%). Such improvement in gross margin together with a level of increased incidence of efficiency (as measured by operating costs on sales) contributed to our Japan and the USA businesses' robust performance. The operating profit of our Japan and the USA segment increased by 33.9% to HK\$193.6 million.

Share of Results of Joint Ventures

A share of profits of joint ventures amounting to HK\$4.1 million was recorded for the reporting period (FY16/17: share of losses of joint ventures of HK\$3.9 million). A principal factor was that our joint venture business with Galeries Lafayette has continued to deliver sales growth and achieved positive results.

Inventory

The average inventory turnover cycle of the Group increased to 200 days (FY16/17: 187 days). The increase in the stock-in-trade is explained by the Group's continued expansion, particularly in our Mainland China segment, and an already higher inventory level going into this reporting period combined with a lower than planned sales development in our Hong Kong segment.

Cash Flows and Financial Position

The Group's cash and bank balances as at 31 August 2017 were HK\$1,956.8 million compared to HK\$1,817.8 million as at 28 February 2017 and its net cash balance amounted to HK\$625.7 million (net cash is defined as cash and cash equivalents of HK\$1,956.8 million less bank borrowings of HK\$286.4 million and the Senior Notes of HK\$1,044.7 million) versus HK\$509.1 million as at 28 February 2017.

Cash inflow from operating activities for the reporting period amounted to HK\$320.7 million (FY16/17: HK\$106.0 million).

Liquidity and Banking Facilities

As at 31 August 2017, the Group had aggregate banking facilities of approximately HK\$1,483.5 million (28 February 2017: approximately HK\$1,505.1 million) for overdrafts, bank loans and trade financing, of which approximately HK\$1,036.1 million (28 February 2017: approximately HK\$1,087.4 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 31 August 2017, bank borrowing was secured on land and buildings with a carrying amount of HK\$193.4 million (28 February 2017: HK\$196.7 million).

Contingent Liabilities

As at 31 August 2017, the Group did not have significant contingent liabilities (FY16/17: 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 31 August 2017, the Group had a total of 6,536 (FY16/17: 6,711) 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

Going into the third quarter, and thus far sales developments in some of our operating regions seem to remain weak. We generally expect trading environment of the fashion retail industries across our key operating regions to remain challenging in the coming months and beyond, in light of recent uncertainties over macroeconomic and geopolitical developments, as well as disturbances from changing consumption patterns. Whilst headwinds are ahead, we also see growth opportunities in each of our operating regions, in both the physical and the digital world, on which we plan to capitalise. Without doubt, a lot more works will need to be done to sustain the growth that we have seen, but we are confident that the Group is even better equipped now than before and so is well-placed to follow its long-term development strategies to grow its respective businesses.

With regard to network expansion, the Group intends to continue with its consolidation efforts in Hong Kong, at least for the very near term, in response to the continued upward pressure on the costs of operating retail channels. In contrast, it is likely that our expansion on Mainland China will continue with the aim to extend the reach of our new and existing brands. Meanwhile, we also aim to ride on the positive momentum of some of our outperforming brands to develop other overseas markets, such as the North American and European markets.

DISCLOSURE OF INTEREST

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

As at 31 August 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 of Hong Kong Limited (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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(a) Long positions in the shares of the Company

Director	Beneficiary of trust (Note 1)	Interest in underlying shares/equity derivatives (Note 2)	No. of shares held		Percentage of issued shares
			Direct Interest	Total	
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:

- 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.
- Detailed in the section headed "Share Options" below.
- 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.
- The issued shares of the Company was 1,195,797,307 shares as at 31 August 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 shares 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 31 August 2017.

DISCLOSURE OF INTEREST (Continued)

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from those disclosed in the section headed "Share Options" below, at no time during the period ended 31 August 2017 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

2008 Share Option Scheme

The Company adopted a share option scheme on 30 June 2008 (the "2008 Share Option Scheme") for the purpose of providing incentives or rewards to selected eligible participants for their contribution or potential contribution to the Group. The 2008 Share Option Scheme was valid and effective for a period of 10 years since its adoption and has been terminated by the shareholders of the Company at the annual general meeting held on 15 August 2017. Upon termination of the 2008 Share Option Scheme, no further options of the 2008 Share Option Scheme can be offered thereunder, but the provisions of the 2008 Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior to its termination and options granted prior to such termination shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the 2008 Share Option Scheme.

No participant with options granted is in excess of the individual limit as stipulated in the 2008 Share Option Scheme.

No share option was granted, exercised or lapsed under the 2008 Share Option Scheme during the period ended 31 August 2017. The outstanding share options granted under the 2008 Share Option Scheme and are valid and exercisable during the period are set out below:

	Date of grant	Exercise period	Exercise price per share HK\$	Number of Share Options as at 1 March 2017 and 31 August 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
				<hr/>
				121,151,895

DISCLOSURE OF INTEREST (Continued)

New Share Option Scheme

On 15 August 2017, the shareholders of the Company approved the adoption of a new share option scheme (the “New Share Option Scheme”) in order to provide incentives and/or rewards to selected eligible participants for their contribution or potential contribution to the Group.

Pursuant to the New Share Option Scheme, the Company may grant options to eligible participants as defined in the New Share Option Scheme to subscribe for shares in the Company at a price per share of not less than the highest of (i) the closing price of a share as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the relevant option, which must be a business day; (ii) an amount equivalent to the average closing price of a share as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant of the relevant option; and (iii) the nominal value of a share (if any) on the date of grant. A consideration of HK\$10 is payable on acceptance of the grant of options. The New Share Option Scheme will remain in force for a period of 10 years up to 15 August 2027.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other scheme adopted by the Group from time to time would not, in aggregate, exceed 30% of the Shares in issue from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted under the New Share Option Scheme and any other share option schemes of the Company to any eligible participant, in any 12-month period up to and including the date of grant, shall not exceed 1% in aggregate of the shares in issue as at the date of grant.

The Company has not granted any option since the adoption of the New Share Option Scheme.

The total number of shares available for issue under the New Share Option Scheme shall be 119,579,730 shares, representing 10% of the issued shares of the Company as at the date of this report.

Details of the New Share Option Scheme are set out in the circular of the Company dated 14 June 2017.

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

As at 31 August 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
NT Asian Discovery Master Fund	Beneficial owner	60,916,000	5.03%	Long

DISCLOSURE OF INTEREST (Continued)

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 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 its controlled corporations, UEC, Greenwoods Holdings, Greenwoods Management, Golden China and Greenwoods China.

OTHER INFORMATION

INTERIM DIVIDEND

The business environment is still full of challenges, the board of directors of the Company (the "Board") does not declare the payment of an interim dividend for the six months ended 31 August 2017 (six months ended 31 August 2016: Nil).

CORPORATE GOVERNANCE

The Company is committed to implementing good corporate governance practices and emphasising on transparency and accountability to its shareholders and stakeholders. In the opinion of the Board, the Company has applied and complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the six months ended 31 August 2017, except for the deviation as mentioned below.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by Directors. Upon enquiry by the Company, all Directors have confirmed that, for the six months ended 31 August 2017, they have complied with the required standard set out in the Model Code regarding securities transactions by Directors.

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 annual report of the Company for the year ended 28 February 2017 are set out below:

Name of Director	Details of changes
<i>Independent Non-executive Director</i> Mr. Mak Wing Sum, Alvin	– Appointed as a member of remuneration committee of Hong Kong Housing Society with effect from 6 September 2017.

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

OTHER INFORMATION (Continued)

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 period ended 31 August 2017.

(a) The Notes

Terms used herein shall 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) New Facility

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

On 24 April 2017, the Company made the 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.

OTHER INFORMATION (Continued)

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed with the Management the accounting principles and practices adopted by the Company and discussed auditing, risk management and internal control and financial reporting matters including the review of the unaudited financial information of the Group and interim report for the six months ended 31 August 2017.

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

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 six months ended 31 August 2017.

On behalf of the Board



Sham Kar Wai
Chairman

Hong Kong, 24 October 2017

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**I.T LIMITED INTERIM REPORT
2017/2018**