I.T
ANNUAL REPORT 17/18

STOCK CODE: 999

I.T LIMITED ANNUAL REPORT

17/18

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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, France, Thailand, England, Singapore, Indonesia, South Korea, Canada and Dubai. The Group has an extensive self managed retail network extending to around 748 stores across Greater China with staff around 6,700.

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 and accessories from established and up-and-coming international designer's brands, in-house brands and licensed brands. International brands include

Acne Studios
Alexander McQueen
Balenciaga
Celine
Comme des Garcons
Dior Homme
Gucci
Kenzo
Loewe
Moncler
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, MUSIUM DIV., 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 France, Thailand, England, Singapore, Indonesia, South Korea, Canada and Dubai. More shops will be opened overseas 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
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Corporate Website
www.ithk.com

Stock Code
999

I.T POSITIONING

Store Coverage

A. No. of stores

	Self-managed 28 February 2018	Self-managed 28 February 2017	Franchised 28 February 2018	Franchised 28 February 2017
Greater China:				
Hong Kong				
I.T	222	230	–	–
FCUK IT[1]	3	6	–	–
ZIT H.K.[1]	3	3	–	–
Mainland China				
I.T	492	435	38	59
FCIT China[1]	10	16	–	–
Camper I.T China[1]	9	9	–	–
Taiwan	21	20	–	–
Macau				
I.T	13	15	–	–
FCIT Macau[1]	–	1	–	–
ZIT H.K.[1]	1	1	–	–
Overseas:				
Japan	21	21	–	–
USA	3	1	–	–
France	–	–	1	–
Thailand	–	–	1	1
England	–	–	8	8
Singapore	–	–	7	5
Indonesia	–	–	1	1
South Korea	–	–	1	1
Canada	–	–	3	3
Dubai	–	–	2	–

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 28 February 2018	Self-managed 28 February 2017	Franchised 28 February 2018	Franchised 28 February 2017
Greater China:				
Hong Kong				
I.T	553,867	551,899	–	–
FCUK IT[1]	3,483	7,272	–	–
ZIT H.K.[1]	2,797	2,797	–	–
Mainland China				
I.T	1,568,147	1,351,168	54,564	84,504
FCIT China[1]	14,729	24,130	–	–
Camper I.T China[1]	6,425	6,336	–	–
Taiwan	32,179	35,098	–	–
Macau				
I.T	36,702	40,470	–	–
FCIT Macau[1]	–	3,330	–	–
ZIT H.K.[1]	1,998	1,998	–	–
Overseas:				
Japan	44,905	44,905	–	–
USA	10,595	3,313	–	–
France	–	–	1,510	–
Thailand	–	–	2,000	2,152
England	–	–	1,864	2,312
Singapore	–	–	12,954	9,939
Indonesia	–	–	3,160	3,160
South Korea	–	–	1,552	1,552
Canada	–	–	7,880	8,430
Dubai	–	–	607	–

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

MESSAGE FROM THE CHAIRMAN

Dear Shareholders:

Although our operating regions achieved varying levels of performance during the financial year, I believe that the group made significant progress during financial year 2017/18. To take just two examples, we increased our gross margin through a controlled discount strategy and we improved our operating profitability through cost efficiency measures across most of the Group's operating regions.

If we consider the Hong Kong segment, our focus during the financial year was on building the right strategy to generate more sales and to mitigate cost pressures. Progress in this direction was more notable in the second half of the financial year when comparable store sales growth began to show a positive upward trend. This, together with improved operational performance due to rationalization of our store distribution networks, propelled the Group's Hong Kong and Macau business into positive territory during the second half of the financial year. This bullish outlook is supported by recent relevant data indicating a gradual recovery in the retail sector in Hong Kong, which includes the revival of inbound tourism, stimulated by downward pressure on the Hong Kong Dollar.

Despite a decrease in comparable store sales growth on the Mainland in the fourth quarter, our Mainland China business delivered another year of sustainable sales growth. It is especially gratifying that our brands are becoming more accessible throughout the country as we expand into new cities. E-commerce has also become an important complement to our business on the Mainland and we continue to see increased sales contribution from our digital platforms.

I am delighted by the progress in retail network expansion that the Group has achieved during the financial year. Our total trading area on the Mainland increased by a further double-digit percentage over last year. We also held store openings in other international cities such as Paris and Los Angeles, further extending the reach of our brands to local fashion enthusiasts in these regions. It is particularly gratifying to note that the response to these new stores has been overwhelmingly positive.

The year 2018 is set to be a very special and memorable year for us, since it marks the 30th anniversary of the founding of I.T. I would like to take this opportunity to thank my fellow management team members and all colleagues for their wide range of expertise and wise counsel; they always have my utmost respect. And I would also like to thank our customers, shareholders, suppliers and business partners around the world who have taken part in this journey to build the I.T Group and who have gradually transformed it into the remarkable and sizeable multi-faceted fashion platform it is today. I am also excited about the pipeline of marketing campaigns that will be launched in the coming seasons to celebrate this special year.

As the 30th anniversary progresses, I look forward to sharing with you more about our business developments, which include new fashion ideas from the most distinctive international names and those from the I.T Group, as well as new online and offline store concepts. There is much to look forward to from the I.T Group.

Sham Kar Wai
Chairman

29 May 2018

FINANCIAL HIGHLIGHTS

- Total turnover of the Group increased by 4.8% to HK$8,383.0 million.
- Total retail sales in Hong Kong and Macau decreased by 5.1% to HK$3,282.3 million. Comparable store sales growth rate is registered at -0.9% (FY16/17: -4.5%). Total trading area is reduced by 0.3%.
- Total retail sales in Mainland China increased by 10.9% to HK$3,837.3 million on the back of double-digit percentage growth in sales area and positive comparable store sales growth rate at 0.2% (FY16/17: 7.1%).
- Total retail sales in Japan and the USA landed at HK$945.8 million or JPY13,460.9 million representing 29.3% increase in Hong Kong Dollar or 31.6% increase in base currency from FY16/17.
- Gross profit of the Group increased by 8.0% to HK$5,323.8 million at gross profit margin of 63.5% (FY16/17: 61.6%).
- Net profit of the Group increased by 37.1% to HK$431.9 million.
- Basic earnings per share increased by 38.5% to 36.0 HK cents.

Per share data	FY17/18	FY16/17	Change
EPS-basic (HK cents)	36.0	26.0	+38.5%
EPS-diluted (HK cents)	34.9	25.4	+37.4%
Dividend (HK cents)	17.8	13.0	+36.9%
Book value (HK$)[1]	2.97	2.54	+16.9%

Key statistics	FY17/18	FY16/17	Change
Inventory turnover (Days)[2]	175.5	173.8	+1.0%
Cash and cash equivalents (HK$ million)	2,315.3	1,817.8	+27.4%
Net cash (HK$ million)[3]	938.0	509.1	+84.2%
Debt to equity ratio (%)[4]	38.8	43.1	-10.0%
Return on equity ratio (%)[5]	13.1	10.6	+23.6%

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

Despite the Group's operating regions having achieved different levels of performance during the financial year, we are of the view that it was a year in which the Group made further steps forward. One facet of the Group's strategies during the year was to uplift brand image and gross margin through a controlled discount initiative while upgrading operating profitability through cost efficiency measures such as the store consolidation exercise in Hong Kong. Other key measures that the Group undertook to achieve these goals included focused and innovative marketing initiatives, brand awareness investments, and further enhancement of our brand portfolio through the introduction of new fashion concepts. Overall, it was another year of resilient underlying growth as reflected in the results of the different businesses. The Group achieved growth in revenue along with increased gross and operating profitability in most of our operating regions. Turnover of the Group rose 4.8% over last year to HK$8,383.0 million. Net profit came in at HK$431.9 million, representing an increase of 37.1% over last year.

The results in our Hong Kong and Macau segment are particularly noteworthy. They are not only due to the fact that Hong Kong is the home of the Group and is one of the leading fashion marketplaces in Asia. They also reflected the determined efforts we made to move the business in our Hong Kong and Macau segment into positive territory in the second half of the financial year. We are also particularly encouraged by the recent relevant data showing signs of gradual recovery in the fashion retail industry in Hong Kong.

Sales on the Mainland continued to grow on the back of another double-digit percentage growth in the total trading area over last year. Although these newly opened shops are yet to contribute any profits, the Group maintains a very positive view on the economic prospects of the Mainland. We see immense growth opportunities, both online and offline, on which we can capitalise in this burgeoning market.

Our business in Japan and the USA continued to outperform, and we are particularly gratified that the responses to the two new shops that were recently opened in Los Angeles have been overwhelmingly positive.

Turnover by Market

Turnover in our Hong Kong and Macau segment decreased by 4.9%, to HK$3,323.8 million. The decrease was principally due to negative comparable store sales growth in the first half of the financial year along with a reduction in store distribution network throughout most of the financial year. The Hong Kong and Macau segment contributed 39.6% towards the total turnover (FY16/17: 43.7%).

While further increasing our market share and extending the reach of our brands are at the core of our business development on the Mainland, our total trading area in the region increased by another double-digit percentage over last year. As a result, turnover of our Mainland China operations also increased, by 8.8% to HK$3,919.6 million, contributing 46.8% towards the Group's total turnover (FY16/17: 45.0%).

Our Japan and the USA segment, which accounted for 12.0% of total Group turnover (FY16/17: 9.8%), continued to deliver sustainable and significant growth. Turnover of our Japan and the USA businesses rose by 30.0% to JPY14,316.4 million, equating to an increase of 27.7% in Hong Kong Dollars, to HK$1,005.9 million. This positive development was predominately due to the overwhelmingly positive responses to our brands' collections and the highly successful collaborative campaigns that we launched with different renowned fashion names and business units around the world. Our two new shops in Los Angeles were also driving forces behind the strong performance.

Breakdown of turnover by region of operations:

	Turnover			% of Turnover	
	FY17/18	FY16/17		**FY17/18**	FY16/17
	HK$ million	HK$ million	Change		
Hong Kong and Macau	3,323.8	3,496.9	-4.9%	**39.6%**	43.7%
Retail sales only	*3,282.3*	*3,459.4*	*-5.1%*		
Mainland China	**3,919.6**	3,601.2	+8.8%	**46.8%**	45.0%
Retail sales only	*3,837.3*	*3,461.3*	*+10.9%*		
Japan and the USA	**1,005.9**	787.6	+27.7%	**12.0%**	9.8%
Retail sales only	*945.8*	*731.4*	*+29.3%*		
Other	**133.7**	115.6	+15.7%	**1.6%**	1.5%
Total	**8,383.0**	8,001.3	+4.8%	**100.0%**	100.0%

Brand Mix

Optimizing the range of our international brand portfolio through introduction of collections from the latest fashion ideas alongside upgrading the design and quality of our in-house brand products is an ongoing process on the Group's road to success. We are fully committed to investing in different aspects of our business such as management structure and operations with the aim of reinforcing our uniquely differentiated offerings. We are very gratified, indeed proud, of running a strong and balanced portfolio showcasing over 300 international brands featuring the latest fashion concepts alongside a number of distinctive self-established brands. Our in-house brand segment remained the largest revenue contributor, at 60.2% (FY16/17: 59.5%).

Breakdown of retail sales by brand categories:

	Retail Sales			% of Retail Sales	
	FY17/18	FY16/17		**FY17/18**	FY16/17
	HK$ million	HK$ million	Change		
In-house brands	**4,936.3**	4,624.6	+6.7%	**60.2%**	59.5%
International brands	**3,202.2**	3,089.8	+3.6%	**39.1%**	39.8%
Licensed brands	**60.6**	53.3	+13.7%	**0.7%**	0.7%
	8,199.1	7,767.7	+5.6%	**100.0%**	100.0%

Dynamics in Margin and Cost

The Group continued to deliver sustainable growth in turnover at 4.8% with gross profit also increasing by 8.0% over last year along with an enhancement in gross margin to 63.5% (FY16/17: 61.6%) amid a competitive retail landscape. Although this positive development in gross margin was a result of many different factors, internal as well as external, it was mostly affected by the decision the Group took to secure gross margin and brand integrity through a reduction in discount activities. It was also attributable to a more favorable market situation in regard to the purchasing currencies in some of the Group's operating regions, such as Mainland China, during the financial year as compared to the previous year.

Rent-to-sales ratio (including rental charges and building management fees) of the Group decreased to 24.2% (FY16/17: 24.7%) whereas staff costs-to-sales ratio (excluding share option expenses) increased slightly to 16.3% (FY16/17: 16.2%). Total operating costs as a percentage of sales increased to 55.0% (FY16/17: 54.6%).

Operating profit of HK$757.8 million was recorded for the year ended 28 February 2018, representing an increase of 32.6% over last year. The uplifts seen in the Group's revenue and gross margin were the primary factors for the growth in operating profit.

(b) Hong Kong and Macau

Although the overall consumer market was adversely affected by different regional challenges that included uncertain macroeconomic conditions and geopolitical tensions, the general climate for consumption and the retail industry as a whole turned positive towards the second half of the financial year. This uptick was best reflected by recent relevant data showing signs of gradual recovery in spending momentum. Other market factors, such as inbound tourism, also became more positive towards the second half of the financial period.

One of the Group's strategies for the year was to rationalise the store distribution network with the objective of mitigating cost pressure and upgrading operational excellence. Although this has adversely impacted our revenue, comparable store sales growth accelerated in the second half of the financial year and reached positive territory. Turnover in our Hong Kong and Macau segment decreased by 4.9% to HK$3,323.8 million, and retail sales also declined by 5.1% to HK$3,282.3 million. Comparable store sales growth registered at -0.9% (FY16/17: -4.5%).

Gross margin increased to 60.7% (FY16/17: 59.4%). Such expansion in gross margin was predominately attributable to the controlled discount activities. As a result, operating loss for the full year narrowed to HK$39.7 million (FY16/17: operating loss of HK$119.0 million).

This positive development was also due to our ongoing efforts to deliver new shopping excitements to our customers. We believe that the new generation of consumers is looking for innovative ideas and thematic consumption experiences. In this spirit, we introduced a new and very successful multi-brand store concept, "*i.t blue block*", during the year. This unique concept showcases not only a wide range of the latest fashion products but also new lines of beauty, food & beverage choices and lifestyle merchandise. In terms of innovation, it offers experiential shopping to our customers whereby they can move in a frictionless manner between differently themed attractions.

(c) Mainland China

The Group's revenue in Mainland China amounted to HK$3,919.6 million generated by more than 492 physical stores as well as online business. This performance marks another year of sustainable revenue growth of 8.8%. Total retail sales also increased by 10.9%, to HK$3,837.3 million, with comparable store sales growth registered at 0.2% (FY16/17: 7.1%). The decline in comparable store sales growth was principally due to the very high base reached in the third quarter. It also reflects our strategic decision to hold back major end-of-season promotional activities such as the *"Gig-on" sale* with the aim of safeguarding margins and strengthening brand integrity.

The market environment for purchasing currencies was positive during the financial year as compared to the previous year. As a result, gross margin increased by 2.3 percentage points to 63.2%. Operating costs rose as a percentage of sales, which was primarily due to higher staff costs and marketing expenses along with new digital investments. We believe these investments are necessary for long-term sustainable growth. We continue to see increased sales contribution from e-commerce, for example, which offers good potential for future growth opportunities. Tmall, where we have established multiple platforms in, both mono-brand and multi-brand formats, is a key complement of the Group's online business. We are exploring opportunities with other wholesale digital platforms to expand our e-commerce business. Generally, the uplifts seen in turnover and gross margin were largely sufficient to offset the increase in operating costs. As a result, operating profit of our Mainland China segment only slightly decreased by 3.1% to HK$334.3 million.

The Group has also continued to expand its retail footprint in both existing and new cities, such as Nanchang, Nantong and Xuzhou, to further extend the reach of our new and existing brands. As at the end of the financial year, our total trading area on the Mainland increased by 16.1% over last year.

(d) **Japan and the USA**

We are particularly encouraged by the performance of our Japan and the USA operations. As this has been another year of resilient underlying growth in the results of the businesses, with sales registering an increase of 30.0% to JPY14,316.4 million, sales in Hong Kong Dollar terms also rose by 27.7%, to HK$1,005.9 million. This positive development was mainly the result of our ongoing improvements in store design (physical and digital) to offer a more inspiring shopping experience to our customers. This strategy is supported by innovative marketing initiatives and collaborative activities with different renowned names around the world. In regard to profitability, gross margin remained stable at 71.0% (FY16/17: 71.1%) while operating profit increased by 35.4% to HK$427.2 million. This enhancement in operating profitability was achieved through increased efficiency as measured by operating costs on sales.

We believe that one of the most efficient ways to present our brands is through physical or direct-to-customer channel. Therefore, two new shops were opened in Los Angeles during the year to further extend the reach of our “A Bathing Ape” and “AAPE” brands to local fashion enthusiasts in the region.

Share of Results of Joint Ventures

Share of profits of joint ventures amounting to HK$14.0 million was recorded for the year ended 28 February 2018 (FY16/17: share of losses of joint ventures of HK$5.5 million). A principal driver of this growth was our joint venture business with Galeries Lafayette, which has continued to deliver positive operating results.

Inventory

Average inventory turnover cycle of the Group increased slightly to 175 days (FY16/17: 174 days). Stock-in-trade in absolute dollar terms decreased by over HK$131.7 million on a year-on-year basis, reflecting a healthier stock on hand position.

Cash Flows and Financial Position

The Group's cash and bank balances as at 28 February 2018 were HK$2,315.3 million compared to HK$1,817.8 million as at 28 February 2017 and its net cash balance amounted to HK$937.9 million (net cash is defined as cash and cash equivalents of HK$2,315.3 million less bank borrowings of HK$281.5 million and the Senior Notes of HK$1,095.9 million) versus HK$509.1 million as at 28 February 2017.

Cash inflow from operating activities for the year ended 28 February 2018 amounted to HK$993.4 million (FY16/17: HK$443.3 million).

Liquidity and Banking Facilities

As at 28 February 2018, the Group had aggregate banking facilities of approximately HK$1,433.2 million (28 February 2017: HK$1,505.1 million) for overdrafts, bank loans and trade financing, of which approximately HK$1,035.4 million (28 February 2017: HK$1,087.4 million) was unutilised 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 2018, bank borrowing was secured on land and buildings with a carrying amount of HK$190.2 million (28 February 2017: HK$196.7 million).

Contingent Liabilities

As at 28 February 2018, the Group did not have significant contingent liabilities (28 February 2017: 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 2018, the Group had a total of 6,793 (FY16/17: 6,295) 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

Looking ahead, it would appear that macroeconomic prospects are stronger and there is a general expectation that the global economy will see more sustained growth. Hong Kong saw positive sales momentum building in the second half of the financial year as witnessed by the pickup in comparable store sales growth over the period. These are encouraging signs for 2018. However, international relations and geopolitical tensions have added uncertainties to the global economic landscape.

In regard to our store expansion plan, we do not expect a notable reduction in our distribution network in the Hong Kong region in the coming year. Nevertheless, our development strategy remains selective, focusing on carefully chosen quality locations in promising areas. However, beyond our home region, the Group is determined to continue our expansion in Mainland China since the growth capacity of regions across the country is still immense. In regard to overseas markets, we aim to further extend the reach of our brands and increase our global market share as an integral part of our overall strategy. The Group will also continue to identify and take best advantage of new growth opportunities in other markets, such as those of North America, Europe and Southeast Asia.

BIOGRAPHIES OF DIRECTORS AND MANAGEMENT TEAM

Executive Directors

Mr. SHAM Kar Wai
Aged 51, 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 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 48, 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 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 47, is an Executive Director of the Company and the Chief Executive Officer of I.T China. Mr. Chan is responsible 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 76, 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 each of the 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 57, 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, a deputy managing director, the Chairman of the Corporate Governance Committee and a member of the executive committee of COSCO SHIPPING Ports 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 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, Asia Investment Finance Group 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 65, was appointed as an Independent Non-executive Director of the Company in March 2012. He also serves as the Chairman of the Company's Nomination Committee and a member of each of the Audit Committee and Remuneration Committee.

Mr. Mak is 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; an independent non-executive director, the chairman of the remuneration committee and a member of each of the nomination committee and corporate development committee of Crystal International Group Limited; and an independent non-executive director of Lai Fung Holdings Limited, all companies are listed on The Stock Exchange of Hong Kong Limited. He is also a member of the Hong Kong Housing Society and a member of each of its audit committee, remuneration committee and special committee on investment.

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 49, 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 2018, except for the deviation 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 has been appointed as an Independent Non-executive Director of the Company since August 2006 and Dr. Wong Tin Yau, Kelvin, JP since August 2007. 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 Bye-laws of the Company (the "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, 15 resolution-in-writing were signed by all the Board members in the year ended 28 February 2018.

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 in the year ended 28 February 2018. During the year ended 28 February 2018, 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 recommendations 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 two resolution-in-writing in the year ended 28 February 2018. During the year ended 28 February 2018, the Committee has discussed and reviewed the remuneration packages of the Directors and management team, and discussed and reviewed the extension of term of service and directors' fee of the Independent Non-executive Directors. The remuneration policy of the Company is to enable the Company to retain and motivate employees (including Executive Directors) to meet corporate objectives. 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 three resolution-in-writing in the year ended 28 February 2018. During the year ended 28 February 2018, the Committee has discussed and proposed the extension of term of service of Independent Non-executive Directors, and considered the independence of Independent Non-executive Directors.

Executive Committee

The Executive Committee was established to approve routine corporate administration matters from time to time delegated by the Board and make recommendations to the Board of the directors' fee of Independent Non-executive Directors. The Executive Committee comprised Chief Executive Officer and any one Executive Director from time to time. The Committee met seven times in the year ended 28 February 2018.

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 2018 are set out as follows:

	Meetings attendance					
	Board (Note 6)	Executive Committee	Audit Committee	Remuneration Committee (Note 7)	Nomination Committee (Note 8)	Annual General Meeting held on 15 August 2017
Executive Directors						
Mr. Sham Kar Wai (Notes 1 & 2)	4/4	7/7	4/4	0/1	3/3	1/1
Mr. Sham Kin Wai (Note 1)	4/4	7/7	N/A	N/A	N/A	1/1
Mr. Chan Wai Kwan (Note 1)	4/4	2/7	N/A	N/A	N/A	1/1
Independent Non-executive Directors						
Mr. Francis Goutenmacher (Notes 1 & 3)	4/4	N/A	4/4	1/1	3/3	1/1
Dr. Wong Tin Yau, Kelvin, JP (Notes 1 & 4)	4/4	N/A	4/4	N/A	N/A	1/1
Mr. Mak Wing Sum, Alvin (Notes 1 & 5)	4/4	N/A	4/4	1/1	3/3	1/1

Note 1: Save that Mr. Sham Kar Wai and Mr. Sham Kin Wai are brothers, there are no other relationships (including financial, business, family or other material/relevant relationships) among the members of the Board.

Note 2: Mr. Sham Kar Wai is the Chairman of the Board and Chief Executive Officer.

Note 3: Mr. Francis Goutenmacher is the Chairman of Remuneration Committee.

Note 4: Dr. Wong Tin Yau, Kelvin, JP is the Chairman of Audit Committee.

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

Note 6: This column only records the attendance of Board meetings duly convened and held. In addition to this, 15 resolution-in-writing were signed by all Directors during the year ended 28 February 2018.

Note 7: This column only records the attendance of the Remuneration Committee meeting duly convened and held. In addition to this, two resolution-in-writing were signed by all the Committee members during the year ended 28 February 2018.

Note 8: 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 2018, 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 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 64.

During the year ended 28 February 2018, the fees paid or payable to PricewaterhouseCoopers were approximately HK$2,600,000 for audit services and approximately HK$911,000 for non-audit services (for the review of the interim results of the Company for the period ended 31 August 2017, 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 2018, 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 system to safeguard the Group's assets and shareholders' interests. The Group has established a risk management and internal control system based on the COSO framework established by the Committee of Sponsoring Organizations of the Treadway Commission of the United States of America. This system covers key controls over operational, reporting and compliance objectives and 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 2018, the Board, through the Audit Committee with the assistance of the Internal Audit Department, (i) 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 2018 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 2018, meetings with more than 200 institutional investors, fund managers and analysts were held.

Press conferences with media, analysts and investors are held after results announcements to present the Company's performance. In addition, the Company arranges road-shows after its annual and interim results announcements. Press releases are published for timely and non-selective dissemination of corporate news.

To enhance transparency and ease of retrieval of data, the Company has posted all announcements, publications and press releases on its website (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 2018.

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 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 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 2018.

The Company understands that sustainability is an ever-evolving journey and a cornerstone of the long-term development and success of our business and operations. With the aim of continuously improving the sustainability of our operations, we pledge to be a conscientious corporate citizen to uphold our responsibility. 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; embrace our responsibility as a corporate citizen and enhance the relationship with the community.

The Environmental, Social and Governance ("ESG") Report highlights the Group's sustainability initiatives and achievements accomplished for the year ended 28 February 2018. This Report focuses on workplace with our dominant operational control and over 750 self-managed stores in our major operating regions. The Group will continue to identify material ESG issues relevant to its operation and to enhance its data collection system.

ENVIRONMENTAL SUSTAINABILITY

To share the responsibility to protect the environment, we have incorporated several sustainable initiatives into our business considerations. We are committed to complying with the relevant environmental laws and regulations, and take necessary actions to minimize the potential impacts of our operations on the environment. During the reporting year, the Group neither had any material non-compliance with laws and regulations relating to environmental-related matters nor its activities had any significant impact on the environment and natural resources.

We work closely with both our internal and external stakeholders to consolidate concerted effort to protect the environment. We launched various green initiatives to proper control our associated environmental aspects and monitor the efficacy in order to minimize depletion of natural resources during our operations. We take our responsibility to protect the environment through implementing a range of green measures throughout our operations and cultivating staff awareness in different aspects which include improving energy efficiency, reducing waste and enhancing indoor environmental quality. In addition, we are eager to share our values with our supply chain in order to achieve environmental sustainability collectively. We monitor and evaluate suppliers' performance so as to minimize potential environmental impacts arising from their manufacturing processes and logistics arrangement.

Energy Efficiency and Carbon Reduction

We are committed to reducing our carbon footprint across all our business operations. Over the years, we have adopted a number of energy saving measures in offices, warehouses and retail shops so as to reduce our energy consumption and carbon footprint. Some examples of the energy saving initiatives carried out in our premises include adopting over 80% LED lighting and maximising nature lighting in offices; delamping; demarcating light and air-conditioning zoning in offices and warehouses; maintaining indoor temperature at around 25°C; and installing energy-efficient office equipment.

To further enhance staff awareness on energy and resources savings, different reminders and signage have been placed at conspicuous positions in our offices reminding staff to turn-off office equipment when they are not in use, and switch-off air-conditioning systems and lighting in vacant working areas and after operation hours. We also encourage our staff to dress in smart casual according to operational needs, which can help reducing the demand for air-conditioning or heating load and thus achieving energy reduction. With all these measures in place, the overall electricity consumption in our premises was about 44,544,000kWh[1] during the year under review, which is equivalent to approximate 36,830 tonnes CO_2e emissions[2].

Apart from office operations, we also carefully control our logistics arrangement so as to reduce our environmental footprint. With operations span different regions and continents, we have adjusted and closely monitored our transportation needs to reduce carbon emissions. We have launched an I.T Business Trip Policy to govern the request and arrangement of business trips. Business partners and staff in different regions are encouraged to make use of different electronic means, such as e-mail communications, international telephone calls and video conferences to reduce the number of business trips and the unnecessary greenhouse gas ("GHG") emissions.[3]

As a leading fashion apparel company, we have a vast delivery network within the territory and cross regions. Product delivery between warehouses and retail shops is one of our major sources of GHG emissions. In view of this, we have collaborated with our logistic contractors to gauge and improve delivery efficiency continuously in order to minimize GHG emissions. On one hand, we encourage them to upgrade their transportation fleets with better fuel efficiency models; and on the other hand, we convey green driving tips to their drivers such as arranging delivery services in non-peak hours, choosing the best possible delivery routes to reduce vehicle exhaust, and switching off idling engines during loading and unloading. These practices could also help minimize roadside emissions from road traffic.

Waste Management

Good waste reduction and management practices play a crucial role in conserving finite resources. We continue to engage our staff to reduce and recycle waste generated from our operations as well as disseminate waste reduction and producer responsible messages to our customers and suppliers.

1 Excludes data in Japan

2 The calculation involved the use of latest GHG emission factors listed by the relevant providers of electricity in Hong Kong, Macau and Mainland China. Territory-wide factor (0.7) is used for calculation in other operating regions.

3 The use of company cars in Mainland China and Japan amounted to around 28 tonnes CO_2e emissions

Green office management is an important component of our environmental governance. To put green elements into our office operations, we implement a "paperless" workplace and encourage our staff to reduce paper consumption as far as possible. For examples, staff are encouraged to view documents on digital screens instead of printing hard copies, practice double-sided printing and reuse paper printed on single side. Other waste reduction measures include reusing office consumable, upcycling used items to other useful products and repairing broken equipment.

During the reporting year, our paper consumption was about 68.2 tonnes[4], we disposed 21.5 tonnes[5] to landfill and recycled approximately 3.6 tonnes[6] paper waste. To identify room for further improvement, we have delegated an administrative staff to closely monitor the amount of paper consumption and waste paper recycling so as to further enhance the use of resources. Apart from paper, we have recycled over 220 pieces of furniture and 210 pieces of toner cartridges during the year under review[7].

Other than our office operations, we have already brought about various paper reduction initiatives in our retail shops and marketing activities. For instance, we have made use of electronic promotional channels including displaying electronic posters and e-catalogues in our retail shops to substantiate our green marketing concept. We also utilize various social media platforms and introduce various forms of mobile payment options, such as Apple Pay, Android Pay, WeChat Pay and Alipay, to minimize paper waste. We have also reused carton boxes and packaging refills as far as feasible to deliver the merchandizes between shops and for storage in workplaces.

As an apparel retailer, it is inevitable to use plastic bags for wrapping consumers' goods. In addition to our internal practices, we have extended our effort to engage our supply chain in waste reduction by requesting our suppliers to use recyclable or biodegradable packaging materials, minimize the usage of packaging materials and reduce the packaging size where possible. We try to convey waste reduction messages to our customers by posting relevant green notices in our shops. Furthermore, we also comply with the Environmental Levy Scheme on Plastic Shopping Bags, 50 cents will be charged for each shopping bag, including paper shopping bags, in order to reduce the distribution of plastics and shopping bags, and encourage our customers to bring their own shopping bags. We have launched an ITeSHOP and encourage our customers in certain regions to choose a preferred store for pick up their purchase in order to reduce the use of packaging materials and to bring more convenience to our customers by connecting the online and offline worlds. During the reporting year, we have used about 928 tonnes paper and plastic packaging materials.

Water Consumption

Owing to our business nature, we do not involve in any production and manufacturing process, hence our water effluent in the apparel retail business is minimal. We only consumed water in warehouses for cleaning and washing purposes, and for the F&B operations of the ice-cream and pop-corn store, pancake shop, patisserie and juice bar. We have proper in-house rules for water conservation and all staff members have clear understanding on how to use water resources conscientiously and effectively. During the year under review, our water usage is about 3,412,000L[8].

Indoor Environmental Quality

To ensure good indoor air quality for our staff, visitors and customers, we stringently control the ventilation within our premises. We have conducted regular air quality assessments and implemented various measures, such as cleaning air-conditioning systems and air filters regularly. Professional cleansing companies are engaged to ensure hygiene and cleanliness to provide a healthy workplace and shopping environment.

SOCIAL RESPONSIBILITY

I.T is anchored to a people-oriented management approach as people are the greatest capital to maintain our trend-setting position in the fashion industry. We strive to maintain a positive and competent workforce through offering attractive remuneration and benefits, ensuring workplace health and safety, and providing a thriving environment for continuous career and personal development. We are also committed to extending our positive impact on the society through a range of community outreach programs.

EMPLOYMENT AND LABOR PRACTICES

Our Workforce

To support our extensive retail network of over 750 self-managed stores, we had approximately 7,500 employees spanning Hong Kong, Mainland China and other operating regions, with a female to male ratio of about 7:3, and a full-time to part-time ratio of 9:1. The employment breakdown was senior level: 1%, middle level: 14%, and junior level: 85%. We are proud of our young and energetic team, with the majority (65%) aged below 30, 32% between 30 and 50, and 3% above 50.

As a responsible corporate citizen, we understand the use of any child or forced labor is strictly prohibited. We adhere to labor legislation and comply with all relevant labor requirements. During the reporting year, no violation of labor case was identified.

4 Excludes data in Japan
5 Excludes data in Hong Kong, Macau and the USA
6 Excludes data in Japan and the USA
7 Includes data in Hong Kong, Macau and Taiwan only
8 Includes data in Hong Kong and Mainland China only

Benefits and Compensation

I.T acknowledges staff's capability and contribution to the Company through a merit-based principle. Taking full account of our staff's interests and needs, the Company offers comprehensive and competitive remuneration and welfare packages to attract and retain talents. We review individual performance fairly and offer promotion opportunities and salary adjustments to reward staff's contribution. Discretionary performance bonus is given to staff to recognize their achievement and drive them to look for continuous improvement. Remuneration policies are reviewed on a regular basis. Remuneration Committee of the Board of Directors reviews Management's proposal of the Group remuneration adjustment and discretionary performance bonus and gives advices.

With staff's well-being in mind, a range of fringe benefits such as marriage leave, maternity and paternity leaves, are offered in addition to annual leave and paid sick leave, to cater for their needs and special occasions in their personal lives. Flexible working hours is adopted to allow greater flexibility and better balance between work and personal development for staff. As a special benefit in a fashion company, staff attaining a certain grade can freely choose their daily wear and accessories from our retail shops or purchase them at an attractive staff discount. We have also extended this privilege to our staff's family and friends through the Occasional Friends and Family sales.

Equal Opportunities

We are an equal opportunity employer and respect individuals from different and diverse backgrounds. In recruitment, we ensure all candidates are assessed 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 and family status. During the year under review, no discrimination report was received.

Occupational Health and Safety

It is our top priority to ensure a safe and healthy working environment for our staff. It is our target to achieve zero accident and thus, we have continued to engage an external qualified safety consultant to conduct regular walkthroughs to identify and eliminate any potential health and safety risks in our workplaces. To equip our staff with necessary safety knowledge, various guidelines on work safety and emergency responses have been in place. Emergency preparedness plans and procedures have been defined and relevant drills are regularly performed to safeguard our staff.

With our great attention and continuous control on safety performance, the number of lost days due to work injury was 1,052 and no fatalities was recorded in our premises during the year.

Staff Development and Training

Professionalism and competency of our staff is the key to our success. Through offering various training opportunities, we are devoted to supporting the professional growth and career advancement of our staff. We design our training courses according to different operational needs, catering training needs for all levels and disciplines of staff, ranging from frontline to managerial grades. These include 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 staff in managerial grade and general grade were 5.2 and 15.1 hours respectively. In addition to in-house training, directors and staff in management and finance, accounting, legal and compliance would attend continuous professional training courses in their professional realm.

Apart from training needs, we have also devised a variety of programs and incentives 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 relationship.

OPERATING PRACTICES

Being a responsible company, we uphold 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 also believe that our supply chain has a pivotal role in our endeavour to enhancing the overall sustainability performance. As such, we have stepped up efforts to ensure suppliers fulfil our stringent requirements.

Business Conduct

The Company is devoted to maintaining a workforce of high level of business ethics and integrity, so as to meet the expectations from customers and other stakeholders. Our commitment to business ethics is laid down in the Code of Business Conducts and other guidelines, which provide clear guidance against potential violations of business integrity such as conflict of interest, bribery, fraud and corruption. A whistle-blowing policy and system is also in place for employees and stakeholders to directly report any misconduct or dishonest activity, such as suspected corruption, fraud and other forms of criminality to our top management. The reported case would be addressed by 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. The Company's risk management and internal control systems are reviewed regularly by the Management to ensure its robustness and effectiveness. In the year under review, no legal cases regarding corrupt practices was brought against the Company.

Supply Chain Management

We treat our suppliers as important partners in achieving our business sustainability. They are not only required to ensure compliance with all relevant laws and regulations in relation to environmental and social aspects, they should also value and respect 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. Depending on the types of services or products to be purchased, I.T will keep on monitoring and evaluating the suppliers' performance and operation efficiency through business meetings, factory visits and audits, 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 80% of our suppliers were located in Hong Kong and Mainland China. The remaining 20% of our suppliers were sourced from other regions.

Product Responsibility

I.T showcases a collection of international brands and in-house brands for our customers. We have therefore stipulated a systematic inspection procedure in checking the quality of our products. 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 a third-party assurance, help identify in-process improvements and ensure us to receive quality products. We constantly communicate with our international brands suppliers of the regional industry standards 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

Grounded on our high-quality fashion products, we strive to provide customers with a pleasant and stylish shopping experience. Through different communication channels and social media platforms such as Facebook, twitter, Weibo, Youtube and Instagram, we promote our latest promotions and activities, provide instant updates, and in return gather comments and feedback from our customers to facilitate two-way communication.

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 seven business days and resolve the case in a timely and satisfactory manner.

During the year under review, 171 complaints were received in relation to products and 462 cases related to our services and others. All cases were investigated and resolved. Other than complaints, we also received compliments from our customers, 45 messages were received in relation to our services and others during the reporting year.

Consumer Data Protection

We attach great importance to data security to protect personal data collected during our daily contact with customers. We adhere to the data privacy laws and regulations in our operating regions and have a well-established privacy policy in place to ensure all personal data is protected against unauthorized access, processing or erasure. As part of the control measures, training on data protection principles was arranged for relevant staff. In principle, only necessary data would be collected, which 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 leading fashion apparel company, I.T carries over 300 international or licensed brands. The respect of third parties' intellectual property rights is the core of our business. All staff members are guided by internal policies and are expected to pay extreme attention to ensure the proper usage of these intellectual properties. Moreover, as part of our commitment towards protecting intellectual property rights of others, we have included the provision of warranties in most of our contracts with suppliers with a view to ensure that intellectual property rights are not infringed. During the reporting year, our staff fully complied with the relevant requirements and no violation had been recorded.

COMMUNITY

The Group believes that it is our responsibility to give back to the community in which we operate by enabling it to prosper through our initiatives. Understanding that the youth is our future, we have actively supported youth development in the fashion industry in the year under review. As such, we hope to create a positive impact on both their career and their lives.

In the year under review, the Group has sponsored the Graduation Fashion Show 2017 of the Hong Kong Design Institute, supporting future design talents to showcase their thriving ideas on the runway and let their talent shine. Meanwhile in Japan, we have offered students from fashion colleges who are passionate in joining the fashion industry with internship opportunities, giving them valuable experience and insight into working in the fashion trade.

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 2018.

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 2018 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 65.

The board of directors of the Company (the "Board") has resolved to recommend the payment of a final dividend of 17.8 HK cents per share (2017: 13.0 HK cents per share) for the year ended 28 February 2018.

BUSINESS REVIEW

A review of the Group's business for the year ended 28 February 2018, 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.

No important event affecting the Group had occurred since the end of the year ended 28 February 2018.

An analysis of the Group's performance for the year ended 28 February 2018 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 for utilising resources efficiently and effectively in its operations to reduce impacts on the environment; raising its social responsibilities with its stakeholders; improving the well-being of its staff; embracing its responsibility as a corporate citizen and enhancing the relationship with the communities. The Company maintains harmonious relationships 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:

– *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 provide 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 give back to the community and support developments in the young generation.

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$290,000 (2017: HK$843,000).

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 2018, the Company's reserve available for cash distribution, as computed in accordance with The Companies Act 1981 of Bermuda (as amended), amounted to HK$932,936,000, of which HK$212,852,000 has been proposed as final dividend for the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws of the Company (the "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 123 and 124.

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 year ended 28 February 2018.

The Company redeemed an aggregate principal amount of RMB894,000,000, representing all its outstanding 6.25 per cent Senior Notes due 2018 at the redemption price equal to 100% of the principal amount together with interest accrued upon its maturity on 15 May 2018.

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

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 Bye-Laws, Mr. Sham Kin Wai and Mr. Chan Wai Kwan will retire by rotation at the forthcoming annual general meeting of the Company (the "2018 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 2018 while Mr. Mak Wing Sum, Alvin's on 30 March 2019. 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 of Hong Kong Limited (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 is proposed for re-election at the 2018 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 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 2017 are set out below:

Name of Directors	Details of changes
Executive Directors	
Mr. Sham Kar Wai	– the annual package was revised to HK$10,025,145 commenced from 1 April 2018.
Mr. Sham Kin Wai	– the annual package was revised to HK$7,250,061 commenced from 1 April 2018.
Mr. Chan Wai Kwan	– the annual package was revised to approximately HK$4,913,467 commenced from 1 April 2018.
Independent Non-executive Directors	
Mr. Francis Goutenmacher	– the director's fee was revised to HK$287,040 per annum commenced from 1 April 2018.
Dr. Wong Tin Yau, Kelvin, JP	– resigned as an independent non-executive director and members of the audit committee, the remuneration committee and the nomination committee of the board of Asia Investment Finance Group Limited with effect from 14 February 2018.
	– the director's fee was revised to HK$287,040 per annum commenced from 1 April 2018.
Mr. Mak Wing Sum, Alvin	– appointed as an independent non-executive director of Crystal International Group Limited since 1 July 2012 and shares were listed on the Stock Exchange on 3 November 2017.
	– the director's fee was revised to HK$287,040 per annum commenced from 1 April 2018.

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 2018, 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%
Chan Wai Kwan	–	–	501,249	501,249	0.04%

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 were 1,195,797,307 shares as at 28 February 2018.

(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 2018.

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

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 from 8 July 2008, the date when it became unconditional after the Stock Exchange granted approval for the listing of and permission to deal in the shares to be issued and allotted by the Company pursuant to the exercise of options in accordance with the terms and conditions of the 2008 Share Option Scheme, 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 can be offered under the 2008 Share Option Scheme, but the provisions of the 2008 Share Option Scheme would remain in full force and effect. Options granted prior to such termination shall continue to be valid and exercisable in accordance with their terms of grant 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, cancelled or lapsed under the 2008 Share Option Scheme during the year ended 28 February 2018. The outstanding share options granted under the 2008 Share Option Scheme and are valid and exercisable during the year are set out below:

	Date of grant	Exercise period	Exercise price per share HK$	Number of Share Options as at 1 March 2017 and 28 February 2018
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

New Share Option Scheme

The shareholders of the Company approved the adoption of a new share option scheme (the "New Share Option Scheme") at its annual general meeting held on 15 August 2017. The New Share Option Scheme is to recognise and acknowledge the contributions that eligible participants have made or may make 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. An offer must be accepted within 3 business days from the date of offer (except for such circumstance as defined in the New Share Option Scheme). The New Share Option Scheme will remain in force for a period of 10 years commenced from 16 August 2017, the date that the Stock Exchange granted approval for the listing of and permission to deal in the shares to be issued and allotted by the Company pursuant to the exercise of share options in accordance with the terms and conditions of the New Share Option Scheme.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other schemes adopted by the Company from time to time must not, in aggregate, exceed 30% of the shares of the Company 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 the date of grant, shall not exceed 1% in aggregate of the shares of the Company in issue as at the date of grant.

The New Share Option Scheme does not specify any minimum holding period for which an option must be held before it can be exercised.

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 is 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 28 February 2018, 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 Divisions 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
NTAsian Discovery Master Fund	Beneficial owner	60,916,000	5.03%	Long
JPMorgan Chase & Co. (Note 8)	Beneficial owner/ Interest in corporation	2,006,220 1,994,000	0.16% 0.16%	Long Short
	Approved lending agent	58,583,236	4.89%	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. JPMorgan Chase & Co. held the shares through its controlled corporations, JPMorgan Chase Bank, N.A., J.P. Morgan International Finance Limited, J.P. Morgan Capital Holdings Limited and J.P. Morgan Securities plc.

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 2018, 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 2018.

(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;
Issue Date:	15 May 2013;
Issue Price:	100%;
Interest:	the Notes bore interest from and including 15 May 2013 at the rate of 6.25% per annum, payable semi-annually in arrears on 15 May and 15 November in each year commencing on 15 November 2013.

During the year ended 28 February 2015, the Company purchased the Notes in the principal amount aggregated up to CNY106,000,000 which were duly cancelled pursuant to the terms and conditions of the indenture governing the Notes. As at 28 February 2018, the aggregate principal amount of the Notes which remains outstanding and subject to the terms of the indenture governing the Notes was CNY894,000,000.

The Company has fully redeemed the outstanding aggregate principal amount of the Notes together with the interest accrued upon its maturity on 15 May 2018.

(b) Term Loans

(i) Reference is made to the announcements of the Company dated 1 December 2014 and 24 April 2017 pursuant to Rule 13.18 of the Listing Rules. Terms used herein this subsection 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 or 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.

(ii) Terms used herein this subsection have the same meaning as those defined in the announcement made by the Company on 31 January 2018 (the “Facility Announcement”).

On 31 January 2018, the Company made the Facility Announcement that I.T Finance Limited, an indirectly wholly-owned subsidiary of the Company, as the borrower has entered into the Facility Agreement. Pursuant to the Facility Agreement, it is (among other matters) an event of default if (i) Mr. Sham Kar Wai and Mr. Sham Kin Wai, the current Executive Directors, and the Sham’s Family Trust collectively do not or cease to maintain management control over the management and business of the Group; or (ii) the Sham’s Family and the Sham’s Family Trust collectively do not or cease to own, directly or indirectly, at least 40% of the beneficial shareholding, carrying at least 40% of the voting rights in the Company, free from any Security. Upon occurrence of an event of default, (i) commitments of the banks or any part thereof under the Facility Agreement shall immediately be cancelled; and/or (ii) the whole or any part of the Loans, together with accrued interest, and all other amounts accrued or outstanding shall become immediately due and payable; and/or (iii) the whole or any part of the Loans shall immediately become payable on demand.

Details of the Facility are set out below:

Facility Agreement:	the facility agreement dated 31 January 2018 entered into between I.T Finance Limited, the guarantors (being the Company and three indirectly wholly-owned subsidiaries of the Company) and a syndicate of banks on 31 January 2018;
Facility:	a term loan facility in an aggregate commitment of HK$800,000,000 repayable by six half-yearly instalments; the repayment date of the first instalment shall be the date falling 18 months after the date of the Facility Agreement and the last instalment shall be the date falling 48 months after the date of the Facility Agreement.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this report as required under the Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the 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 2018 AGM and being eligible, offer themselves for re-appointment.

* *All cross-referencing to the other sections in this annual report form part of this Report.*

On behalf of the Board

Sham Kar Wai
Chairman

Hong Kong, 29 May 2018

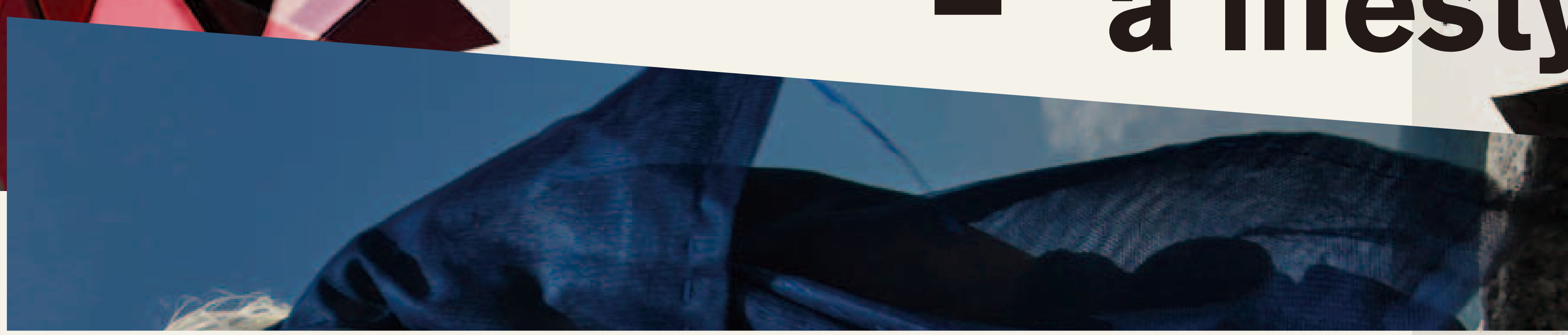
I.T IS

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 65 to 122, which comprise:

- the consolidated statement of financial position as at 28 February 2018;
- 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 2018, 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 2018, the Group carried a goodwill of approximately HK$251 million relating to the acquisition of I.T China Limited which is engaged in the sales of fashion wears and accessories in Mainland China, in 2007. As described in the basis of preparation and accounting policies in note 2.8(a) to the consolidated financial statements, 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 2018. 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 average annual growth rate, long-term growth rate, gross margin and discount rate. We focused on the evaluation of management's impairment assessment of goodwill due to the size of the Group's goodwill and the significant judgement and estimate used to perform the impairment review.	Our procedures in relation to management's impairment assessment of goodwill included: – Identifying the cash-generating unit ("CGU") and evaluating the composition of the assets and liabilities allocated to the CGU; – 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 average annual growth rate, 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 assessment made by the management in relation to the fair value less costs of disposal calculation to be reasonable based on the available evidence.

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
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 2.7 to the consolidated financial statements, property, furniture and equipment of approximately HK$859 million 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, employment costs and general operating costs. We focused on the evaluation of management's impairment assessment of property, furniture and equipment due to the size of the Group's property, furniture and equipment and the significant judgement and estimate used to perform the impairment review.	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 assessment 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 2018, inventories of the Group amounted to approximately HK$1,405 million. As described in the basis of preparation and accounting policies in note 2.14 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. We focused on the evaluation of management's impairment assessment of inventories due to the size of the Group's inventories.	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 and current years, inventory aging as at 28 February 2018 and the subsequent sales after year ended 28 February 2018; – Performing analytics on inventory 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 made by the 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.

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.

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 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 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 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, 29 May 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 28 February 2018

	Note	2018 HK$'000	2017 HK$'000
Turnover	5	8,383,043	8,001,329
Cost of sales	7	(3,059,224)	(3,073,211)
Gross profit		5,323,819	4,928,118
Other gains/(losses), net	6	13,604	(14,275)
Operating expenses	7	(4,610,139)	(4,367,995)
Other income	8	30,473	25,703
Operating profit		757,757	571,551
Finance income	10	22,457	15,264
Finance costs	10	(71,352)	(74,043)
Share of profits/(losses) of joint ventures	17	13,996	(5,510)
Profit before income tax		722,858	507,262
Income tax expense	11	(290,932)	(192,220)
Profit for the year		431,926	315,042
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss			
Currency translation differences		188,329	(70,672)
Cash flow hedge recognised as finance costs	10	(88,733)	56,436
Fair value changes on cash flow hedge, net of tax		129,264	(26,280)
Total other comprehensive income/(loss) for the year		228,860	(40,516)
Total comprehensive income for the year		660,786	274,526
Profit attributable to:			
– Equity holders of the Company	12	430,556	314,047
– Non-controlling interests		1,370	995
		431,926	315,042
Total comprehensive income attributable to:			
– Equity holders of the Company		658,932	273,531
– Non-controlling interests		1,854	995
		660,786	274,526
Earnings per share attributable to equity holders of the Company for the year (expressed in HK cent per share)			
– basic	12	36.0	26.0
– diluted	12	34.9	25.4
Dividends	13	212,852	155,454

The notes on page 69 to 122 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 28 February 2018

	Note	28 February 2018 HK$'000	28 February 2017 HK$'000
ASSETS			
Non-current assets			
Property, furniture and equipment	14	859,433	796,046
Intangible assets	15	331,952	321,197
Investments in and loans to joint ventures	17	159,050	138,694
Rental deposits	20	313,012	303,762
Prepayments for non-current assets	20	59,558	5,916
Deferred income tax assets	26	117,233	144,423
		1,840,238	1,710,038
Current assets			
Inventories	18	1,404,759	1,536,432
Trade and other receivables	19	331,426	226,765
Amounts due from joint ventures	17	65,080	60,912
Prepayments and other deposits	20	380,071	346,853
Current income tax recoverable		1,930	5,741
Cash and cash equivalents	21	2,315,333	1,817,804
		4,498,599	3,994,507
LIABILITIES			
Current liabilities			
Borrowings	22	(1,254,016)	(262,796)
Trade payables	23	(470,964)	(393,126)
Accruals and other payables	24	(724,891)	(621,016)
Derivative financial instruments	25	(29,212)	–
Amounts due to joint ventures	17	(19,009)	(24,285)
Current income tax liabilities		(108,984)	(117,175)
		(2,607,076)	(1,418,398)
Net current assets		1,891,523	2,576,109
Non-current liabilities			
Borrowings	22	(123,355)	(1,045,861)
Accruals	24	(7,169)	(6,733)
Derivative financial instruments	25	(4,749)	(158,476)
Deferred income tax liabilities	26	(47,826)	(37,371)
		(183,099)	(1,248,441)
Net assets		3,548,662	3,037,706
EQUITY			
Capital and reserves			
Share capital	27	119,580	119,580
Reserves	28	3,425,755	2,915,373
Non-controlling interests		3,327	2,753
Total equity		3,548,662	3,037,706

The consolidated financial statements on pages 65 to 122 were approved by the board of Directors on 29 May 2018 and were signed on its behalf.

SHAM KAR WAI
Chairman

SHAM KIN WAI
Director

The notes on page 69 to 122 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 28 February 2018

	Note	Attributable to equity holders of the Company			
		Share capital	Reserves	Non-controlling interests	Total
		HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 March 2017		119,580	2,915,373	2,753	3,037,706
Comprehensive income:					
– Profit for the year		–	430,556	1,370	431,926
Other comprehensive income/(loss):					
– Currency translation differences		–	187,845	484	188,329
– Cash flow hedge recognised as finance costs		–	(88,733)	–	(88,733)
– Fair value changes on cash flow hedge, net of tax		–	129,264	–	129,264
Total comprehensive income		–	658,932	1,854	660,786
Transactions with equity holders:					
Final dividend for the year ended 28 February 2017		–	(155,454)	(1,280)	(156,734)
Share option scheme					
– value of employment services	28	–	6,904	–	6,904
Total transactions with equity holders		–	(148,550)	(1,280)	(149,830)
Balance at 28 February 2018		119,580	3,425,755	3,327	3,548,662
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

The notes on page 69 to 122 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 28 February 2018

	Note	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Cash generated from operations	29(a)	1,328,167	686,746
Interest paid		(71,352)	(74,043)
Hong Kong profits tax (paid)/refunded		(11,384)	6,047
Overseas income tax paid		(252,073)	(175,447)
Net cash generated from operating activities		993,358	443,303
Cash flows from investing activities			
Purchase of property, furniture and equipment and intangible assets		(361,896)	(246,820)
Payments for land use right		(39,867)	–
Proceeds from disposal of property, furniture and equipment	29(b)	94	760
Capital injection to a joint venture		(3,000)	–
Interest received		16,789	11,999
Net cash used in investing activities		(387,880)	(234,061)
Cash flows from financing activities			
Repurchase of shares		–	(50,297)
Proceeds from borrowings		197,723	–
Repayments of borrowings		(216,174)	(177,763)
Dividends paid		(155,454)	(101,765)
Dividends paid to non-controlling interests		(1,280)	–
Net cash used in financing activities		(175,185)	(329,825)
Net increase/(decrease) in cash and cash equivalents		430,293	(120,583)
Cash and cash equivalents, beginning of the year		1,817,804	1,967,111
Currency translation differences		67,236	(28,724)
Cash and cash equivalents, end of the year	21 & 29(c)	2,315,333	1,817,804

The notes on page 69 to 122 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

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention, as modified by financial liabilities at fair value through profit or loss (including derivative instruments), which are carried at fair value.

The preparation of consolidated 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 2017:

HKAS 7 (Amendments)	Statement of cash flows
HKAS 12 (Amendments)	Income taxes
HKFRS 12 (Amendments)	Disclosures of interest in other entities

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 2017 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 2018 or later periods and have not been early adopted by the Group:

Annual Improvements Projects HKFRS 1 and HKAS 28 (Amendments)	Annual Improvements 2014-2016 cycle [1]
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions [1]
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts [1]
HKFRS 9	Financial Instruments [1]
HKFRS 15	Revenue from Contracts with Customers [1]
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 [1]
HKAS 28 (Amendments)	Investments in Associates and Joint Ventures [1]
HKAS 40 (Amendments)	Transfers of Investment Property [1]
HK(IFRIC) 22	Foreign Currency Transactions and Advance Consideration [1]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation [2]
HKFRS 16	Leases [2]
HK(IFRIC) 23	Uncertainty over Income Tax Treatments [2]
HKFRS 17	Insurance Contracts [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 March 2018
2 Effective for the Group for annual periods beginning on or after 1 March 2019
3 Effective for the Group for annual periods beginning on or after 1 March 2021
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"

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at 28 February 2018, the Group has non-cancellable operating lease commitments of HK$2,848,095,000 (Note 31).

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Date of adoption by Group

It is mandatory for financial years commencing on or after 1 March 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING

(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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.3).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(b) Joint arrangement

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounting for using the equity method.

Interests in joint ventures are accounted for using the equity method (see (c) below), after initially being recognised at cost in the consolidated statement of financial position.

(c) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 BUSINESS COMBINATION

The Group applies the acquisition method to account for business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprised the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the identifiable net assets acquired is recorded as goodwill (Note 2.8(a)). If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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 remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.4 SEPARATE FINANCIAL STATEMENTS

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.

2.5 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 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.

2.7 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

Freehold land is not subject to depreciation and stated at cost less accumulated impairment loss, if any.

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 2.9).

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 INTANGIBLE ASSETS

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the brand level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Licence rights

Licence rights (intangible assets) are stated at historical cost less accumulated amortisation and accumulated impairment losses, if any. They are initially measured at the fair value of the consideration given to acquire the licence at the time of the acquisition.

Licence rights are amortised using the straight-line method to allocate the cost over their estimated useful lives (1 to 3 years).

(c) Franchise contracts and distribution agreements

Acquired franchise contracts and distribution agreements are shown at historical cost, which is the fair value of the acquired contracts and agreements as at the date of acquisition. The contracts and agreements have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of acquisition of contracts and agreements over their estimated useful lives (3 to 10 years).

(d) Trademarks

Acquired trademarks are shown at historical cost. Trademarks have finite useful lives and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their average estimated useful lives (8 to 10 years).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 INTANGIBLE ASSETS (Continued)

(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.

2.9 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)

2.10 INVESTMENTS AND OTHER FINANCIAL ASSETS

(a) Classification

The Group classifies its financial assets in the loans and receivables.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise of trade and other receivables and cash and cash equivalents.

(b) Reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

(d) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables is subsequently carried at amortised cost using the effective interest method.

2.11 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the consolidated 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 Group or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 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.

2.13 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 accounting for subsequent changes in fair value 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 have been and will continue to be 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.

(a) Cash flow hedge

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

(a) Cash flow hedge (Continued)

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 statement of comprehensive income 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 terminated, 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 reclassified 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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)

2.18 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.

2.19 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 provided in full, 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. 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 if it is probable that future taxable profit will be available to utilise those temporary differences and losses.

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 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)

2.20 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)

2.20 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.

2.21 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.

2.22 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.

2.23 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)

2.24 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.

2.25 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.

2.26 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.

2.27 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.

2.28 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 2018		As at 28 February 2017	
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%	(871)	5%	(1,671)
Hong Kong Dollar	Pound Sterling	5%	(491)	5%	346
Hong Kong Dollar	Japanese Yen	10%	106	10%	(3,975)
Hong Kong Dollar	Chinese Renminbi	5%	(2,413)	5%	285
Hong Kong Dollar	Korean Won	5%	21	5%	522
Chinese Renminbi	United States Dollar	5%	(169)	5%	(169)
Japanese Yen	United States Dollar	10%	(2,873)	10%	(2,673)

As at 28 February 2018, 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 2018, all the bank deposits and derivative financial instruments are entered with 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 and amounts 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 10% of the Group's total revenue during the year.

As at 28 February 2018, the Company provided corporate guarantees of HK$1,808,004,000 (28 February 2017: HK$2,043,204,000) 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 flows and financing cash flows.

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.

	On demand or 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 2018					
Borrowings subject to a repayment on demand clause	84,611	–	–	–	84,611
Borrowings and interest payment	79,682	102,260	25,161	–	207,103
Senior Notes and interest payment	1,130,664	–	–	–	1,130,664
Trade payables	470,964	–	–	–	470,964
Accruals and other payables	724,891	7,169	–	–	732,060
Amounts due to joint ventures	19,009	–	–	–	19,009
	2,509,821	109,429	25,161	–	2,644,411
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

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 2018					
Currency and interest rate swap contracts – cash flow hedges:					
– outflow	(1,162,964)	–	–	–	(1,162,964)
– inflow	1,130,664	–	–	–	1,130,664
Currency swap contracts – not qualified for hedge accounting:					
– outflow	(349,785,946)	–	–	–	(349,785,946)
– inflow	353,429,246	–	–	–	353,429,246
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

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 2018	11,991	11,805	34,298	30,967	89,061
As at 28 February 2017	12,050	11,879	34,609	42,094	100,632

(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 2018, except for the cash at bank and in hand of HK$1,782,707,000 (28 February 2017: HK$1,647,804,000) and the bank borrowings of HK$281,505,000 (28 February 2017: HK$303,173,000), 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 2018, 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$15,012,000 (28 February 2017: HK$13,446,000) 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 2018 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 2018 and 2017:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 28 February 2018				
Liabilities				
Currency and interest rate swap contracts – cash flow hedges	–	(29,212)	–	(29,212)
Currency swap contracts not qualified for hedge accounting	–	(4,749)	–	(4,749)
	–	(33,961)	–	(33,961)
As at 28 February 2017				
Liabilities				
Currency and interest rate swap contracts – cash flow hedges	–	(158,476)	–	(158,476)
	–	(158,476)	–	(158,476)

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 2018	28 February 2017
Cash and cash equivalents (HK$'000)	2,315,333	1,817,804
Current ratio (Current assets divided by current liabilities)	1.73	2.82
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 2018 and 2017, 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$15,730,000 was recognised for the year ended 28 February 2018. Management has performed discounted cash flow analysis on the retail stores with impairment indicators 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 cash generating units ("CGUs") still exceed their corresponding carrying amounts and thus no impairment is required. The sensitivity analysis has assumed a decrease in average sales growth by 1%, 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

	2018 HK$'000	2017 HK$'000
Turnover – sales of fashion wears and accessories	8,383,043	8,001,329

(b) Segment information

The chief operating decision maker ("CODM") has been identified as the executive directors that make 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 both profit before income tax, share of profits/(losses) of joint ventures, finance income and finance costs ("segment (loss)/profit"), impairment of goodwill and property, furniture and equipment, depreciation of property, furniture and equipment and amortisation of intangible assets ("EBITDA"). Finance income and finance costs 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, investments in and amounts due from joint ventures which are managed centrally.

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 2018 and 2017 are as follows:

	Hong Kong and Macau		Mainland China		Japan and the USA		Other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	3,323,821	3,496,875	3,919,577	3,601,183	1,005,944	787,587	133,701	115,684	8,383,043	8,001,329
EBITDA	73,651	20,006	529,616	495,414	436,492	326,301	39,302	33,385	1,079,061	875,106
Depreciation and amortisation	(110,704)	(125,469)	(182,224)	(150,450)	(9,266)	(10,771)	(3,380)	(3,520)	(305,574)	(290,210)
(Impairment)/reversal of impairment of property, furniture and equipment	(2,677)	(13,573)	(13,053)	(72)	-	-	-	300	(15,730)	(13,345)
Segment (loss)/profit	(39,730)	(119,036)	334,339	344,892	427,226	315,530	35,922	30,165	757,757	571,551
Finance income									22,457	15,264
Finance costs									(71,352)	(74,043)
Share of profits/(losses) of joint ventures									13,996	(5,510)
Profit before income tax									722,858	507,262
Total segment non-current assets	499,488	563,188	896,987	743,659	162,951	115,529	4,529	4,545	1,563,955	1,426,921
Total segment assets	2,506,324	2,324,567	2,767,862	2,416,358	658,868	563,769	62,490	50,081	5,995,544	5,354,775

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

	28 February 2018 HK$'000	28 February 2017 HK$'000
Segment assets for reportable segments	5,933,054	5,304,694
Other segment assets	62,490	50,081
	5,995,544	5,354,775
Unallocated:		
Deferred income tax assets and current income tax recoverable	119,163	150,164
Investments in and amounts due from joint ventures	224,130	199,606
	6,338,837	5,704,545

6 OTHER GAINS/(LOSSES), NET

	2018 HK$'000	2017 HK$'000
Fair value (losses)/gains on derivative financial instruments		
– foreign currency swap contracts	(4,749)	–
– interest rate swap contract	–	42
Net exchange gains/(losses)	18,353	(14,317)
	13,604	(14,275)

7 EXPENSES BY NATURE

	2018 HK$'000	2017 HK$'000
Cost of inventories sold	3,067,026	2,954,713
(Reversal of)/provision for write-downs of inventories to net realisable value	(6,135)	62,948
Employment costs (including directors' emoluments) (Note 9)	1,371,786	1,321,484
Operating lease rentals of premises		
– minimum lease payments	1,488,879	1,492,178
– contingent rents	283,725	252,817
Building management fee	252,362	232,920
Advertising and promotion costs	156,994	126,016
Commission expenses	99,799	87,167
Bank charges	82,983	83,913
Utilities expenses	57,320	60,219
Freight charges	35,619	34,582
Depreciation of property, furniture and equipment	292,343	276,473
Impairment of property, furniture and equipment	15,730	13,345
Reversal of onerous contract provision	–	(870)
Loss on disposal of property, furniture and equipment	7,245	3,592
Licence fees (included in operating expenses)		
– amortisation of licence rights	–	173
– contingent licence fees	18,450	25,516
Amortisation of intangible assets (excluding licence fees)	13,231	13,564
Provision for/(reversal of) impairment of trade receivables	1,436	(280)
Provision for/(reversal of) impairment of amounts due from joint ventures	13,348	(372)
Auditors' remuneration		
– audit services	2,600	2,450
– non-audit services	550	550
Other expenses	414,072	398,108
Total	7,669,363	7,441,206
Representing:		
Cost of sales	3,059,224	3,073,211
Operating expenses	4,610,139	4,367,995
	7,669,363	7,441,206

8 OTHER INCOME

	2018 HK$'000	2017 HK$'000
Government grants	21,379	15,289
Commission income (Note 32)	1,853	1,741
Service fees (Note 32)	7,241	7,748
Others	–	925
	30,473	25,703

9 EMPLOYMENT COSTS

	2018 HK$'000	2017 HK$'000
Salaries, commission and allowances	1,210,515	1,155,711
Pension costs – employer's contributions to defined contribution plans and provision for long service payment	149,521	138,046
Share-based payment	6,904	23,798
Welfare and other benefits	4,846	3,929
	1,371,786	1,321,484

(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, Macau and Japan, the Group contributes to retirement plans authorized by the relevant governmental authorities for employees of its subsidiaries established in Mainland China, Taiwan, Macau and Japan. For Mainland China, the employees contribute up to 8% of their basic salaries, while the Group contributes approximately 17% to 22% of such salaries. For Taiwan, employees are not liable to make contribution to the plan, while the Group contributes up to 6% of the employees' salary. For Macau, the employees contribute up to MOP15 per month, while the Group contributes up to MOP30 per month to the plan, and the actual payment of which depends on the number of days that the employees work in the Group. For Japan, both the employees and the Group contribute up to 15% of the basis salaries of the employees. The Group has no further obligations for the actual payment of pensions or post-retirements benefits beyond these contributions. The government authorized 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 (2017: three) directors whose emoluments are reflected in Note 34. The emoluments payable to the remaining two (2017: two) individuals are as follows:

	2018 HK$'000	2017 HK$'000
Salaries	6,779	6,697
Other benefits (Note i)	2,991	7,651
Employer's contributions to pension scheme	302	299
	10,072	14,647

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 (2017: two) individuals fell within the following bands:

	2018	2017
HK$5,000,001-HK$5,500,000	2	–
HK$7,000,001-HK$7,500,000	–	2
	2	2

(c) During the year ended 28 February 2018, 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 (2017: Nil).

10 FINANCE INCOME AND COSTS

	2018 HK$'000	2017 HK$'000
Interest income from		
– bank deposits	18,504	11,402
– amounts due from joint ventures	455	810
– others (Note i)	3,498	3,052
Finance income	22,457	15,264
Interest expense on borrowings wholly repayable within five years	(72,920)	(70,263)
Net foreign exchange transaction (loss)/gain	(87,165)	52,656
Transfer from hedging reserve		
– interest rate and currency swaps: cash flow hedge	88,733	(56,436)
Finance costs	(71,352)	(74,043)
Net finance costs	(48,895)	(58,779)

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% (2017: 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% (2017: 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% (2017: 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% (2017: 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 34.81% on the estimated assessable profits of the Group's operations in Japan for the year ended 28 February 2018. The applicable rate is 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 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% for the year ended 28 February 2017. On 22 December 2017, the 2017 Tax Cuts and Jobs Act ("Tax Act") was enacted into law making significant changes to the Internal Revenue Code. Changes include, but not limited to, a decrease in the federal income tax rate for tax years beginning after 31 December 2017. Upon the completion of the Tax Act, the applicable US enterprise income tax rate for the subsidiary operating in the United Stated of America is 30%.

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

	2018 HK$'000	2017 HK$'000
Current income tax		
– Hong Kong profits tax	5,216	14,884
– Mainland China enterprise income tax	65,696	79,662
– Overseas income tax	185,697	126,445
– Over-provision in prior years	(3,558)	(5,648)
	253,051	215,343
Deferred income tax (Note 26)	37,881	(23,123)
	290,932	192,220

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:

	2018 HK$'000	2017 HK$'000
Profit before income tax	722,858	507,262
Adjustment: share of (profits)/losses of joint ventures, net of tax	(13,996)	5,510
Adjusted profit before income tax	708,862	512,772
Tax calculated at applicable tax rates	217,222	170,493
Income not subject to tax	(3,545)	(3,556)
Expenses not deductible for tax purposes	11,059	6,817
Effect on change of overseas income tax rate	3,758	(83)
Impact of deferred tax not recognised in the current year	23,777	3,439
Impact of deferred tax previously not recognised	(83)	(3,892)
Withholding tax	17,118	22,506
Write-off of deferred tax previously recognised	25,184	2,144
Over-provision in prior years	(3,558)	(5,648)
Income tax expense	290,932	192,220

The weighted average applicable tax rate was 30.6% (2017: 33.2%). The decrease 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.

	2018	2017
Profit attributable to equity holders of the Company (HK$'000)	430,556	314,047
Weighted average number of ordinary shares in issue ('000)	1,195,797	1,208,804
Basic earnings per share (HK cent)	36.0	26.0

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.

	2018	2017
Profit attributable to equity holders of the Company (HK$'000)	430,556	314,047
Weighted average number of ordinary shares in issue ('000)	1,195,797	1,208,804
Adjustments for share options ('000)	36,308	27,555
Weighted average number of ordinary shares for diluted earnings per share ('000)	1,232,105	1,236,359
Diluted earnings per share (HK cent)	34.9	25.4

13 DIVIDENDS

	2018 HK$'000	2017 HK$'000
Final dividend, proposed, 17.8 HK cents (2017: 13.0 HK cents) per ordinary share	212,852	155,454

The dividends paid in the years ended 28 February 2018 and 2017 were HK$155,454,000 (13.0 HK cents per share) and HK$101,765,000 (8.4 HK cents per share) respectively.

A final dividend of 17.8 HK cents (2017: 13.0 HK cents) per ordinary share for the year ended 28 February 2018 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 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
Year ended 28 February 2018					
Opening net book amount	227,470	459,044	88,940	20,592	796,046
Additions	–	290,614	58,059	1,377	350,050
Disposals	–	(2,931)	(4,408)	–	(7,339)
Impairment	–	(15,730)	–	–	(15,730)
Depreciation	(6,794)	(245,797)	(33,450)	(6,302)	(292,343)
Currency translation differences	1,794	19,014	7,598	343	28,749
Closing net book amount	222,470	504,214	116,739	16,010	859,433
At 28 February 2018					
Cost	273,518	1,707,206	261,531	64,721	2,306,976
Accumulated depreciation and impairment	(51,048)	(1,202,992)	(144,792)	(48,711)	(1,447,543)
Net book amount	222,470	504,214	116,739	16,010	859,433

Depreciation and impairment expenses have been included in operating expenses.

As at 28 February 2018, certain bank borrowings of the Group are secured by the land and buildings with carrying amounts of HK$190,177,000 (28 February 2017: HK$196,660,000) (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 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
Year ended 28 February 2018								
Opening net book amount	**272,668**	**–**	**3,039**	**10,043**	**27,349**	**–**	**8,098**	**321,197**
Additions	**–**	**–**	**–**	**–**	**119**	**–**	**–**	**119**
Amortisation	**–**	**–**	**(1,827)**	**(2,693)**	**(8,711)**	**–**	**–**	**(13,231)**
Currency translation differences	**22,941**	**–**	**49**	**487**	**390**	**–**	**–**	**23,867**
Closing net book amount	**295,609**	**–**	**1,261**	**7,837**	**19,147**	**–**	**8,098**	**331,952**
At 28 February 2018								
Cost	**366,528**	**2,385**	**22,945**	**24,410**	**43,885**	**3,727**	**8,098**	**471,978**
Accumulated amortisation and impairment	**(70,919)**	**(2,385)**	**(21,684)**	**(16,573)**	**(24,738)**	**(3,727)**	**–**	**(140,026)**
Net book amount	**295,609**	**–**	**1,261**	**7,837**	**19,147**	**–**	**8,098**	**331,952**

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 CGUs identified according to lines of businesses monitored by management internally.

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 2018			
Mainland China	230,305	20,461	250,766
Japan	42,363	2,480	44,843
	272,668	22,941	295,609
28 February 2017			
Mainland China	242,665	(12,360)	230,305
Japan	42,067	296	42,363
	284,732	(12,064)	272,668

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 2018 and 28 February 2017 are as follows:

	Mainland China		Japan	
	28 February 2018	28 February 2017	**28 February 2018**	28 February 2017
Average annual growth rate	**0% to 10%**	0% to 10%	**3%**	3%
Long-term growth rate	**2%**	2%	**2%**	3%
Gross margin	**35% to 78%**	40% to 77%	**66%**	62%
Discount rate (post-tax)	**12%**	12%	**12%**	10%

During the years ended 28 February 2018 and 2017, no impairment was recognised in respect of the goodwill.

16 SUBSIDIARIES

Details of the principal subsidiaries as at 28 February 2018:

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
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
Elegant Century Enterprises Limited	Hong Kong	HK$500,000	–	100%	–	Retail and 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$60,000,008	–	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 eshop (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
ithk holdings limited	British Virgin Islands	US$20,000	100%	100%	–	Investment holding

16 SUBSIDIARIES (Continued)

Details of the principal subsidiaries as at 28 February 2018: (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
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
I.T eshop 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	RMB45,900,000	–	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$5	–	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
Right Young Limited	Hong Kong	HK$1	–	100%	–	Retail of food and beverages
Sift Company Limited	Hong Kong	HK$2,009,800	–	100%	–	Retail of chocolates and cakes
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
Zoompac Apparel (Shanghai) Limited (ii)	Mainland China	US$8,000,000	–	100%	–	Retail and trading of fashion wears and accessories

16 SUBSIDIARIES (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 eshop (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 2018 HK$'000	28 February 2017 HK$'000
Share of net assets (Note (a))	138,071	109,379
Loans to joint ventures (Note (b))	20,979	29,315
	159,050	138,694
Amounts due from joint ventures (Note (b))	65,080	60,912
Amounts due to joint ventures (Note (b))	(19,009)	(24,285)

(a) Share of net assets of joint ventures

	28 February 2018 HK$'000	28 February 2017 HK$'000
Beginning of the year	109,379	119,936
Share of results of joint ventures		
– profit/(loss) before income tax	3,093	(5,872)
– income tax credit	10,903	362
– currency translation differences	11,696	(5,047)
Capital injection in a joint venture	3,000	–
End of the year	138,071	109,379

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 2018:

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$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 (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 combined 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 2018 HK$'000	28 February 2017 HK$'000
Assets		
Non-current assets	189,410	171,332
Current assets		
– Cash and cash equivalents	252,890	107,020
– Other current assets	137,726	228,261
	390,616	335,281
Total assets	580,026	506,613
Liabilities		
Current liabilities		
– Financial liabilities (excluding trade and other payables)	(141,265)	(143,067)
– Other current liabilities (including trade and other payables)	(194,982)	(168,168)
Total liabilities	(336,247)	(311,235)
Net assets	243,779	195,378

Summarised statement of comprehensive income

	28 February 2018 HK$'000	28 February 2017 HK$'000
Turnover	452,007	466,294
Cost of sales	(150,496)	(168,112)
Other expenditures	(281,545)	(315,360)
Profit/(loss) after tax	19,966	(17,178)
Other comprehensive income/(loss)	24,498	(10,669)
Total comprehensive income/(loss)	44,464	(27,847)

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 2018 HK$'000	28 February 2017 HK$'000
Turnover	328,059	319,477
Non-current assets	170,829	145,641
Current assets	238,413	165,840
Current liabilities	(175,793)	(131,490)
Net assets	233,449	179,991
Profit after tax	38,539	5,999
Other comprehensive income/(loss)	16,978	(5,765)
Total comprehensive income	55,517	234

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 2018 HK$'000	28 February 2017 HK$'000
Due from joint ventures		
ZIT H.K. Limited (i)	16,134	17,813
FCIT China Limited (ii)	34,094	33,763
Glory Premium Limited (iv)	2,302	2,075
Galeries Lafayette (Beijing) Limited (iv)	21,231	19,055
Camper (Shanghai) Limited (iii)	35,376	25,716
FCUK IT Company (iv)	320	1,855
	109,457	100,277
Less: provision for impairment	(23,398)	(10,050)
Due from joint ventures, net of provision	86,059	90,227
Due to joint ventures		
Kenchart Apparel (Shanghai) Limited (iv)	(13,843)	(15,618)
Glory Premium Limited (iv)	(74)	–
FCUK IT Company (iv)	(50)	(3,668)
ZIT H.K. Limited (iv)	(4,918)	(4,777)
Camper I.T China Limited (iv)	(121)	(73)
FCIT China Limited (iv)	(3)	(149)
	(19,009)	(24,285)

Notes:

(i) As at 28 February 2018, 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 28 February 2018, 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 28 February 2018, 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.

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 2018 HK$'000	28 February 2017 HK$'000
Beginning of the year	10,050	10,422
Provision for/(reversal of) impairment of amounts due from joint ventures for the year	13,348	(372)
End of the year	23,398	10,050

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 2018 HK$'000	28 February 2017 HK$'000
Hong Kong Dollar	16,671	29,699
Pound Sterling	5,260	5,260
Euro	997	997
United States Dollar	29,062	29,062
Macau Pataca	846	488
Chinese Renminbi	56,621	34,771
	109,457	100,277

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

	28 February 2018 HK$'000	28 February 2017 HK$'000
Hong Kong Dollar	5,165	8,667
Chinese Renminbi	13,844	15,618
	19,009	24,285

(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 2018 HK$'000	28 February 2017 HK$'000
Merchandise for resale	1,402,466	1,533,683
Raw materials	2,293	2,749
	1,404,759	1,536,432

The cost of inventories recognised as expense and included in cost of sales amounted to approximately HK$3,067,026,000 (28 February 2017: HK$2,954,713,000).

19 TRADE AND OTHER RECEIVABLES

	28 February 2018 HK$'000	28 February 2017 HK$'000
Trade receivables	316,659	218,343
Less: provision for impairment of trade receivables	(2,726)	(1,218)
Trade receivables – net	313,933	217,125
Interest receivables	2,020	305
Other receivables	15,473	9,335
Trade and other receivables	331,426	226,765

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

	28 February 2018 HK$'000	28 February 2017 HK$'000
Beginning of the year	1,218	1,553
Provision for/(reversal of) impairment of trade receivables	1,436	(280)
Write-off of provision for impairment of trade receivables	–	(66)
Currency translation differences	72	11
End of the year	2,726	1,218

As of 28 February 2018, trade receivables of HK$$2,726,000 (28 February 2017: HK$1,218,000) were impaired. The ageing of these receivables is as follows:

	28 February 2018 HK$'000	28 February 2017 HK$'000
Over 90 days	2,726	1,218

The ageing analysis of trade receivables past due but not impaired as at 28 February 2018 and 2017 is as follows:

	28 February 2018 HK$'000	28 February 2017 HK$'000
Over 90 days	1,637	360

There were no other receivables past due but not impaired as at 28 February 2018 and 2017.

19 TRADE AND OTHER RECEIVABLES (Continued)

The ageing analysis of trade receivables is as follows:

	28 February 2018 HK$'000	28 February 2017 HK$'000
0 to 30 days	259,944	165,726
31 to 60 days	48,057	48,896
61 to 90 days	4,295	2,143
Over 90 days	4,363	1,578
	316,659	218,343

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

	28 February 2018 HK$'000	28 February 2017 HK$'000
Chinese Renminbi	238,377	152,595
Hong Kong Dollar	30,665	24,705
Japanese Yen	40,769	31,300
United States Dollar	4,145	4,857
Others	17,470	13,308
	331,426	226,765

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 2018 and 2017, 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 2018 HK$'000	28 February 2017 HK$'000
Rental deposits	486,445	472,121
Prepayments	241,879	163,048
Utility and other deposits	24,317	21,362
	752,641	656,531
Less: non-current portion:		
Rental deposits	(313,012)	(303,762)
Prepayments for non-current assets	(59,558)	(5,916)
	380,071	346,853

As at 28 February 2018, rental deposits are carried at amortised costs using the effective interest rates ranging from 0.2% to 5% (28 February 2017: 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 2018 and 2017, the maximum exposure to credit risk is the carrying amounts of rental and other deposits. The Group does not hold any collateral against the rental and other deposits.

21 CASH AND CASH EQUIVALENTS

	28 February 2018 HK$'000	28 February 2017 HK$'000
Cash at bank and in hand	1,782,707	1,647,804
Short-term bank deposits	532,626	170,000
	2,315,333	1,817,804

The interest rates for short-term bank deposits was approximately 2.9% (28 February 2017: 1.3%) 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 2018 and 2017, 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 2018 HK$'000	28 February 2017 HK$'000
Chinese Renminbi	1,043,880	569,872
Hong Kong Dollar	632,235	703,616
Japanese Yen	322,320	331,559
Euro	37,854	100,123
United States Dollar	239,811	71,534
Pound Sterling	11,939	15,008
Others	27,294	26,092
	2,315,333	1,817,804

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 2018 HK$'000	28 February 2017 HK$'000
Non-current borrowings		
– Bank borrowings	123,355	40,377
– Senior Notes (Note a)	–	1,005,484
	123,355	1,045,861
Current borrowings		
– Portion of bank borrowings due for repayment within one year	85,600	179,646
– Portion of bank borrowings due for repayment after one year which contain a repayable on demand clause	72,550	83,150
– Senior Notes (Note a)	1,095,866	–
	1,254,016	262,796
	1,377,371	1,308,657

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 2018, the effective borrowing cost was 5.4% (28 February 2017: 5.4%) per annum. Except for the Senior Notes, the bank borrowings bear interest at floating rates that are market dependent.

As at 28 February 2018, bank borrowings of HK$83,150,000 (28 February 2017: HK$93,750,000) were secured by the Group's certain land and buildings with carrying amounts of HK$190,177,000 (28 February 2017: HK$196,660,000) (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 be matured on 15 May 2018 and are listed on the Stock Exchange as at 28 February 2018.

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 year end date, 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 outstanding Senior Notes have been fully repaid on 15 May 2018.

The maturity of borrowings is as follows:

	28 February 2018 HK$'000	28 February 2017 HK$'000
Within 1 year	1,254,016	262,796
Between 1 and 2 years	98,545	1,045,861
Between 2 and 5 years	24,810	–
	1,377,371	1,308,657

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

	28 February 2018 HK$'000	28 February 2017 HK$'000
Chinese Renminbi	1,095,866	1,005,484
Hong Kong Dollar	281,505	303,173
	1,377,371	1,308,657

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 2018 HK$'000	28 February 2017 HK$'000
0 to 30 days	**209,079**	112,211
31 to 60 days	**144,124**	137,386
61 to 90 days	**55,962**	70,901
91 to 180 days	**29,064**	36,633
181 to 365 days	**9,541**	18,251
Over 365 days	**23,194**	17,744
	470,964	393,126

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

The trade payables are denominated in the following currencies:

	28 February 2018 HK$'000	28 February 2017 HK$'000
Chinese Renminbi	**257,156**	145,115
Hong Kong Dollar	**6,496**	5,020
Euro	**20,171**	66,480
Japanese Yen	**145,668**	123,252
United States Dollar	**38,942**	20,907
Pound Sterling	**2,111**	21,919
Korean Won	**414**	10,433
Others	**6**	–
	470,964	393,126

24 ACCRUALS AND OTHER PAYABLES

	28 February 2018 HK$'000	28 February 2017 HK$'000
Unutilised coupons	3,062	6,774
Accruals		
– Rented premises	296,209	225,764
– Employment costs	134,362	103,081
– Others	152,874	120,268
Other payables	145,553	171,862
	732,060	627,749
Less: non-current portion:		
Accruals – Rented premises	(7,169)	(6,733)
	724,891	621,016

Other payables are denominated in the following currencies:

	28 February 2018 HK$'000	28 February 2017 HK$'000
Chinese Renminbi	91,120	114,199
Hong Kong Dollar	39,174	47,119
Japanese Yen	12,881	8,852
Others	2,378	1,692
	145,553	171,862

The carrying amounts of other payables approximate their fair values.

25 DERIVATIVE FINANCIAL INSTRUMENTS

	28 February 2018 Liabilities HK$'000	28 February 2017 Liabilities HK$'000
Qualified for hedge accounting – cash flow hedge:		
Foreign currency and interest rate swap contract, at market value (Note a)	(29,212)	(158,476)
Not qualified for hedge accounting:		
Currency swap contracts, at market value (Note b)	(4,749)	–
	(33,961)	(158,476)
Less: current portion		
Foreign currency and interest rate swap contract, at market value (Note a)	29,212	–
	(4,749)	(158,476)

Notes:

(a) As at 28 February 2018, the notional principal amounts of the outstanding foreign currency and interest rate swap contract were RMB894,000,000 (28 February 2017: RMB894,000,000), which has been designated as the hedging instrument for the Senior Notes (Note 22). As at 28 February 2018, 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 28) on foreign currency and interest rate swap contract as of 28 February 2018 will be continuously released to the consolidated statement of comprehensive income until the repayment of the Senior Notes.

(b) As at 28 February 2018, 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 USD11,000,000.

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 2018 HK$'000	28 February 2017 HK$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	108,296	136,508
– Deferred income tax assets to be recovered within 12 months	8,937	7,915
	117,233	144,423
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	(29,965)	(12,914)
– Deferred income tax liabilities to be settled within 12 months	(17,861)	(24,457)
	(47,826)	(37,371)
Deferred income tax assets (net)	69,407	107,052

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

	28 February 2018 HK$'000	28 February 2017 HK$'000
Beginning of the year	107,052	88,958
Recognised in the consolidated statement of comprehensive income (Note 11)	(37,881)	23,123
Recognised directly in equity	–	(5,348)
Currency translation differences	236	319
End of the year	69,407	107,052

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 2018 HK$'000	28 February 2017 HK$'000	28 February 2018 HK$'000	28 February 2017 HK$'000	28 February 2018 HK$'000	28 February 2017 HK$'000	28 February 2018 HK$'000	28 February 2017 HK$'000	28 February 2018 HK$'000	28 February 2017 HK$'000
Beginning of the year	42,755	38,202	89,751	76,558	–	5,348	69,679	31,434	202,185	151,542
Recognised in the consolidated statement of comprehensive income	(1,859)	4,479	(6,174)	16,128	–	–	(26,087)	38,193	(34,120)	58,800
Recognised directly in equity	–	–	–	–	–	(5,348)	–	–	–	(5,348)
Currency translation differences	543	74	6,509	(2,935)	–	–	376	52	7,428	(2,809)
End of the year	41,439	42,755	90,086	89,751	–	–	43,968	69,679	175,493	202,185

Deferred tax liabilities –

	Withholding tax		Accelerated tax depreciation		Total	
	28 February 2018 HK$'000	28 February 2017 HK$'000	28 February 2018 HK$'000	28 February 2017 HK$'000	28 February 2018 HK$'000	28 February 2017 HK$'000
Beginning of the year	(57,681)	(37,022)	(37,452)	(25,562)	(95,133)	(62,584)
Recognised in the consolidated statement of comprehensive income	(3,580)	(22,506)	(181)	(13,171)	(3,761)	(35,677)
Currency translation differences	(4,612)	1,847	(2,580)	1,281	(7,192)	3,128
End of the year	(65,873)	(57,681)	(40,213)	(37,452)	(106,086)	(95,133)

Deferred income tax assets are recognised for tax loss carryforwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 28 February 2018, the Group has unrecognised tax losses of HK$273,636,000 (28 February 2017: HK$35,881,000).

The expiry date of unrecognised tax losses are as follows:

	28 February 2018 HK$'000	28 February 2017 HK$'000
2018	–	54
2019	468	431
2020	545	501
2021	522	481
2022	629	579
2023	40	–
No expiry date	271,432	33,835
	273,636	35,881

27 SHARE CAPITAL

Movements were:

	Number of ordinary shares '000	Share capital HK$'000
Issued and fully paid:		
At 1 March 2016	1,211,977	121,198
Repurchase of shares (Note i)	(16,180)	(1,618)
At 28 February 2017 and 28 February 2018	1,195,797	119,580

Note:

(i) During the year ended 28 February 2017, the Group acquired 16,180,000 of its shares through purchases on the Stock Exchange. The total amount paid to acquire the shares was HK$50,297,000 and has been deducted from shareholders' equity. No share was purchased during the year ended 28 February 2018.

Share options

The Company currently has two share option schemes, namely the 2008 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 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.

In June 2008, the Company has adopted a share option scheme (the "2008 Share Option Scheme"), which ought to remain in force for 10 years up to June 2018. At the 2017 annual general meeting of the Company held on 15 August 2017, 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 August 2027, and the termination of the 2008 Share Option Scheme. The operation of the 2008 Share Option Scheme was terminated with effect from the conclusion of the 2017 annual general meeting. No further options could thereafter be offered under the 2008 Share Option Scheme but the provisions of the 2008 Share Option Scheme would remain in full force and effect. Options granted under the 2008 Share Option Scheme and remain unexpired prior to the termination of the 2008 Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the 2008 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 2008 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 2018 Exercise price per share HK$	28 February 2018 Options '000	28 February 2017 Exercise price per share HK$	28 February 2017 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 2018 and 2017.

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

Expiry date	Average exercise price per share after issue of scrip shares during the year ended 28 February 2011 HK$	Average exercise price per share before issue of scrip shares during the year ended 28 February 2011 HK$	Share options 28 February 2018 '000	Share options 28 February 2017 '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 2017	812,732	168,662	40,715	(93,178)	59,223	(36,696)	1,963,915	2,915,373
Profit for the year	–	–	–	–	–	–	430,556	430,556
Transfer to statutory reserve	–	–	–	–	5,718	–	(5,718)	–
Share option scheme								
– value of employment services	–	6,904	–	–	–	–	–	6,904
Final dividend for the year ended 28 February 2017	–	–	–	–	–	–	(155,454)	(155,454)
Currency translation differences								
– Group	–	–	–	176,149	–	–	–	176,149
– Joint ventures	–	–	–	11,696	–	–	–	11,696
Cash flow hedge recognised as finance costs	–	–	–	–	–	(88,733)	–	(88,733)
Fain value change on cash flow hedge, net of tax	–	–	–	–	–	129,264	–	129,264
Balance at 28 February 2018	812,732	175,566	40,715	94,667	64,941	3,835	2,233,299	3,425,755
Analysed by –								
Company and subsidiaries	812,732	175,566	40,715	86,090	64,941	3,835	2,233,299	3,417,178
Joint ventures	–	–	–	8,577	–	–	–	8,577
Balance at 28 February 2018	812,732	175,566	40,715	94,667	64,941	3,835	2,233,299	3,425,755
Representing –								
2018 Final dividend proposed							212,852	
Others							2,020,447	
							2,233,299	

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 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	

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

	2018 HK$'000	2017 HK$'000
Profit before income tax	722,858	507,262
Adjustments for:		
– Interest expense	71,352	74,043
– Interest income	(22,457)	(15,264)
– Share of (profits)/losses of joint ventures	(13,996)	5,510
– Depreciation of property, furniture and equipment	292,343	276,473
– Impairment for property, furniture and equipment	15,730	13,345
– Provision for/(reversal of) impairment of amounts due from joint ventures	13,348	(372)
– Amortisation of intangible assets	13,231	13,737
– Fair value losses/(gains) on derivative financial instruments	4,749	(42)
– Loss on disposal of property, furniture and equipment	7,245	3,592
– Share-based payment	6,904	23,798
	1,111,307	902,082
Changes in working capital:		
– Inventories	199,679	(171,385)
– Trade and other receivables	(87,127)	1,688
– Prepayments and other deposits	(15,649)	8,554
– Amounts due from joint ventures	(6,350)	(18,020)
– Trade payables	58,554	(29,085)
– Accruals and other payables	74,241	1,385
– Amounts due to joint ventures	(6,488)	(8,473)
Cash generated from operations	1,328,167	686,746

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

	2018 HK$'000	2017 HK$'000
Net book amount (Note 14)	7,339	4,352
Loss on disposal of property, furniture and equipment	(7,245)	(3,592)
Proceeds from disposal of property, furniture and equipment	94	760

29 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Net cash reconciliation:

This section sets out an analysis of net cash and the movements in net cash for each of the years presented.

	28 February 2018 HK$'000	28 February 2017 HK$'000
Cash and cash equivalents	2,315,333	1,817,804
Borrowings – repayable within one year	(1,254,016)	(262,796)
Borrowings – repayable after one year	(123,355)	(1,045,861)
Net cash	937,962	509,147
Cash and cash equivalents	2,315,333	1,817,804
Gross debt – fixed interest rates	(1,095,866)	(1,005,484)
Gross debt – variable interest rates	(281,505)	(303,173)
Net cash	937,962	509,147

	Other assets – Cash and cash equivalents HK$'000	Liabilities from financing activities – Borrowings HK$'000	Total HK$'000
Net cash as at 1 March 2017	1,817,804	(1,308,657)	509,147
Cash flows	430,293	18,451	448,744
Foreign exchange adjustments	67,236	(87,165)	(19,929)
Net cash as at 28 February 2018	2,315,333	(1,377,371)	937,962

30 BANKING FACILITIES AND PLEDGE OF ASSETS

As at 28 February 2018, the Group had aggregate banking facilities of approximately HK$1,433,150,000 (28 February 2017: HK$1,505,057,000) at floating rate for overdrafts, bank loans and trade financing, of which approximately HK$1,035,406,000 (28 February 2017: 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.

31 COMMITMENTS

(a) Capital commitments

	28 February 2018 HK$'000	28 February 2017 HK$'000
Contracted but not provided for – acquisition of fixture and furniture	7,780	5,135

(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 2018 HK$'000	28 February 2017 HK$'000
Not later than one year	1,249,262	1,310,305
Later than one year and not later than five years	1,510,925	1,717,512
Later than five years	87,908	100,989
	2,848,095	3,128,806

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 2018, 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:

	2018 HK$'000	2017 HK$'000
Interest income from [(2)]		
– FCIT China Limited [(1)]	–	355
– ZIT H.K. Limited [(1)]	455	455
Commission income from [(3)]		
– FCUK IT Company [(1)]	896	995
– ZIT H.K. Limited [(1)]	957	746
Service fees income from [(3)]		
– FCUK IT Company [(1)]	1,588	2,277
– FCIT China Limited [(1)]	10	11
– ZIT H.K. Limited [(1)]	1,785	1,482
– FCIT (Macau), Limited [(1)]	322	411
– Camper (Shanghai) Limited [(1)]	2,445	2,621
– Galeries Lafayette (China) Limited [(1)]	1,091	946
Commission fees payable to [(3)]		
– Galeries Lafayette (Beijing) Limited [(1)]	22,751	22,241
Purchase of goods from [(4)]		
– FCIT China Limited [(1)]	5,340	1,773

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% (28 February 2017: 5.5%) per annum.

Interest income on amount due from ZIT H.K. Limited is charged at 5% (28 February 2017: 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 in the ordinary course of business of the Group with terms mutually agreed by respective parties.

(b) Key management compensation

The directors of the Company are considered as the key management of the Group. Details of the remuneration paid to them are set out in Note 34.

33 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	Note	28 February 2018 HK$'000	28 February 2017 HK$'000
ASSETS			
Non-current assets			
Investments in and amounts due from subsidiaries		331,702	324,798
Current assets			
Prepayments and other deposits		–	165
Cash and cash equivalents		356	1,075
Amounts due from subsidiaries		2,862,143	3,014,153
		2,862,499	3,015,393
LIABILITIES			
Current liabilities			
Borrowings		(1,095,866)	–
Accruals and other payables		(19,719)	(18,135)
Derivative financial instruments		(29,212)	–
Current income tax liabilities		(6,470)	(6,470)
		(1,151,267)	(24,605)
Net current assets		1,711,232	2,990,788
Non-current liabilities			
Borrowings		–	(1,005,484)
Derivative financial instruments		–	(158,476)
		–	(1,163,960)
Net assets		2,042,934	2,151,626
EQUITY			
Capital and reserves			
Share capital		119,580	119,580
Reserves	(a)	1,923,354	2,032,046
Total equity		2,042,934	2,151,626

The statement of financial position of the Company was approved by the Board of Directors on 29 May 2018 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 2017	812,732	166,947	136,680	(36,696)	952,383	2,032,046
Loss for the year	–	–	–	–	(673)	(673)
Share option scheme						
– value of employment services	–	6,904	–	–	–	6,904
Final dividend for the year ended 28 February 2017	–	–	–	–	(155,454)	(155,454)
Cash flow hedge recognised as finance costs	–	–	–	(88,733)	–	(88,733)
Fain value change on cash flow hedge, net of tax	–	–	–	129,264	–	129,264
Balance at 28 February 2018	812,732	173,851	136,680	3,835	796,256	1,923,354
Representing –						
2018 Final dividend proposed					212,852	
Others					583,404	
					796,256	
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	

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 2018 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)	–	7,835	22,000	1,790	3,259	18	34,902
Mr. Sham Kin Wai	–	5,181	18,000	1,780	3,259	18	28,238
Mr. Chan Wai Kwan	–	4,245	1,500	331	–	18	6,094
Independent non-executive directors							
Dr. Wong Tin Yau, Kelvin, JP	276	–	–	–	–	–	276
Mr. Francis Goutenmacher	276	–	–	–	–	–	276
Mr. Mak Wing Sum, Alvin	276	–	–	–	–	–	276
	828	17,261	41,500	3,901	6,518	54	70,062

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	–	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

No remunerations were paid or receivable in respect of accepting office as directors during the year ended 28 February 2018 (2017: Nil).

No directors waived any emoluments during the year ended 28 February 2018 (2017: 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 2018 (2017: 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 2018 (28 February 2017: 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 2018 (2017: Nil).

FIVE YEARS FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	Year ended 28 February 2018 HK$'000	Year ended 28 February 2017 HK$'000	Year ended 29 February 2016 HK$'000	Year ended 28 February 2015 HK$'000	Year ended 28 February 2014 HK$'000
Turnover	8,383,043	8,001,329	7,541,132	7,180,540	6,746,874
Cost of sales	(3,059,224)	(3,073,211)	(2,974,792)	(2,716,192)	(2,702,521)
Gross profit	5,323,819	4,928,118	4,566,340	4,464,348	4,044,353
Other gains/(losses), net	13,604	(14,275)	(63,786)	(19,329)	(5,074)
Impairment of goodwill	–	–	–	–	(5,557)
Operating expenses	(4,610,139)	(4,367,995)	(4,107,326)	(3,971,212)	(3,625,354)
Other income	30,473	25,703	26,033	19,960	9,750
Operating profit	757,757	571,551	421,261	493,767	418,118
Finance income	22,457	15,264	41,307	63,509	44,190
Finance costs	(71,352)	(74,043)	(79,513)	(85,092)	(75,210)
Share of profits/(losses) of joint ventures	13,996	(5,510)	(27,008)	(35,821)	(41,768)
Profit before income tax	722,858	507,262	356,047	436,363	345,330
Income tax expense	(290,932)	(192,220)	(146,310)	(123,503)	(65,298)
Profit for the year	431,926	315,042	209,737	312,860	280,032
Dividend	212,852	155,454	101,806	147,312	122,876

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 28 February 2018 HK$'000	As at 28 February 2017 HK$'000	As at 29 February 2016 HK$'000	As at 28 February 2015 HK$'000	As at 28 February 2014 HK$'000
ASSETS					
Non-current assets					
Property, furniture and equipment	859,433	796,046	856,606	836,410	913,145
Intangible assets	331,952	321,197	345,633	322,404	343,043
Investments in and loans to joint ventures	159,050	138,694	139,278	166,828	220,396
Rental deposits	313,012	303,762	296,483	316,835	307,028
Prepayment for non-current assets	59,558	5,916	15,675	41,765	14,862
Derivative financial instruments	–	–	–	–	2,622
Deferred income tax assets	117,233	144,423	129,594	132,427	135,722
	1,840,238	1,710,038	1,783,269	1,816,669	1,936,818
Current assets					
Inventories	1,404,759	1,536,432	1,390,974	1,260,598	1,116,693
Trade, bills and other receivables	331,426	226,765	232,423	243,926	181,242
Amounts due from joint ventures	65,080	60,912	52,880	50,086	36,449
Prepayments and other deposits	380,071	346,853	370,735	285,613	250,611
Current income tax recoverable	1,930	5,741	1,603	21,714	–
Cash and cash equivalents	2,315,333	1,817,804	1,967,111	2,294,103	2,315,498
	4,498,599	3,994,507	4,015,726	4,156,040	3,900,493
LIABILITIES					
Current liabilities					
Borrowings	(1,254,016)	(262,796)	(273,396)	(267,431)	(496,385)
Trade and bill payables	(470,964)	(393,126)	(433,130)	(385,280)	(357,924)
Accruals and other payables	(724,891)	(621,016)	(649,489)	(707,859)	(573,909)
Amounts due to joint ventures	(19,009)	(24,285)	(33,863)	(33,693)	(24,022)
Derivative financial instruments	(29,212)	–	(42)	(30)	–
Current income tax liabilities	(108,984)	(117,175)	(68,406)	(100,949)	(32,373)
	(2,607,076)	(1,418,398)	(1,458,326)	(1,495,242)	(1,484,613)
Net current assets	1,891,523	2,576,109	2,557,400	2,660,798	2,415,880
Total assets less current liabilities	3,731,761	4,286,147	4,340,669	4,477,467	4,352,698
Non-current liabilities					
Borrowings	(123,355)	(1,045,861)	(1,262,462)	(1,468,808)	(1,494,642)
Accruals	(7,169)	(6,733)	(8,583)	(12,017)	(9,893)
Derivative financial instruments	(4,749)	(158,476)	(132,196)	(122,378)	(6,691)
Deferred income tax liabilities	(47,826)	(37,371)	(40,636)	(34,145)	(45,155)
	(183,099)	(1,248,441)	(1,443,877)	(1,637,348)	(1,556,381)
Net assets	3,548,662	3,037,706	2,896,792	2,840,119	2,796,317
EQUITY					
Capital and reserves					
Share capital	119,580	119,580	121,198	122,760	122,876
Reserves	3,425,755	2,915,373	2,773,836	2,716,421	2,672,756
Non-controlling interests	3,327	2,753	1,758	938	685
Total equity	3,548,662	3,037,706	2,896,792	2,840,119	2,796,317

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