I.T
ANNUAL REPORT 18/19

STOCK CODE: 999

I.T LIMITED ANNUAL REPORT

18/19

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I.T is well established as a

TREND SETTER

in the fashion apparel retail market. The Group has a global presence with self managed retail network of around 782 stores and 7,700 staff.

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
Comme des Garcons
Dior Homme
Gucci
Loewe
Moncler
Off-White c/o Virgil Abloh
PRADA
Saint Laurent
Simone Rocha
Stella McCartney
Thom Browne
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, Zadig & Voltaire, Camper, Galeries Lafayette and Kenzo.

I.T leverages some of its in-house brands through franchisees in new markets. 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
Wanchai
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Corporate Website
www.ithk.com

Stock Code
999

I.T POSITIONING

Store Coverage

	A. No. of stores			
	Self-managed		Franchised	
	28 February 2019	28 February 2018	28 February 2019	28 February 2018
Greater China:				
Hong Kong				
I.T	215	222	–	–
FCUK IT[1]	3	3	–	–
ZIT H.K.[1]	3	3	–	–
Mainland China				
I.T	532	492	23	38
FCIT China[1]	11	10	–	–
Camper I.T China[1]	7	9	–	–
Kenzo Asia[2]	32	–	–	–
Taiwan	22	21	–	–
Macau				
I.T	13	13	–	–
ZIT H.K.[1]	1	1	–	–
Overseas:				
Japan	22	21	–	–
USA	3	3	–	–
France	–	–	1	1
Thailand	–	–	1	1
England	–	–	8	8
Singapore	–	–	6	7
Indonesia	–	–	–	1
South Korea	–	–	1	1
Canada	–	–	3	3
Dubai	–	–	3	2
Saudi Arabia	–	–	2	–
Russia	–	–	1	–

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

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

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

	B.Sales footage[3]			
	Self-managed		Franchised	
	28 February 2019	28 February 2018	28 February 2019	28 February 2018
Greater China:				
Hong Kong				
I.T	534,825	553,867	–	–
FCUK IT[1]	3,483	3,483	–	–
ZIT H.K.[1]	2,797	2,797	–	–
Mainland China				
I.T	1,697,612	1,568,147	27,578	54,564
FCIT China[1]	17,078	14,729	–	–
Camper I.T China[1]	4,632	6,425	–	–
Kenzo Asia[2]	55,094	–	–	–
Taiwan	33,160	32,179	–	–
Macau				
I.T	38,241	36,702	–	–
ZIT H.K.[1]	1,998	1,998	–	–
Overseas:				
Japan	44,728	44,905	–	–
USA	10,595	10,595	–	–
France	–	–	1,600	1,510
Thailand	–	–	2,000	2,000
England	–	–	2,083	1,864
Singapore	–	–	11,096	12,954
Indonesia	–	–	–	3,160
South Korea	–	–	2,796	1,552
Canada	–	–	7,880	7,880
Dubai	–	–	2,326	607
Saudi Arabia	–	–	839	–
Russia	–	–	323	–

Notes:
(1) a 50% owned joint venture of the Company.
(2) a 49% owned joint venture of the Company.
(3) represents gross area.

MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

The Group has made a positive start to FY18/19, with all operating regions delivering noticeable sales growth. Nevertheless, as we headed into the second half of the financial year, our growth slowed as we navigated the business through various macroeconomic challenges. For instance, rising US-China trade tensions along with devaluation of Renminbi have negatively impacted consumer sentiment across our operating regions.

If we consider the Hong Kong segment, the downward trend in spending enthusiasm as a result of the above macroeconomic challenges was aggravated by multiple typhoons and exceptionally warm weather during the second half of the financial year. Despite this segment's performance coming in below the target we set at the beginning of the financial year, gross margin continued to register marked growth due to controlled discount discipline. This, along with improved operational performance attributable to various factors that included rationalization of our store distribution networks, propelled the Group's Hong Kong and Macau business into positive territory for the year that ended in February 2019.

Growing the Group's footprint, both online and offline, with the objective of expanding market shares across our operating regions has always been one of our ongoing endeavors. In Mainland China, we have made further progress in this direction by delivering another year of growth in total trading area. In addition, ecommerce continued to generate increased sales contribution to our Mainland China business.

Although our operating regions achieved varying levels of performance, the Group made significant progress in important areas over the course of the financial year. To take just two examples, I was particularly delighted by our recent acquisition of minority stakes in the Sweden based label ACNE Studios. My teams and I are excited about the combination of our resources with partners whom we know well and whose expertise we can leverage to each other' benefit. I am also especially gratified that our in-house label IZZUE was the first Hong Kong brand to stage an on-schedule fashion show at London Fashion Week in February 2019. Our appearance at the show signified our success in transforming a celebrated Hong Kong label into a leading Asian fashion brand.

The year 2018 marked the 30th anniversary of the founding of I.T. I would therefore like to take this opportunity to express my appreciation with the utmost sincerity to all the brand principals who have taken part in our 30th anniversary celebrations through various brand collaborations and product crossover campaigns. I would also like to thank our customers, shareholders, business partners around the world, as well as my fellow management team members and all colleagues for their support.

Sham Kar Wai
Chairman

24 May 2019

FINANCIAL HIGHLIGHTS

- Total turnover of the Group increased by 5.4% to HK$8,832.2 million.
- Total retail sales in Hong Kong and Macau increased by 2.5% to HK$3,363.6 million. Comparable store sales growth rate registered at 2.4% (FY17/18: -0.9%). Total trading area is reduced by 3.0%.
- Total retail sales in Mainland China increased by 6.4% to HK$4,082.7 million on the back of growth in trading area of 8.3% and positive comparable store sales growth rate at 1.7% (FY17/18: 0.2%).
- Total retail sales in Japan and the USA landed at HK$1,054.5 million, representing 11.5% increase from FY17/18.
- Gross profit of the Group increased by 5.9% to HK$5,639.7 million at gross profit margin of 63.9% (FY17/18: 63.5%).
- Net profit of the Group increased by 2.8% to HK$444.1 million.
- Basic earnings per share increased by 2.8% to 37.0 HK cents.
- Proposed final dividend of 18.0 HK cents (FY17/18: 17.8 HK cents) per ordinary share amounting to HK$215.2 million (FY17/18: HK$212.9 million).

Per share data	FY18/19	FY17/18	Change
EPS-basic (HK cents)	37.0	36.0	+2.8%
EPS-diluted (HK cents)	35.7	34.9	+2.3%
Dividend (HK cents)	18.0	17.8	+1.1%
Book value (HK$)[(1)]	3.05	2.97	+2.7%

Key statistics	FY18/19	FY17/18	Change
Inventory turnover (Days)[(2)]	168.1	175.5	-4.2%
Cash and cash equivalent (HK$ million)	1,772.0	2,315.3	-23.5%
Net cash (HK$ million)[(3)]	612.0	938.0	-34.8%
Debt to equity ratio (%)[(4)]	31.8	38.8	-18.0%
Return on equity ratio (%)[(5)]	12.3	13.1	-6.1%

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

(a) Group

After a strong start in FY18/19 with all operating regions recording noticeable sales growth, the Group had to navigate heightened geopolitical and macroeconomic uncertainties such as US-China trade tensions and devaluation of the Renminbi. These adversely impacted spending enthusiasm in several of our operating markets during the second half of the financial year. Although our operating regions achieved different levels of performance amidst the complex macroeconomic conditions and retail landscape, overall it was another year of continued progress with record revenues and all principal operating regions delivering sales growth. Turnover of the Group rose by 5.4% over last year to HK$8,832.2 million. This increase in turnover was primarily fuelled by positive comparable store sales growth and store network expansions. Gross margin also continued to progress, predominantly due to controlled discount discipline. Net profit came in at HK$444.1 million, representing an increase of 2.8% over last year.

The results in our Hong Kong and Macau segment are particularly noteworthy. While delivering revenue growth, we also drove noticeable expansion in gross margin amid an uncertain macroeconomic environment and weather-related disturbances. This expansion, along with improved operating efficiency, resulted in operating performance of the Group's Hong Kong and Macau business entering positive territory for the full year.

Sales in Mainland China continued to grow on the back of a further increase in total trading area. Multiple investments were made during the financial year, such as extra digital investments, with the objective of enhancing our competitiveness in the e-commerce segment. We recorded with satisfaction that sales contribution from e-commerce to our Mainland China business continued to rise. Extra staff expenditures in the form of merchandising talents were made during the year. These were aimed at developing new in-house brand products and enhancing the management of existing products. Although these initiatives may inevitably cause a short-term negative impact on margin, we believe that they are necessary for our long-term sustainable growth.

We are especially gratified by the performance of our Japan and the USA operations. This has been another year of resilient underlying growth in the results of these businesses, ranging from sales revenue to profit.

The year 2018 was a very special and memorable year for I.T, as it marked the 30th anniversary of the founding of the company. Numerous celebrations and marketing events took place with great success. Moreover, a number of new brands were recruited during the financial year. The Group believes that these latest additions have further enhanced and diversified our already comprehensive brand portfolio.

Turnover by Market

Turnover in our Hong Kong and Macau segment increased by 3.0% to HK$3,424.8 million despite a reduction in the store distribution network in Hong Kong. The increase in turnover was mainly attributable to positive comparable store sales growth that we achieved throughout the financial year. The Hong Kong and Macau segment contributed 38.8% towards the Group's total turnover (FY17/18: 39.6%).

One of our ongoing endeavors on the Mainland is to further increase our footprint, both online and offline, with the objective of extending the reach of our brands. Progress in this direction was reflected by a further noticeable increase in total trading area over the previous year. As a result, turnover of our Mainland China operations also increased, by 5.2% to HK$4,122.6 million, contributing 46.7% towards the Group's total turnover (FY17/18: 46.8%).

Our Japan and the USA segment, which accounted for 13.0% of total Group turnover (FY17/18: 12.0%), continued to deliver sustainable and marked growth. Turnover of our Japan and the USA business rose by 14.6% to HK$1,152.7 million. This positive development was predominantly the result of our ongoing efforts to optimise our product design and innovate our marketing initiatives to support collaborative campaigns with various fashion units around the world. We are particularly gratified by the overwhelmingly positive response to our brand collections, namely A Bathing Ape, during the year of 2018, which marked the 25th anniversary of the founding of the brand.

Breakdown of turnover by region of operations:

	Turnover			% of Turnover	
	FY18/19 HK$ million	FY17/18 HK$ million	Change	FY18/19	FY17/18
Hong Kong and Macau	**3,424.8**	3,323.8	+3.0%	**38.8%**	39.6%
Retail sales only	*3,363.6*	*3,282.3*	*+2.5%*		
Mainland China	**4,122.6**	3,919.6	+5.2%	**46.7%**	46.8%
Retail sales only	*4,082.7*	*3,837.3*	*+6.4%*		
Japan and the USA	**1,152.7**	1,005.9	+14.6%	**13.0%**	12.0%
Retail sales only	*1,054.5*	*945.8*	*+11.5%*		
Other	**132.1**	133.7	-1.2%	**1.5%**	1.6%
Total	**8,832.2**	8,383.0	+5.4%	**100.0%**	100.0%

Brand Mix

An important part of the Group's ongoing commitment to deliver sustainable growth is our focus on optimising the range of our brand portfolio – both through introduction of collections from the latest fashion ideas and by upgrading the design and quality of our in-house brand products. We are especially delighted by the number of new and exciting brands we introduced during the financial year. We believe that these additions have further enhanced and diversified our already comprehensive brand portfolio. For the year ended 28 February 2019, our in-house brands segment continued to provide us with the largest revenue contribution, amounting to 60.5% (FY17/18: 60.2%).

Breakdown of retail sales by brand categories:

	Retail Sales			% of Retail Sales	
	FY18/19 HK$ million	FY17/18 HK$ million	Change	FY18/19	FY17/18
In-house brands	**5,219.2**	4,936.3	+5.7%	**60.5%**	60.2%
International brands	**3,332.7**	3,202.2	+4.1%	**38.6%**	39.1%
Licensed brands	**81.0**	60.6	+33.7%	**0.9%**	0.7%
	8,632.9	8,199.1	+5.3%	**100.0%**	100.0%

Margin and Cost Dynamics

The Group continued to deliver sustainable growth in turnover at 5.4% with gross profit also rising by 5.9% over the last year. Gross margin increased to 63.9% (FY17/18: 63.5%) as compared to the previous year amid a competitive retail landscape and an unfavorable market situation in regard to the depreciation of currencies in some of the Group's operating regions, such as Mainland China.

Rent-to-sales ratio (including rental charges and building management fees) of the Group decreased to 23.0% (FY17/18: 24.2%) whereas the staff cost-to-sales ratio (excluding share option expenses) increased to 17.3% (FY17/18: 16.3%). Such increase in the staff cost-to-sales ratio was largely due to the extra workforce expenditures that we made during the financial year in relation to e-commerce and merchandising talents. Total operating costs as a percentage of sales rose to 55.8% (FY17/18: 55.0%).

Nevertheless, the increase in the Group's gross profit was mostly offset by the increase in operating costs and consequently, the operating profit of the Group decreased slightly by 0.5% to HK$753.6 million.

(b) Hong Kong and Macau

The Group continued to rationalise the store distribution network in Hong Kong during the financial year with the objective of mitigating cost pressures and enhancing operational excellence. As a result, total trading area in Hong Kong decreased by 3.4% over last year. Irrespective of our total trading area in Hong Kong being strategically adjusted, turnover in our Hong Kong and Macau segment increased by 3.0% over the previous year to HK$3,424.8 million, and retail sales also increased by 2.5% to HK$3,363.6 million. Comparable store sales growth registered at +2.4% (FY17/18: -0.9%).

Gross margin increased to 62.5% (FY17/18: 60.7%). Such expansion in gross margin was primarily a result of the controlled discount activities. Consequently, operating profit of HK$12.6 million was recorded for the full year as compared to an operating loss of HK$39.7 million in the previous year.

This positive development was attributable to multiple factors, but we believe that it was mainly due to our ongoing efforts to improve the brand range of our portfolios and to introduce fresh shopping excitements to our customers through new store concepts. To take just an example, during the year a new multi-faceted shopping concept combining fashion, food & beverage, beauty, footwear, eyewear, sportwear and lifestyle products was introduced. We are pleased to note that this new retail concept has continued to perform well and has elicited an overwhelmingly positive response.

(c) **Mainland China**

In regard to Mainland China, our store distribution network was further developed, as reflected by the increase in total trading area of 8.3% over last year. Turnover attributable to our Mainland China business amounted to HK$4,122.6 million, which marks another year of sustainable turnover growth of 5.2%. Total retail sales also increased by 6.4%, to HK$4,082.7 million, with comparable store sales growth registering 1.7% (FY17/18: 0.2%). It should be noted that in November 2018, we further enhanced our partnership with the brand KENZO (which we have managed exclusively in Mainland China for several years) through the establishment of a joint venture to strengthen the development of the brand's business in Mainland China. As a result, since November 2018 the sales and profit of this brand were no longer consolidated in our Mainland China business but were recorded as a share of result of the joint ventures in the Group's income statement.

For purchases made during the financial year, the market environment in regard to external factors was considered generally negative – mostly due to the Renminbi weakening against other currencies as compared with the previous year. As a result, the enhancement in gross margin gained from holding back price discount activities in order to strengthen brand integrity was outweighed by the negative impact from the depreciation of the Renminbi. Gross margin in Mainland China decreased by 1.1 percentage points to 62.1%.

Operating costs rose as a percentage of sales, which was attributable to multiple factors including extra workforce expenditures on digital and merchandising talents. These were aimed at enhancing our competitiveness in the e-commerce segment and merchandising capability for the development of new in-house brand products. We also made extra expenditures on marketing for both online and offline initiatives to coincide with this special year of our 30th anniversary. These extra expenditures may inevitably cause a negative impact on margins in the short-term, but we believe that they will generate a positive effect on long-term sustainable growth.

As a result of the above, operating profit of our Mainland China segment decreased by 31.5% to HK$229.1 million.

(d) **Japan and the USA**

Our Japan and the USA segment experienced another year of resilient underlying growth in business results while sales increased by 14.6% to HK$1,152.7 million. In regard to profitability, gross margin improved to 71.2% (FY17/18: 71.0%) while operating profit also rose by 11.1% to HK$474.9 million. We are particularly encouraged by the results especially after many consecutive years of strong growth.

There is even more to look forward to our A Bathing Ape brand in the coming years. Our ambitious plans include new collections, new and innovative collaborations with more renowned fashion names and business units around the world, and even developing new locations in different countries with the aim of extending our reach to fashion enthusiasts.

Share of Results of Joint Ventures

Share of losses of joint ventures amounting to HK$27.8 million was recorded for the year ended 28 February 2019 (FY17/18: share of profits of joint ventures of HK$14.0 million). The decline in share of earnings of joint ventures was primarily due to the pre-opening expenses associated with our second Galeries Lafayette store, which was recently launched in Shanghai, Mainland China, and the start-up expenses associated with a joint venture with the KENZO brand.

Inventory

Average inventory turnover cycle of the Group decreased by 7 days to 168 days as compared to that in the previous year.

Cash Flows and Financial Position

The Group's cash and bank balances as at 28 February 2019 were HK$1,772.0 million compared to HK$2,315.3 million as at 28 February 2018 and its net cash balance amounted to HK$612.0 million (net cash is defined as cash and cash equivalents of HK$1,772.0 million less bank borrowings of HK$1,160.0 million) versus HK$937.9 million as at 28 February 2018.

Cash inflow from operating activities for the year ended 28 February 2019 amounted to HK$439.1 million (FY17/18: HK$993.4 million).

Liquidity and Banking Facilities

As at 28 February 2019, the Group had aggregate banking facilities of approximately HK$2,162.6 million (28 February 2018: HK$1,433.2 million) for overdrafts, bank loans and trade financing, of which approximately HK$854.3 million (28 February 2018: HK$1,035.4 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 2019, a bank borrowing was secured on land and buildings with a carrying amount of HK$183.7 million (28 February 2018: HK$190.2 million).

Contingent Liabilities

As at 28 February 2019, the Group did not have any significant contingent liabilities (28 February 2018: 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 and Chinese Renminbi against the Hong Kong Dollar. The fluctuations in the value of the Hong Kong Dollar against other currencies could affect our margins and profitability. Nevertheless, management will continue to monitor the foreign exchange risks of the Group on a regular basis and may enter into forward exchange contracts and foreign currency swap contracts with major and reputable financial institutions for foreign exchange risk hedging.

Employment, Training and Development

Human resources are our greatest assets, and we regard the personal development of our employees as highly important. As of 28 February 2019, the Group had a total of 7,760 (FY17/18: 6,793) 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

As we continue into 2019, the global economic environment has become more uncertain, with signs of economic growth slowing in different parts of the world and a general increase in political volatility along with economic uncertainty impacting consumer enthusiasm. However, the Group remains very flexible in regard to new ideas and growth opportunities for our store distribution networks in Hong Kong. We also remain determined to continue our expansion in Mainland China and other overseas markets. As always, the Group continues to be vigilant to identify strategic investment or lucrative business opportunities that enable us to sustain long-term profitability.

BIOGRAPHIES OF DIRECTORS AND MANAGEMENT TEAM

Executive Directors

Mr. SHAM Kar Wai
Aged 52, is an Executive Director, the Chairman of the Board of Directors and the Chief Executive Officer of the Group. He is also a member of each of the Executive Committee, Nomination Committee and Remuneration Committee. 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 over 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 49, is an Executive Director and the Chief Creative Officer of the Company. He is also a member of the Executive Committee. Since founding the Group with his brother, Mr. Sham Kar Wai, in November 1988, his principal focus has been on merchandising and product design for the Company. As the Chief Creative Officer of the Company, Mr. Sham Kin Wai has over 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 48, is an Executive Director of the Company. He is also the Chief Executive Officer of I.T China; a member of the Executive Committee; a director of the joint venture between Galeries Lafayette and the Company; and a director of the joint venture between Kenzo and the Company. 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 25 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 77, 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 South Shore Holdings Limited (formerly known as 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 aforementioned 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 58, 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, the Chairman and was a member (2015-2018) of Financial Reporting Council and a member of Operations Review Committee of Independent Commission Against Corruption. He was a Non-executive Director of Securities and Futures Commission (2012-2018), the Chairman of Investor Education Centre (now known as Investor and Financial Education Council) (2017-2018), a member of Main Board and GEM Listing Committees of The Stock Exchange of Hong Kong Limited (2007-2013) and a member of Standing Committee on Company Law Reform (2010-2016).

Dr. Wong is currently an Independent Non-executive Director of China ZhengTong Auto Services Holdings Limited and Huarong International Financial Holdings Limited. He was also an Independent Non-executive Director of Asia Investment Finance Group Limited, AAG Energy Holdings Limited and Mingfa Group (International) Company Limited. All the aforementioned companies are listed in Hong Kong. In addition, he is an Independent Non-executive Director of Xinjiang Goldwind Science & Technology Co., Ltd. ("Xinjiang Goldwind") and Bank of Qingdao Co., Ltd., companies dual listed in Hong Kong and Shenzhen, and Shanghai Fosun Pharmaceutical (Group) Co., Ltd., a company dual listed in Hong Kong and Shanghai. 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. He was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2013.

Mr. MAK Wing Sum, Alvin
Aged 66, 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, the 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, the 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 the corporate development committee of Crystal International Group Limited; and an independent non-executive director of Lai Fung Holdings Limited, all of which are listed on The Stock Exchange of Hong Kong Limited. He is also a member of the supervisory board of the Hong Kong Housing Society and the chairman of its audit committee, and a member of each of the remuneration committee and the special committee on investment.

Mr. Mak, after working in Citibank for over 25 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 50, 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.

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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 2019, 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 the execution of business plans. In addition, under the supervision by the Board which half of the members are independent non-executive Directors, the interests of the shareholders will be adequately and fairly represented.

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 30 to 31. None of them appointed alternate director.

The Independent Non-executive Directors come from diverse business and professional backgrounds and provide expertise advice in an objective manner. The Company has received written confirmation of independence in compliance with Rule 3.13 of the Listing Rules from each of the Independent Non-executive Directors and thus, the Board 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 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 five times, six resolution-in-writing were signed by all the Board members during the year ended 28 February 2019.

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 Dr. Wong Tin Yau, Kelvin, JP (Chairman), Mr. Francis Goutenmacher and Mr. Mak Wing Sum, Alvin, all are Independent Non-executive Directors. All Audit 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 during the year ended 28 February 2019. During the year ended 28 February 2019, 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 comprises Mr. Francis Goutenmacher (Chairman) and Mr. Mak Wing Sum, Alvin, both are Independent Non-executive Directors, and Mr. Sham Kar Wai, Executive Director.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure of all remuneration of Directors and management and the establishment of a formal and transparent procedure for developing policy on such remuneration.

The Remuneration Committee and the Board review the terms of reference of the Remuneration Committee at least annually. The terms of reference of the Remuneration Committee are in line with the requirements of the Listing Rules. Details of the terms of reference of the Remuneration Committee can be viewed on the websites of the Company (www.ithk.com) and the Stock Exchange (http://www.hkexnews.hk/index.htm).

According to the terms of reference of the Remuneration Committee, the Remuneration Committee makes recommendation to the Board for Board's final determination of the remuneration packages of all Executive Directors and management team, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment; and makes recommendations to the Board of the directors' fee of Non-executive Directors. The Remuneration Committee would take into consideration factors such as salaries and fees paid by comparable companies, responsibilities and performance of the Directors and management.

The Remuneration Committee members met once and passed two resolution-in-writing during the year ended 28 February 2019. During the year ended 28 February 2019, 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 comprises Mr. Mak Wing Sum, Alvin (Chairman) and Mr. Francis Goutenmacher, both are Independent Non-executive Directors, and Mr. Sham Kar Wai, Executive Director.

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 five resolution-in-writing during the year ended 28 February 2019. During the year ended 28 February 2019, the Nomination Committee has proposed the directors nomination policy (the "Nomination Policy") for the Board to consider and adopt; reviewed the board diversity policy (the "Board Diversity Policy"); discussed and proposed the extension of term of service of Independent Non-executive Directors, and considered the independence of Independent Non-executive Directors.

Nomination Policy

The Board has adopted the Nomination Policy which sets out the nomination criteria and procedures for the Company to appoint additional directors or re-elect directors. The Nomination Policy can assist the Company in achieving board diversity and enhancing the effectiveness of the Board and its corporate governance standard.

When assessing the suitability of a candidate, factors such as the integrity, accomplishment and experience will be taken into consideration as a whole. In the case of independent non-executive Directors, the candidates must further satisfy the independence criteria set out in the Listing Rules. Since the selection of candidates should ensure that diversity remains a central feature of the Board, a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skill and knowledge would be considered.

Nomination Committee shall undergo the following process to identify potential candidates for the Board:

1. gathers nomination of candidates from the Board and Management team members;

2. undertakes adequate due diligence of the candidates;

3. considers the appropriateness of the candidates; and

4. makes recommendations to the Board on the selected candidates.

The Nomination Policy will be reviewed at least annually.

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 the Board Diversity Policy which sets out the approach to achieve diversity on the Board.

Pursuant to the Board 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 Board Diversity Policy at least annually.

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 10 times during the year ended 28 February 2019.

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 2019 are set out as follows:

	Meetings attendance					
	Board (Note 2)	Executive Committee	Audit Committee	Remuneration Committee (Note 3)	Nomination Committee (Note 4)	Annual General Meeting held on 21 August 2018
Executive Directors						
Mr. Sham Kar Wai (Note 1)	5/5	10/10	4/4	0/1	5/5	1/1
Mr. Sham Kin Wai (Note 1)	5/5	10/10	N/A	N/A	N/A	1/1
Mr. Chan Wai Kwan (Note 1)	5/5	N/A	N/A	N/A	N/A	1/1
Independent Non-executive Directors						
Mr. Francis Goutenmacher (Note 1)	5/5	N/A	4/4	1/1	5/5	1/1
Dr. Wong Tin Yau, Kelvin, JP (Note 1)	4/5	N/A	3/4	N/A	N/A	1/1
Mr. Mak Wing Sum, Alvin (Note 1)	5/5	N/A	4/4	1/1	5/5	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: This column only records the attendance of Board meetings duly convened and held. In addition to this, six resolution-in-writing were signed by all Directors during the year ended 28 February 2019.

Note 3: 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 2019.

Note 4: 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 2019, 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.

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, all 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 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 62 to 66.

During the year ended 28 February 2019, the fees paid or payable to PricewaterhouseCoopers were approximately HK$2,802,000 for audit services and approximately HK$1,217,000 for non-audit services (for the review of the interim results of the Company for the period ended 31 August 2018, 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 2019, 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 process. These risk management and internal control systems provide reasonable, but not absolute, assurance against 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 key executive members of the Board and other management personnel from key functions and regions. Meetings are held once every four months to consider key enterprise-level risks, their respective potential consequences, key risk indicators, likelihood, impact, overall risk rating, risk tolerance level and risk responses, the results of which are maintained in the risk register. At each meeting, existing and potential new risks are considered and re-evaluated. Depending on changes in circumstances and the external environment, the risk ratings, tolerance levels and risk responses are adjusted accordingly. Key risk owners of respective identified risks are responsible for keeping track of the key risk indicators and, along with the management, executing appropriate and timely risk responses. Additionally, facilitated by the Internal Audit Department, annual control and risk self-assessment is conducted by corporate and major business units' operational and functional managements, which allows the Group's top and operational managements to identify and analyse risks underlying the achievement of the Group's business objectives and to formulate risk management and mitigation strategies. These risk assessments also provide the basis for the annual risk assessment conducted by Internal Audit Department for its audit planning purpose. By adopting a risk-based auditing approach and based on its annual risk assessment result, the Internal Audit Department derives a three-year rolling audit plan, which is reviewed and approved by the Audit Committee on an annual basis, to independently review and assess the adequacy, effectiveness, efficiency and reliability of internal control procedures over financial, operational and compliance activities of the Group. Results of the independent reviews together with recommended remedial actions are reported to the Audit Committee and the 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 2019, the Board, through the Audit Committee with the assistance of the Internal Audit Department, has reviewed the effectiveness of the Group's risk management and internal control systems, that cover all material internal controls including financial, operational and compliance controls, and no material deficiencies were identified. The Audit Committee and the Board have also reviewed the resources the Group assigned to the staff with accounting, internal audit and financial reporting functions and the qualifications and experience of the said staff and considered adequate.

Based on the review, the Board concluded that the risk management and internal control systems were effective and adequate.

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 2019, meetings with more than 160 institutional investors, fund managers and analysts were held.

Press conferences with media, analysts and investors are held after final results announcement 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 2019.

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 the 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 2019.

Dividend Policy

The Board has adopted a policy which sets out the approach on declaring and recommending the dividend payment to the shareholders of the Company at a payout ratio of approximately 40% to 50% of the Group's distributable annual profit (the "Dividend Policy"). The dividend distribution decision of the Company will depend on, among others, the financial performance, retained earnings and distributable reserve, working capital requirements, capital expenditure requirements and future expansion plans, liquidity position, general economic conditions and other factors as the Board may consider relevant. The declaration of dividends shall be determined at the discretion of the Board and shall be subject to any restrictions under the Bermuda Companies Act and the Bye-laws.

In the fast-paced fashion apparel retail business, the board of directors of the Company (the "Board") understands that the expectation of the stakeholders of the Company and its subsidiaries (collectively as the "Group") is ever-changing. To echo well with our stakeholders' demands and go beyond excelling in economic performance, the Board views that we should pursue the intangible value throughout our entire operations and supply chains by actively tapping in strategies that can address the environmental, social, and governance-related issues. To this end, we strive to track emerging sustainability risks and opportunities so that we can continuously identify new areas for improvement to build resilience in our business model. At the forefront of the fashion industry, we uphold our corporate social responsibility by further enhancing our practices to safeguard the well-being of our colleagues, reduce impacts on the environment, and to create positive impact in the communities, which ultimately lead to creating long-term sustainability through our value chain.

ABOUT THIS REPORT

This Environmental, Social and Governance Report (the "ESG Report") has been reviewed and approved by the Board. It highlights the Group's sustainability initiatives and achievements accomplished from 1 March 2018 to 28 February 2019, which covers the same period as reported in the Group's Annual Report. This ESG Report primarily focuses on workplace with our dominant operational control and self-managed stores in our major operating regions.

We actively engage our key internal and external stakeholders to address our environmental and social aspects. The Group has identified and reviewed material ESG issues relevant to our operation and will continue to enhance our stakeholder engagement process and data collection system.

ENVIRONMENTAL SUSTAINABILITY

Having recognized that our operations will have impacts on the environment, it is our role as a responsible company to minimize such direct and indirect environmental impacts and incorporate relevant initiatives into our business and supply chains to minimize the potential impacts on the environment. We seek to ensure compliance with the relevant laws and regulations on environmental protection and pollution control, and make every effort to reduce waste and emission from every aspects of our business. During the reporting year, non-compliance with applicable provisions was not observed and we are not aware of any activities that caused adverse impacts on the environment and natural resources. Meanwhile, no material pollution and damage to the air, land, water and eco-system in our operational locations were found during the reporting year.

We coordinate the efforts of our internal and external stakeholders to protect the environment. Various green initiatives are carried forward at the Group to proper manage as well as to monitor our associated environmental aspects to achieve enhanced energy efficiency and minimal depletion of natural resources. We have implemented a range of green measures throughout our operation, including raising the staff awareness on improving energy efficiency, reducing waste and enhancing indoor environmental quality. Besides we are committed to communicate our procurement requirements to our suppliers to minimize the environmental impacts arising from their production processes and logistic arrangement along the supply chain.

Energy Efficiency and Carbon Reduction

Our operations at local offices, retail shops and outlets, eateries as well as warehouses that support our direct sales influence our carbon footprint. The carbon footprint arising from our daily operations is primarily from the electricity that we use in our buildings and emissions generated from logistic arrangement.

Over the years, the Group strives to make continuous improvement in efficient utilization of resources across all our business operations and has implemented different energy saving measures in our premises to enhance energy efficiency. Some examples of energy-saving measures adopted by the Group are as follows:

- adopt over 80% LED lighting and take advantage of skylights or other natural daylight sources to reduce lighting during daytime hours at offices
- post reminders and signage to all lighting switches to remind staff of switching off lighting after use
- use timers to power off air-conditioners, lighting and billboards during non-office and non-retail hours
- demarcate light and air-conditioning zoning in offices and warehouses
- regular cleaning and maintenance of air-conditioning system and lighting system at office
- maintain indoor temperature at around 25°C
- use energy-efficient equipment with Energy Saving Level Grade 1
- turn off electrical appliances which are not in use or switch them to the power-saving mode
- install sensors in storage rooms, back-of-house offices, and other vacant or low-traffic areas
- encourage our staff to dress according to operational needs to help reduce the demand for air conditioning or heating load

With all these measures in place, the overall electricity consumption in our premises was about 43,154,000[1] kWh during the year under review, which is equivalent to approximate 35,871 tonnes CO_2 emissions[2].

Aside from electricity consumption at our premises, our transport logistics also takes up a major part of our environmental footprint. Accordingly, we pay close attention to our transportation needs and facility usage in our supply chain to reduce carbon emissions. The strive for low-carbon corporate travel is manifested in our I.T Business Trip Policy which set out guidelines and procedures in making requests on business trips and travelling arrangement. This established mechanism reduces the demand for business travels and highly encourages our business partners and staff to uptake smart technology and electronic means, such as e-mails, video and phone conference calls to cut down unnecessary greenhouse gas ("GHG") emissions or related emission generated by logistics arrangement, employee commuting and business travels. The use of company cars in Mainland China and Japan and the consumption of liquefied petroleum gas ("LPG") in USA amounted to around 30 tonnes CO_2 emissions. Combining direct emissions that arisen from our own corporate vehicles and combustion of LPG, as well as indirect emission resulting from electricity consumption, the total greenhouse gas emissions of the reporting year is 35,901 tonnes CO_2 emissions. Greenhouse gas emission intensity is 4.06 (tCO_2e/HK$1m sales).

As a cutting-edge fashion house that sources a variety of unique brands around the globe, and together with the full operation of our I. T eshop offering online shopping for our valuable customers, our delivery and shipping network has further expanded. One of our major source of GHG emissions is product delivery between warehouses and retail shops. To this end, we improve delivery efficiency by encouraging our logistic contractors to upgrade their transportation fleets with better fuel efficiency models, and advise them on green driving tips such as selecting the best transportation route to reduce vehicle exhaust and switching off idling engines during loading and unloading. In addition, we target to make sure the space of our cartons and containers are fully and efficiently used, and wherever possible, we try to combine order to minimize the number of delivery.

Waste Management

Given our nature as a fashion retailer, the production of hazardous waste is immaterial to our business operations. Although the Group generates only insignificant amount of non-hazardous waste, we endeavour to achieve responsible waste management via proper waste disposal and encourage recycling at all levels. Aside our internal effort, we continue to reach out to our customers and suppliers to raise awareness on the importance of waste reduction through signage and internal communication.

One of our waste management approach is to implement green workplace practices at our offices to achieve more efficient use of resources and reduction of waste. For example, we implement a "paperless" workplace to encourage our staff to reduce printing of documents; practice double-sided printing and reuse paper printed on single side; reuse office consumable and stationery; repairing broken equipment and provide recycling collection facilities for different recyclable materials to encourage source separation in our Hong Kong, Mainland China and Japan offices.

During the reporting year, our paper consumption was about 79.8 tonnes, with 24.2 tonnes[3] being disposed to landfill and approximately 2.9 tonnes[4] paper waste being recycled. To identify rooms for further improvement, we assigned a designated staff to track the amount of paper consumption and waste paper recycling. Our plastic consumption has been insignificant where we consumed 0.14 tonnes[5] during the reporting year. Apart from paper and plastic, we have consumed 21,119 pieces of florescent tubes[6], recycled over 50 pieces of furniture[7] and nearly 578 pieces of toner cartridges during the year under review[8].

On the retail outlets level, we utilize the concept of green marketing in our promotion campaigns via displaying electronic posters and e-catalogues in our retail shops to substantially reduce our waste consumption at source. We have our promotions and marketing communication via digital platforms like WeChat. We also leverage digital payment platforms such as Apple Pay, Android Pay, WeChat Pay and Alipay to reduce paper waste.

As an apparel retailer, it is inevitable to use a lot of packaging plastics and cardboard boxes to transit and deliver products to our retail stores and customers. To manage these waste along the supply chain, we promote smarter packing where we streamline and optimize our packaging size to further lower the number of shipment. For boxes received from suppliers, we reuse them for storing materials at our retail outlets or delivering products between shops. Apart from our internal effort, we also request our suppliers to use recyclable or biodegradable packaging materials, minimize the usage of packaging materials where possible. Regarding our customers, we display waste reduction posters and signage at our shops to encourage them to bring own shopping bags, and 50 cents will be charged for shopping bags provided by our shops, as in compliance to the Environmental Levy Scheme on Plastic Shopping Bags. During the reporting year, we have used about 558 tonnes paper and 296 tonnes plastic packaging materials.

1 Energy consumption intensity is equivalent to 4.89 (Mwh/HK$1m sales), the Group's sale production for the year ended 28 February 2019 was HK$8,832.2 million
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. The conversion factors take references from the HKESG guideline
3 Excludes data in Hong Kong, Macau, Taiwan and USA
4 Data in Hong Kong only
5 Includes data in China (Food & Beverage) & Taiwan only
6 Includes data in Hong Kong, Macau and Taiwan only
7 Includes data in Taiwan only
8 Includes data in Hong Kong, Macau and Taiwan only

Water Consumption

Since we do not involve in any production or manufacturing process, waste water discharge is neither relevant nor material to the Group. Our water consumption is mainly for cleaning and washing our warehouses, as well as for preparing food and cleaning purpose at our eateries. We have established in-house rules to our staff on water conservation and we ensure that all of our staff members working at the warehouse and eateries are well aware of proper use of water resources. During the year under review, our water usage is about 58,711,645L. Water consumption intensity is 6,647 (litre/HK$1m sales).

Indoor Environmental Quality

We strive to provide a pleasant working environment and shopping experience for all staff, customers and visitors. As such, we regularly conduct air quality assessments and maintain good ventilation systems at our premises to ensure good indoor air quality. Professional cleansing companies are engaged to ensure hygiene and cleanliness at both our shops and offices.

SOCIAL RESPONSIBILITY

At I.T, we highly value each and every individual along the supply chain, as people are the prime success factor for achieving long term business growth. We nurture a culture of caring for people in the Group by respecting our people, offering competitive remuneration, providing staff training opportunities for lifelong career and personal development, as well as creating a safe and healthy working and shopping environment for our stakeholders. In parallel, we recognize our role to support and develop our communities and society at large. In this regard, we strive to grow and prosper with communities by making positive impacts through our community outreach programs.

EMPLOYMENT AND LABOR PRACTICES

I.T believes that honesty, integrity and fairness are the most fundamental values to our mission. We strictly adhere to labor laws and legislation and have zero tolerance in any child or forced labor employment. No non-compliance relating to employment and labor practices was recorded during the reporting year.

Our Workforce

With an international retail network of self-managed stores, the Group relies on a workforce of more than 9,500 staff to support business in our operational regions spanning Hong Kong, Mainland China and others. During the reporting year, the gender composition was around 2:1 (female to male), and employment type distribution was about 4:1 (full-time to part-time). For the employment category breakdown, around 1%, 15% and 85% of total staff belonged to senior level, middle level and junior level respectively. To echo with I.T's vibrant and energetic culture, we have a majority of 64% staff aged below 30. The remaining 33% staff aged between 30 and 50, and 3% aged above 55.

Compensation and Benefits

Employees are the most valuable assets to I.T and we place high importance on our employment practices. We acknowledge the contribution of staff from all levels and offer competitive remuneration and benefits to attract and retain talents. We make promotion and salary adjustment decisions based on a merit-based principle considering individual performance and abilities. Internally, we conduct annual reviews on the performance of all of our full-time employees to recognize their strengths and areas for improvement. The Remuneration Committee of the Company reviews the Group's remuneration policies on a regular basis as well as the management's proposal of the Group's remuneration adjustment and discretionary bonus, and gives advices accordingly. Externally, the Group regularly participates in market surveys to benchmark with the industry to ensure the competitiveness and equitableness of our compensation and benefits.

I.T offers a range of benefits in consideration of staff's interest. For example, all full-time employees are entitled to at least 12 days of paid leave every calendar year as well as comprehensive insurance packages that include medical and business travel accident insurance. The Group also offers compensation leave to full-time employees, when they need to work as full-day helpers in corporate events such as "Ultimate Sale Day" or be on business trip for more than five consecutive days. There are also other leaves, including marriage leave, maternity/paternity leave and compassionate leave. In addition, staff at I.T at a certain grade or above can enjoy an exclusive privilege by selecting their daily wear and accessories freely from our retail outlets or purchasing with staff discount. This privilege is further extended to our staff's families and friends during the occasional Friends and Family Sales.

Equal Opportunities

I.T is committed to building an internal culture of equality and respect as well as embracing diversity in workforce. We make every endeavor to ensure fair employment and equal working environment for all staff. Except for where required or permitted by laws and regulations, the Group carries out employment practices regardless of race, color, sex, age, disability and family status of an individual.

Occupational Health and Safety

We strive to provide our employees with a safe and healthy working environment and pledge full compliance in all occupational health and safety legislations at where we operate. In order to achieve the goal of zero accident at all premises, we regularly identify and evaluate potential health and safety risks through engaging external qualified safety consultants. Accordingly, we develop appropriate control methods to safeguard our employees from accidents and occupational injuries, such as Warehouse Safety Manuals to minimize the risk of injury, develop contingency plans and procedures for handling accidents and promote safety awareness among the staff working in the warehouses. As such, safety meetings are hosted regularly to keep track of any potential hazards and educate our employees on occupational health and safety issues. Regular drills such as fire escape are provided to enable every employee to have adequate knowledge to deal with emergency and industrial accidents.

During the year, we record no material non-compliance with laws and regulations associated with occupational health and safety. The number of lost days due to work injury has reduced to 639 with no fatalities happened at our premises.

Staff Development and Training

Development and training enable the continuous competency enhancement of our workforce, which in turn drives for I.T's sustainable high quality service and business growth. Under the Learning and Development Policy, we establish a framework to ensure staff training resources and opportunities and equip our employees with latest industrial knowledge and expertise. Throughout the years, we provide tailor-made training courses to staff of all levels and disciplines where necessary, ranging from frontline to managerial grades. On-the-job training courses are offered including sales and marketing skills, customer services, leadership and management skills, styling and cosmetics etc. On the other hand, we encourage our people to pursue professional growth and personal development and welcome them to enroll in external training. For example, directors and managerial staff attended external training on management and finance, accounting, legal and compliance to further enhance their expertise. In the year under review, the average training hours for our staff in managerial grade and general grade were 13.1 and 16.0 hours respectively.

To further cultivate a learning environment, capture innovative ideas and boost team spirit within the Group, we have launched a variety of recognition programs and incentives for our staff over the years such as Top Sales Award, Image and Styling Competition, Shop Incentive Games, Mystery Shopper Service Awards, and Long Service Awards.

OPERATING PRACTICES

As a responsible fashion conglomerate, our approach to effective corporate governance is underpinned by upholding a high standard of business integrity throughout our operations. We require all staff members to closely observe a set of regulatory laws and regulations when conducting business activities. Likewise, we strive to maintain service excellence and continuously build trust with our stakeholders along the value chain. To this end, we put major effort in safeguarding data privacy and supply chain management to uphold the quality of service.

Business Conduct

Devoted to maintain a workforce with high level of business ethics and integrity, we have established the Code of Business Conducts and Personal Conducts. These guidelines provide clear guidance on proper conducts and principles against potential violation of business integrity. Under these guidelines, employees are required to comply with the stipulated requirements, including regulations on the use of company funds and assets, professional operation procedures in customer and supplier relations management, and impartial rules in combating malpractice related to conflict of interest.

We have zero tolerance in bribery and unethical conduct and therefore have made every endeavour to build a corruption-free work environment. In accordance with the Prevention of Bribery Ordinance of Hong Kong, the Criminal Law of People's Republic of China and the Anti-Money Laundering Law of the People's Republic of China and the Company's Whistleblowing Policy, our employees are encouraged to report any suspected misconduct or malpractice to the Chairman of the Audit Committee of the Company.

Supply Chain Management

We rely on our suppliers to support a part of our operations along the value chain. Apart from suppliers' service quality and capabilities, we look into their performance on environmental and social aspects, including efforts on environmental protection, labor standards, employee welfare and human rights etc., as defined in the procurement guidelines and criteria during the tendering and quotation processes. Depending on the types of services or products to be purchased, regular checks and evaluation on suppliers' performance are carried out through business meetings, factory visits and audits, labor and employment practices reviews, sampling and costing exercises, quality assurance and fabric inspections.

In the year under review, we have engaged 435 suppliers around the globe, with 163 from Mainland China, followed by 141 from Taiwan and 110 from Hong Kong. These three regions account for approximately 37%, 32% and 25% of our total number of suppliers respectively. The remaining were sourced from Macau, Japan, Korea and United States.

Product Responsibility

Aside from offering a wide collection of international fashion labels, we also develop in-house brands to provide a holistic shopping experience for our customers. We understand the reputation of the Group hinges upon not only our creativity and fashion trend-setting capability, but also the quality and safety of our products and services. Therefore we have stipulated a systematic inspection procedure for product quality assurance. Using a four-level approach on our in-house brands, we require suppliers or relevant parties to monitor the quality and safety of their services and products against the Group's standard. The quality assurance procedure includes quality control inspections and audits in areas of fabric inspections, in-process garment inspection, statistical audits, and production monitoring. A third-party assurance team would be engaged to help identify in-process improvements and ensure compliance to the Group's internal quality control standard. Meanwhile, we maintain open dialogue with our peers to keep abreast of the regional industry standards. During the year under review, we did not have any material non-compliance or breach of legislations related to product safety.

Service Satisfaction

I.T continuously seeks improvement in providing our customers with delightful shopping experience. All customer comments and opinions are valued by the Group and hence in 2018, the Group launched its e-shopping portal together with new channels such as live-chat and e-mail to collect customer feedback. This has enabled us to hear more voices from our customers, which is reflected by the increase in the number of both the complaints and compliments we received this year. While embracing any new technology for sustainable business development, we fully consider the possible impacts it may bring to our operations, including time needed for both our internal staff and customers to adapt.

The Complaint Handling Policy was put in place to address our customers' concerns. We pledge to address our complaint cases properly and in a timely manner (within 24-hours), and with an aim to continuously improve our service quality beyond satisfying our customers. In the reporting year upon the launch of our online store, around 27,000 complaints were received and addressed regarding our products and services and most of the complaints were in relation to product information and technical issues of the online store; yet we also received 10,500 compliments during the year for our services and supports.

Consumer Data Protection

We adhere to the Personal Data (Privacy) Ordinance to safeguard the personal data of our customers. Our privacy policy ensures all personal data are protected against unauthorized access, processing, erasure or disclosure to third parties. Only necessary data would be collected, which would be solely used for our e-commerce business and formal marketing purposes, such as broadcasting VIP promotional offers, announcing new products and services to customers. As part of the control measures, we make sure our data protection principles are well communicated to all relevant staff and is regularly reinforced. Any violation regarding data privacy is subject to disciplinary action.

Intellectual Property Rights Protection

I.T recognizes intellectual property rights as valuable commercial assets. While we showcase more than 300 international or licensed brands, we respect and protect the intellectual property of our partners through the Group's well-established privacy policy to guide the proper handling and usage of intellectual properties. In addition, as part of our commitment towards protecting intellectual property rights of others, we include warranties in most of our contracts with suppliers to ensure that intellectual property rights are not infringed. During the reporting year, we fully complied with the relevant requirements and no violation had been recorded.

COMMUNITY

Being one of the market leaders in the fashion industry, the Group believes that it is our responsibility to give back to the community and help build a sustainable society for all. We place a strong focus on empowering and supporting young talents in their development in the fashion industry via diversified opportunities and financial support. In the year under review, we continued to be a sponsor of Hong Kong Design Institute Graduation Fashion Show 2018. The Group also partnered with the Salesian English School to offer students with internship opportunities together with on-the-job training.

Morever, we continue to support Project WeCan, an initiative that assists Hong Kong underprivileged students in future study and career development. This is the 5th year for I.T to engage the San Wui Commercial Society Secondary School by making a donation of HK$500,000 during the year. To provide more industry insights to students, we organized career talks and provided them with retail training and operations opportunities.

Besides making contribution to the educational sector, the Group support Cat Society (Hong Kong) Limited in an effort to raise the awareness to stray cats and promote responsible raising of animals. During the Joint Promotion Campaign in June 2018, we made donation for every tac line item sold and for sharing of the tout à coup video on Facebook.

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 2019.

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 17 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 2019 are set out in Note 17 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 67.

The board of directors of the Company (the "Board") has resolved to recommend the payment of a final dividend of 18.0 HK cents per share for the year ended 28 February 2019 (2018: 17.8 HK cents per share).

BUSINESS REVIEW

A review of the Group's business for the year ended 28 February 2019, 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 23 to 29. An analysis of the Group's performance for the year ended 28 February 2019 by financial key performance indicators is set out on pages 20 to 21.

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 2019.

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.

The Group's subsidiaries are governed by the laws and regulations relating to taxation, foreign exchange, product quality, trademarks, environmental protection, labor and social insurance. Any non-compliance will impose fines or other serious penalty actions against the subsidiaries. We have implemented various measures to ensure compliance with such laws and regulations, including but not limited to consulting our legal advisers and tax professionals.

During the year, the Company did not aware of any material non-compliance or breach of legislation.

SUSTAINABILITY

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

– ***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 career 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 as set out in the section headed "*Environmental, Social and Governance Report*" on pages 43 to 48 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$668,000 (2018: HK$290,000).

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 28 February 2019, the Company's reserve available for cash distribution, as computed in accordance with The Companies Act 1981 of Bermuda (as amended), amounted to HK$719,581,000, of which HK$215,243,000 has been proposed as final dividend for the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws and there was no restriction against such rights under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 131 and 132.

PROPERTY, FURNITURE AND EQUIPMENT

Details of movements in property, furniture and equipment of the Group during the year are set out in Note 15 to the consolidated financial statements.

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

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

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares or the Senior Notes during the year ended 28 February 2019.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Sham Kar Wai
Mr. Sham Kin Wai
Mr. Chan Wai Kwan

Independent Non-executive Directors

Mr. Francis Goutenmacher
Dr. Wong Tin Yau, Kelvin, JP
Mr. Mak Wing Sum, Alvin

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Sham Kar Wai and Mr. Mak Wing Sum, Alvin will retire by rotation at the forthcoming annual general meeting of the Company (the "2019 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 2019 while Mr. Mak Wing Sum, Alvin's on 30 March 2020. 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 2019 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 TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company, or any of its holding company, subsidiaries or fellow 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 35 to the consolidated financial statements.

REMUNERATION POLICY

Remuneration policy of the Company is reviewed regularly, making reference to market condition and performance of the Company and individual staff (including the Directors). The remuneration policy and remuneration packages of the Directors and management team are reviewed by the Remuneration Committee and the Board which are detailed in the paragraph headed "*Remuneration Committee*" under the Corporate Governance Report on page 36.

PENSION-DEFINED CONTRIBUTION PLANS

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

PERMITTED INDEMNITY PROVISIONS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND MANAGEMENT TEAM

Biographical details of the Directors and management team as at the date of this report are set out in the section headed "*Biographies of Directors and Management Team*" on pages 30 to 31.

DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

The changes in the information of the Directors of the Company since the publication of the interim report of the Company for the six months ended 31 August 2018 are set out below:

Name of Directors	Details of changes
Independent Non-executive Directors	
Dr. WONG Tin Yau, Kelvin, JP	– resigned as an independent non-executive director and a member of audit committee of Mingfa Group (International) Company Limited with effect from 6 March 2019.

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 2019, the interests and short positions of the Directors and Chief Executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

(a) Long positions in the shares of the Company

Director	No. of shares held 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 and Underlying Shares of the Company*" below.

(2) Detailed in the section headed "*Share Option Schemes*" 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 2019.

(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 Option Schemes*" 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 1)
	Strengthen Source Limited	Beneficial owner	50%	(Note 2)
	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%	(Note 2)
	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%	

Notes:

(1) 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.

(2) The company was struck off on 1 May 2019.

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 2019.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from those disclosed in the section headed "*Share Option Schemes*" 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 OPTION SCHEMES

The Group has two equity-settled share option schemes which were adopted on 30 June 2008 (the "2008 Share Option Scheme") and 15 August 2017 (the "New Share Option Scheme") (collectively, the "Share Option Schemes") for the purpose of recognising and acknowledging the contributions that eligible Participants (as defined below) have made or may make to the Group. Under the Share Option Schemes, the Board might, at its discretion, grant options to (i) any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company (the "Affiliate"); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or (iii) a company beneficially owned by any director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to the Group or an Affiliate (the "Participants").

The principal terms of the 2008 Share Option Scheme and New Share Option Scheme are summarised as follows:

The 2008 Share Option Scheme and New Share Option Scheme were adopted for a period of 10 years commencing from 30 June 2008 and 15 August 2017, respectively. The Company had by resolution in the annual general meeting of the Company dated 15 August 2017 resolved to terminate the 2008 Share Option Scheme and to adopt the New Share Option Scheme. 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.

Pursuant to the Share Option Schemes, the Company may grant options to eligible Participants as defined in the Share Option Schemes to subscribe for shares in the Company at a price per share of not less than the highest of (i) the nominal value of a share; (ii) the closing price of a share as stated in the daily quotation sheets issued by the Stock Exchange on the date of the offer of the relevant option; and (iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer. A consideration of HK$10 is payable on acceptance of the grant of options. An offer must be accepted within 3 business days from the date of offer (except for such circumstance as defined in the Share Option Schemes).

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Schemes and any other schemes adopted by the Company from time to time must not, in aggregate, exceed 30% of the Shares in issue from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted under the Share Option Schemes 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 in issue as at the date of grant. The period within which the Company's securities must be taken up shall be in any event not later than 10 years from the date of grant, subject to the provisions for early termination of the Share Option Schemes. The remaining life of the New Share Option Scheme is eight years.

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

Movements of share options during the year ended 28 February 2019 under the Share Option Schemes are summarised as follows and details of which are set out in Note 28 to the consolidated financial statements:

2008 Share Option Scheme

	Date of grant	Exercise period	Exercise price per share HK$	Number of Share Options as at 1 March 2018 and 28 February 2019
Directors				
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 (Note)

Note: Representing 10.13% of the issued shares of the Company as at the date of this report.

New Share Option Scheme

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.

EQUITY-LINKED AGREEMENTS

Save as disclosed above, no equity-linked agreements were entered into during the year or subsisted at the end of the year.

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

As at 28 February 2019, 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	0.16%	Long
		1,994,000	0.16%	Short
	Approved lending agent	58,583,236	4.89%	Long
Templeton Asset Management Ltd	Investment Manager	59,742,395	5.00%	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 spouses. 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 or its subsidiaries 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.

To the best of the Directors' knowledge, none of the Directors, their close associates or any shareholder who owns more than 5% of the Company's share capital had an interest in any of the major customers or suppliers above.

RELATED PARTY TRANSACTIONS

Significant related party transactions entered by the Group during the year ended 28 February 2019, which did not constitute connected transactions under the Listing Rules, are disclosed in Note 33 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 2019.

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 dated 24 April 2017 (the "Announcement").

On 24 April 2017, the Company made the Announcement that I.T Finance Limited, an indirectly wholly-owned subsidiary of the Company, as the borrower has entered into the Banking Facility Letter for the purpose of refinancing in full the facilities under the facility agreement dated 1 December 2014. Pursuant to the Banking Facility Letter, it is (among other matters) an event of default if (i) Mr. Sham Kar Wai and Mr. Sham Kin Wai, the current Executive Directors, do not or cease to maintain management control over the management and business of the Group; or (ii) the Sham's Family and the Sham's Family Trust collectively do not or cease to own at least 40% of the beneficial shareholding, carrying at least 40% of the voting rights in the Company, free from any encumbrance. Upon occurrence of an event of default, the obligation of the Lender to make the New Facility available may be terminated, and all advance of the New Facility together with accrued interest and all other sums payable under the Banking Facility Letter may become immediately due and payable.

Details of the New Facility are set out below:

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

(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;
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.

(iii) Terms used herein this subsection have the same meaning as those defined in the announcement made by the Company on 1 March 2019 (the "Second Facility Announcement")

On 1 March 2019, the Company made the Second 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 1 March 2019 entered into between I.T Finance Limited, the guarantor (being the Company) and a bank;
Facility:	a term loan facility of HK$700,000,000 matures on the date falling 36 months from the date of the Facility Agreement.

(iv) Terms used herein this subsection have the same meaning as those defined in the announcement made by the Company on 16 April 2019 (the "Third Facility Announcement")

On 16 April 2019, the Company made the Third 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 16 April 2019 entered into between I.T Finance Limited, the guarantors (being the Company and three indirectly wholly-owned subsidiaries of the Company) and a bank;
Facility:	a term loan facility in an aggregate commitment of HK$450,000,000 matures on the date falling 48 months from 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 34 to 42.

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers who will retire at the 2019 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, 24 May 2019

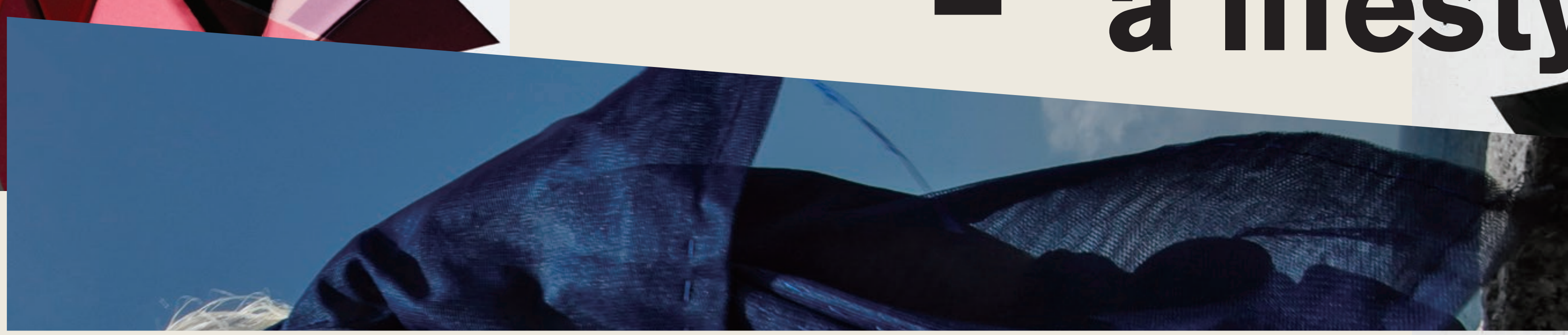
I.T IS

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 67 to 130, which comprise:

- the consolidated statement of financial position as at 28 February 2019;
- 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 2019, 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 16 to the consolidated financial statements. At 28 February 2019, the Group carried a goodwill of HK$240 million relating to the acquisition of I.T China Limited in 2007 which is engaged in the sales of fashion wears and accessories in Mainland China. As described in the basis of preparation and accounting policies in note 2.9(a) to the consolidated financial statements, the goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. Management has concluded that there is no impairment in respect of the goodwill for the year ended 28 February 2019. 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 assumptions 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 15 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 2.8 to the consolidated financial statements, property, furniture and equipment are carried at historical cost less accumulated depreciation and accumulated impairment losses, if any. Management prepared discounted cash flow analysis on the retail stores with negative earnings before interest, tax, depreciation and amortisation ("EBITDA"). The recoverable amounts were determined based on the value-in-use calculations of these retail stores. These calculations involved significant management judgement with respect to the assumptions used including the long-term growth rate, gross margin and store costs such as rent, 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 assumptions made by the management in relation to the value-in-use calculations to be reasonable based on the available evidence.

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation and impairment of inventories Refer to notes 4(c) and 19 to the consolidated financial statements. At 28 February 2019, inventories of the Group amounted to HK$1,538 million. As described in the basis of preparation and accounting policies in note 2.15 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, stock aging as at 28 February 2019 and the subsequent sales after year ended 28 February 2019; – Performing analytics on stock holding and inventory movement data to identify products with indication of slow moving or obsolescence; and – Comparing the carrying amount of the inventories, on a sample basis, to their net realisable value through review of sales of the inventories subsequent to the year end to check the completeness and accuracy of the associated provision. Where there are no subsequent sales of the respective inventories after the year end, we challenged management as to the realisable value of the inventories, corroborating explanations with the aging and marketability of the respective inventories, as appropriate. Based on the procedures performed, we found the estimations of management in relation to the impairment assessment of inventories to be supportable by available evidence.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Audit Committee is 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, 24 May 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 28 February 2019

	Note	2019 HK$'000	2018 HK$'000
Turnover	5	8,832,157	8,383,043
Cost of sales	7	(3,192,446)	(3,059,224)
Gross profit		5,639,711	5,323,819
Other (losses)/gains, net	6	(13,532)	13,604
Operating expenses	7	(4,927,676)	(4,610,139)
Other income	8	55,111	30,473
Operating profit		753,614	757,757
Finance income	10	24,946	22,457
Finance costs	10	(42,922)	(71,352)
Share of (losses)/profits of joint ventures	18	(27,846)	13,996
Profit before income tax		707,792	722,858
Income tax expense	11	(263,647)	(290,932)
Profit for the year		444,145	431,926
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss			
Currency translation differences		(115,727)	188,329
Cash flow hedge recognised as finance costs	10	(33,047)	(88,733)
Fair value changes on cash flow hedge, net of tax		18,209	129,264
Total other comprehensive (loss)/income for the year		(130,565)	228,860
Total comprehensive income for the year		313,580	660,786
Profit attributable to:			
– Equity holders of the Company		442,599	430,556
– Non-controlling interests		1,546	1,370
		444,145	431,926
Total comprehensive income attributable to:			
– Equity holders of the Company		312,427	658,932
– Non-controlling interests		1,153	1,854
		313,580	660,786
Earnings per share attributable to equity holders of the Company for the year (expressed in HK cent per share)			
– basic	12	37.0	36.0
– diluted	12	35.7	34.9
Dividends	13	215,243	212,852

The notes on page 71 to 130 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 28 February 2019

	Note	28 February 2019 HK$'000	28 February 2018 HK$'000
ASSETS			
Non-current assets			
Land use right	14	38,631	–
Property, furniture and equipment	15	954,964	859,433
Intangible assets	16	321,948	331,952
Investments in and loans to joint ventures	18	167,879	159,050
Rental deposits	21	346,422	313,012
Prepayments for non-current assets	21	52,672	59,558
Deferred income tax assets	27	110,327	117,233
		1,992,843	1,840,238
Current assets			
Inventories	19	1,538,037	1,404,759
Trade and other receivables	20	300,171	331,426
Amounts due from joint ventures	18	132,311	65,080
Prepayments and other deposits	21	379,256	380,071
Current income tax recoverable		1,989	1,930
Cash and cash equivalents	22	1,771,957	2,315,333
		4,123,721	4,498,599
LIABILITIES			
Current liabilities			
Borrowings	23	(505,995)	(1,254,016)
Trade payables	24	(414,120)	(470,964)
Accruals and other payables	25	(680,339)	(724,891)
Contract liabilities	25	(21,922)	–
Derivative financial instruments	26	(11,003)	(29,212)
Amounts due to joint ventures	18	(24,165)	(19,009)
Current income tax liabilities		(78,327)	(108,984)
		(1,735,871)	(2,607,076)
Net current assets		2,387,850	1,891,523
Non-current liabilities			
Borrowings	23	(653,981)	(123,355)
Accruals	25	(6,125)	(7,169)
Derivative financial instruments	26	(1,773)	(4,749)
Deferred income tax liabilities	27	(67,294)	(47,826)
		(729,173)	(183,099)
Net assets		3,651,520	3,548,662
EQUITY			
Capital and reserves			
Share capital	28	119,580	119,580
Reserves	29	3,528,701	3,425,755
Non-controlling interests		3,239	3,327
Total equity		3,651,520	3,548,662

The consolidated financial statements on pages 67 to 130 were approved by the board of Directors on 24 May 2019 and were signed on its behalf.

SHAM KAR WAI
Chairman

SHAM KIN WAI
Director

The notes on page 71 to 130 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 28 February 2019

	Note	Attributable to equity holders of the Company			
		Share capital HK$'000	Reserves HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 March 2018		**119,580**	**3,425,755**	**3,327**	**3,548,662**
Comprehensive income:					
– Profit for the year		–	442,599	1,546	444,145
Other comprehensive income/(loss):					
– Currency translation differences		–	(115,334)	(393)	(115,727)
– Cash flow hedge recognised as finance costs		–	(33,047)	–	(33,047)
– Fair value changes on cash flow hedge, net of tax		–	18,209	–	18,209
Total comprehensive income		–	312,427	1,153	313,580
Transactions with equity holders:					
Final dividend for the year ended 28 February 2018		–	(212,852)	(1,241)	(214,093)
Share option scheme					
– value of employment services	29	–	3,371	–	3,371
Total transactions with equity holders		–	(209,481)	(1,241)	(210,722)
Balance at 28 February 2019		119,580	3,528,701	3,239	3,651,520
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	29	–	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

The notes on page 71 to 130 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 28 February 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Cash generated from operations	30(a)	746,396	1,328,167
Interest paid	10	(42,922)	(71,352)
Hong Kong profits tax paid		(10,220)	(11,384)
Overseas income tax paid		(254,184)	(252,073)
Net cash generated from operating activities		439,070	993,358
Cash flows from investing activities			
Purchase of property, furniture and equipment and intangible assets		(448,237)	(361,896)
Prepayments for property, furniture and equipment		(34,339)	–
Prepayments for land use right		–	(39,867)
Proceeds from disposal of property, furniture and equipment	30(b)	20,774	94
Capital injection to a joint venture	18	(42,436)	(3,000)
Interest received		22,258	16,789
Net cash used in investing activities		(481,980)	(387,880)
Cash flows from financing activities			
Proceeds from borrowings		1,417,489	197,723
Repayments of borrowings		(1,668,946)	(216,174)
Dividends paid		(212,852)	(155,454)
Dividends paid to non-controlling interests		(1,241)	(1,280)
Net cash used in financing activities		(465,550)	(175,185)
Net (decrease)/increase in cash and cash equivalents		(508,460)	430,293
Cash and cash equivalents, beginning of the year		2,315,333	1,817,804
Currency translation differences		(34,916)	67,236
Cash and cash equivalents, end of the year	22	1,771,957	2,315,333

The notes on page 71 to 130 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 ("HKFRSs") 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 HKFRSs 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 and amended standards adopted by the Group

The Group has applied the following standards and amendments which are effective for the Group's financial year beginning 1 March 2018 but did not result in any significant impact on the results and financial position of the Group:

Annual Improvements Projects HKFRS 1 and HKAS 28 (Amendments)	Annual improvements to HKFRSs 2014-2016 Cycle
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15
HKAS 28 (Amendments)	Investments in Associates and Joint Ventures
HKAS 40	Transfers to Investment Property
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

The Group had to change its accounting policies following the adoption of HKFRS 9 and HKFRS 15 as disclosed in Note 2.2. Most of the other amendments to standards and interpretation listed above are not expected to significantly affect the current or future periods.

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 2019 or later periods and have not been early adopted by the Group:

Amendments to Annual Improvement Project	Annual Improvements 2015-2017 Cycle [1]
Amendments to HKFRS 9	Prepayment Features with negative compensation [1]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement [1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures [1]
HKFRS 16	Leases [1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments [1]
Amendments to HKFRS 3 (Revised)	Definition of a Business [2]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting [2]
HKFRS 17	Insurance Contracts [3]
Amendments to HKFRS 10 and HKAS 28	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 2019
2 Effective for the Group for annual periods beginning on or after 1 March 2020
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 consolidated statement of financial position, 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 Group expects to adopt the standard using the simplified transition approach where the cumulative effects of initially applying HKFRS 16 is recognised as an adjustment to the opening balance of retained profits and comparative figures are not restated.

The Group will recognise a right-of-use (“ROU”) asset and a financial liability on the consolidated statement of financial position. The asset will be depreciated over the terms of the leases, and the financial liability will be measured at amortised costs.

Lease expenses in the consolidated statement of comprehensive income are replaced by depreciation and interest expenses. Adoption of the new standard will have effects to the financial performance of the Group by increasing EBITDA and EBIT, while, when comparing to the HKAS 17, higher expenses will be incurred in the early years of lease terms, diminishing over the lease terms and will result lower expenses in the later part of the lease terms.

As at the reporting date, the Group has non-cancellable operating lease commitments of approximately HK$3.1 billion (Note 32). Of these commitments, approximately HK$41 million relate to short-term leases which will be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments, the Group expects to recognise right-of-use asset of approximately HK$2.8 billion and a corresponding liability of HK$2.9 billion. The overall net assets will be approximately HK$100 million lower. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 CHANGES IN PRINCIPAL ACCOUNTING POLICIES

The Group has adopted the following new accounting standards from 1 March 2018.

(a) HKFRS 9 "Financial Instruments"

HKFRS 9 replaces the provision for HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 "Financial Instruments" from 1 March 2018 resulted in changes in accounting policies are set out in (i) and (ii) below. In accordance with the transitional provision in HKFRS 9, comparative figures have not been restated.

(i) Classification and measurement

On 1 March 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. Based on the assessment, there is no significant impact to the classification and measurement of the financial instruments under the adoption HKFRS 9.

(ii) Impairment of financial assets

The Group was required to revise its impairment methodology under HKFRS 9 for the Group's financial assets, including trade and other receivables, loans and amounts due from joint ventures.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables. However, there is no significant impact on the Group's accounting with respect to impairment of trade receivables. Accordingly, opening balance of retained profits as at 1 March 2018 are not adjusted in respect to the adoption of the simplified approach to measuring expected credit losses.

Other financial assets (including other receivables, loans and amounts due from joint ventures)

For the other financial assets (including other receivables, loans and amounts due from joint ventures), expected credit losses are assessed according to change in credit quality since initial recognition. However, there is no significant impact on the Group's accounting with respect to impairment of other financial assets. Accordingly, opening balance of retained profits as at 1 March 2018 are not adjusted in respect to the adoption of the new impairment methodology to measuring expected credit losses

Financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

(iii) Derivatives and hedging activities

Impact from the adoption of HKFRS 9 on prior periods

The foreign exchange and interest rate swaps in place as at 28 February 2018 qualified as cash flow hedges under HKFRS 9. The Group's risk management strategies and hedge documentation are aligned with the requirements of HKFRS 9 and these relationships are therefore treated as continuing hedges and there is no impact from the adoption of HKFRS 9 on prior periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 CHANGES IN ACCOUNTING POLICIES (Continued)

(b) HKFRS 15 "Revenue from contracts with customers"

The Group has adopted HKFRS 15 from 1 March 2018 which resulted in changes in accounting policies. The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative effects of the adoption (if any) will be recognised in retained profits as of 1 March 2018 and that comparative figures will not be restated.

However, there is no significant impact on the Group's accounting with respect to the timing of revenue recognition and allocation of the transaction price to performance obligations identified. Accordingly, opening balance of retained profits at 1 March 2018 are not adjusted in respect to the adoption of HKFRS 15.

Reclassifications were made as at 1 March 2018 to be consistent with the terminology used under HKFRS 15. In summary, the following adjustments were made to the amounts recognised in the consolidated statement of financial position at the date of initial application on 1 March 2018.

	Audited	
	Contract liabilities HK$'000	Receipt in advance HK$'000
Consolidated statement of financial position (extract)		
Closing balance as at 28 February 2018	–	21,469
Reclassify receipt in advance to contract liabilities	21,469	(21,469)
Opening balance as at 1 March 2018	21,469	–

2.3 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 2.4).

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING (Continued)

(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 2.11.

2.4 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 2.9). 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.

2.5 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 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.

2.7 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.

2.8 Property, furniture and equipment

Leasehold land classified as finance lease and all other property, furniture and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated statement of comprehensive income during the period in which they are incurred.

Depreciation of property, furniture and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Land and buildings	37 to 40 years
Leasehold improvements	3 to 5 years or over the unexpired period of the lease
Furniture and equipment	3 to 5 years
Motor vehicles and yacht	4 to 10 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Construction in progress represents property, furniture and equipment under construction or pending installation and its stated at cost less impairment losses, if any. No depreciation is made on assets under construction in progress until such time as the relevant assets are completed and available for their intended use.

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)

2.9 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).

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 INTANGIBLE ASSETS (Continued)

(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.

2.10 LAND USE RIGHT

The land use right has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the land use right of approximately 50 years.

2.11 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.

2.12 INVESTMENTS AND OTHER FINANCIAL ASSETS

(i) Classification

From 1 March 2018, the Group classifies its financial assets to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets at amortised costs 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.

The Group reclassified debt investments when and only when its business model for managing those assets changes.

(ii) 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.

(iii) 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.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 INVESTMENTS AND OTHER FINANCIAL ASSETS (Continued)

(iv) Impairment

From 1 March 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted under HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. For other financial assets (including other receivables, loans and amounts due from joint ventures), expected credit losses are assessed according to change in credit quality since initial recognition.

(v) Accounting policies applied until 28 February 2018

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(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. See note for details about each type of financial asset.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 INVESTMENTS AND OTHER FINANCIAL ASSETS (Continued)

(v) Accounting policies applied until 28 February 2018 (Continued)

(e) Impairment

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 OFFSETTING FINANCIAL INSTRUMENTS

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

2.14 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 26. Movements on the hedging reserve in shareholders' equity are shown in Note 29. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(a) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges 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)

2.14 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 profit and loss account within other losses. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant 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, plant 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.

2.15 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.

2.16 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.

2.17 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.

2.18 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)

2.19 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.

2.20 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)

2.21 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)

2.21 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.

2.22 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.

2.23 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.

2.24 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 at a point in time 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)

2.25 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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.26 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.

2.27 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.

2.28 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.

2.29 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 to Japanese Yen, Macau Pataca, Pound Sterling, Euro, United States Dollar, New Taiwan Dollar and Chinese Renminbi. 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. The Group has also entered into a currency swap contract to hedge against the foreign exchange rate of the committed payment of an acquisition completed in May 2019.

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 2019		As at 28 February 2018	
Functional currency	Foreign currency	Hypothetical depreciation in foreign exchange rate	Positive/ (negative) effect on profit or loss and shareholders' equity HK$'000	Hypothetical depreciation in foreign exchange rate	Positive/ (negative) effect on profit or loss and shareholders' equity HK$'000
Hong Kong Dollar	Euro	5%	1,172	5%	(871)
Hong Kong Dollar	Pound Sterling	5%	(12)	5%	(491)
Hong Kong Dollar	Japanese Yen	10%	(1,177)	10%	106
Hong Kong Dollar	Chinese Renminbi	5%	(18,722)	5%	(2,413)
Macau Pataca	Chinese Renminbi	5%	(11,435)	5%	(13,245)
Chinese Renminbi	United States Dollar	5%	(171)	5%	(169)
Japanese Yen	United States Dollar	10%	(1,724)	10%	(2,873)

As at 28 February 2019, foreign exchange risks on financial assets and liabilities denominated in New Taiwan Dollar and Korean Won 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 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 2019, all the bank deposits are deposited in the high quality financial institutions without significant credit risk. Management does not expect any losses from non-performance by these institutions.

The credit quality of trade and other receivables 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 1% of the Group's total revenue during the year.

As at 28 February 2019, the Company provided corporate guarantees of HK$2,510,000,000 (28 February 2018: HK$1,808,004,000) 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 18, 20, 21 and 22 to the consolidated financial statements.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(c) Liquidity risk

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

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period from the statement of financial position date to their maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, based on floating interest rate or exchange rates (where applicable) prevailing at the statement of financial position date.

	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 2019					
Borrowings subject to a repayment on demand clause	**74,177**	**–**	**–**	**–**	**74,177**
Borrowings and interest payment	**455,651**	**200,180**	**491,002**	**–**	**1,146,833**
Trade payables	**414,120**	**–**	**–**	**–**	**414,120**
Accruals and other payables	**590,465**	**6,125**	**–**	**–**	**596,590**
Amounts due to joint ventures	**24,165**	**–**	**–**	**–**	**24,165**
	1,558,578	**206,305**	**491,002**	**–**	**2,255,885**
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	569,060	7,169	–	–	576,229
Amounts due to joint ventures	19,009	–	–	–	19,009
	2,353,990	109,429	25,161	–	2,488,580

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 2019					
Currency swap contracts – cash flow hedges:					
– outflow	**(424,752)**	**–**	**–**	**–**	**(424,752)**
– inflow	**413,574**	**–**	**–**	**–**	**413,574**
Currency swap contracts – not qualified for hedge accounting:					
– outflow	**(170,500)**	**–**	**–**	**–**	**(170,500)**
– inflow	**172,685**	**–**	**–**	**–**	**172,685**
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	(349,786)	–	–	–	(349,786)
– inflow	353,429	–	–	–	353,429

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 2019	12,138	11,900	34,274	20,005	78,317
As at 28 February 2018	11,991	11,805	34,298	30,967	89,061

(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 2019, except for the cash at bank and in hand of HK$1,349,571,000 (28 February 2018: HK$1,782,707,000) and the bank borrowings of HK$1,159,976,000 (28 February 2018: HK$281,505,000), 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 2019, 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$1,896,000 (28 February 2018: HK$15,012,000) 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 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 2019 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 2019 and 2018:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 28 February 2019				
Liabilities				
Currency swap contract – cash flow hedge	–	(11,003)	–	(11,003)
Currency swap contracts not qualified for hedge accounting	–	(1,773)	–	(1,773)
	–	(12,776)	–	(12,776)
As at 28 February 2018				
Liabilities				
Currency and interest rate swap contracts – cash flow hedge	–	(29,212)	–	(29,212)
Currency swap contracts not qualified for hedge accounting	–	(4,749)	–	(4,749)
	–	(33,961)	–	(33,961)

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 2019	28 February 2018
Cash and cash equivalents (HK$'000)	1,771,957	2,315,333
Current ratio (Current assets divided by current liabilities)	2.38	1.73
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 2019 and 2018, 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 a reversal of impairment of property, furniture and equipment of HK$3,984,000 was recognised for the year ended 28 February 2019. 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 makes provision for impairment of receivables based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the date of the consolidated statement of financial position.

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

	2019 HK$'000	2018 HK$'000
Turnover - sales of fashion wears and accessories	8,832,157	8,383,043

The Group's turnover is recognised at a point in time.

(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 (losses)/profits of joint ventures, finance income and finance costs ("segment profit/(loss)"), 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 2019 and 2018 are as follows:

	Hong Kong and Macau		Mainland China		Japan and the USA		Other		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	3,424,832	3,323,821	4,122,541	3,919,577	1,152,738	1,005,944	132,046	133,701	8,832,157	8,383,043
EBITDA	102,348	73,651	411,043	529,616	494,639	436,492	40,792	39,302	1,048,822	1,079,061
Depreciation and amortisation	(93,063)	(110,704)	(182,598)	(182,224)	(19,781)	(9,266)	(3,750)	(3,380)	(299,192)	(305,574)
Reversal of/(provision for) impairment of property, furniture and equipment	3,324	(2,677)	660	(13,053)	-	-	-	-	3,984	(15,730)
Segment profit/(loss)	12,609	(39,730)	229,105	334,339	474,858	427,226	37,042	35,922	753,614	757,757
Finance income									24,946	22,457
Finance costs									(42,922)	(71,352)
Share of (losses)/profits of joint ventures									(27,846)	13,996
Profit before income tax									707,792	722,858
Total segment non-current assets	558,100	499,488	980,078	896,987	171,216	162,951	5,243	4,529	1,714,637	1,563,955
Total segment assets	2,215,679	2,506,324	2,733,039	2,767,862	693,045	658,868	62,295	62,490	5,704,058	5,995,544

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

	28 February 2019 HK$'000	28 February 2018 HK$'000
Segment assets for reportable segments	5,641,763	5,933,054
Other segment assets	62,295	62,490
	5,704,058	5,995,544
Unallocated:		
Deferred income tax assets and current income tax recoverable	112,316	119,163
Investments in and amounts due from joint ventures	300,190	224,130
	6,116,564	6,338,837

6 OTHER (LOSSES)/GAINS, NET

	2019 HK$'000	2018 HK$'000
Fair value gains/(losses) on derivative financial instruments		
– foreign currency swap contracts	2,976	(4,749)
Net exchange (losses)/gains	(16,508)	18,353
	(13,532)	13,604

7 EXPENSES BY NATURE

	2019 HK$'000	2018 HK$'000
Cost of inventories sold	3,127,159	3,067,026
Provision for/(reversal of provision for) inventories losses	14,532	(6,135)
Employment costs (including directors' emoluments) (Note 9)	1,531,325	1,371,786
Operating lease rentals of premises		
– minimum lease payments	1,481,877	1,488,879
– contingent rents	284,380	283,725
Building management fee	268,869	252,362
Advertising and promotion costs	237,176	156,994
Commission expenses	116,198	99,799
Bank charges	86,430	82,983
Utilities expenses	55,767	57,320
Freight charges	43,483	35,619
Depreciation of property, furniture and equipment	287,064	292,343
(Reversal of)/impairment of property, furniture and equipment	(3,984)	15,730
Loss on disposal of property, furniture and equipment	12,131	7,245
Licence fees	28,870	18,450
Amortisation of intangible assets	12,128	13,231
Provision for impairment of amounts due from joint ventures	–	13,348
Auditors' remuneration		
– audit services	2,802	2,600
– non-audit services	550	550
Other expenses	533,365	415,508
Total	8,120,122	7,669,363
Representing:		
Cost of sales	3,192,446	3,059,224
Operating expenses	4,927,676	4,610,139
	8,120,122	7,669,363

8 OTHER INCOME

	2019 HK$'000	2018 HK$'000
Government grants	37,034	21,379
Commission income (Note 33(a))	1,970	1,853
Service fees (Note 33(a))	16,107	7,241
	55,111	30,473

9 EMPLOYMENT COSTS

	2019 HK$'000	2018 HK$'000
Salaries, commission and allowances	1,348,675	1,210,515
Pension costs - employer's contributions to defined contribution plans and provision for long service payment	169,825	149,521
Share-based payment (Note 28)	3,371	6,904
Welfare and other benefits	9,454	4,846
	1,531,325	1,371,786

(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 state-sponsored retirement plans 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 state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include three (2018: three) directors whose emoluments are reflected in Note 35. The emoluments payable to the remaining two (2018: two) individuals are as follows:

	2019 HK$'000	2018 HK$'000
Salaries	7,148	6,779
Other benefits (i)	2,760	2,991
Employer's contributions to pension scheme	319	302
	10,227	10,072

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 (2018: two) individuals fell within the following bands:

	2019	2018
HK$5,000,001 - HK$5,500,000	2	2
	2	2

(c) During the year ended 28 February 2019, 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 (2018: Nil).

10 FINANCE INCOME AND COSTS

	2019 HK$'000	2018 HK$'000
Interest income from		
– bank deposits	20,487	18,504
– amounts due from joint ventures	455	455
– others (i)	4,004	3,498
Finance income	24,946	22,457
Interest expense on borrowings wholly repayable within five years	(41,908)	(72,920)
Net foreign exchange transaction loss	(34,061)	(87,165)
Transfer from hedging reserve		
– interest rate and currency swaps: cash flow hedge	33,047	88,733
Finance costs	(42,922)	(71,352)
Net finance costs	(17,976)	(48,895)

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% (2018: 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% (2018: 25%) on the estimated assessable profits of the Group's operations in Mainland China.

Taiwan profits tax has been provided at the rate of 20% (2018: 17%) on the estimated assessable profits of the Group's operations in Taiwan.

Macau Complementary (Corporate) Tax has been provided at the applicable rate of 12% (2018: 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 34.59% (2018: 34.81%) on the estimated assessable profits of the Group's operations in Japan.

11 INCOME TAX EXPENSE (Continued)

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 21% for the years ended 28 February 2019 and 2018.

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

	2019 HK$'000	2018 HK$'000
Current income tax		
– Hong Kong profits tax	4,342	5,216
– Mainland China enterprise income tax	46,893	65,696
– Overseas income tax	185,272	185,697
– Under/(over)-provision in prior years	342	(3,558)
	236,849	253,051
Deferred income tax (Note 27)	26,798	37,881
	263,647	290,932

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:

	2019 HK$'000	2018 HK$'000
Profit before income tax	707,792	722,858
Adjustment: share of losses/(profits) of joint ventures, net of tax	27,846	(13,996)
Adjusted profit before income tax	735,638	708,862
Tax calculated at applicable tax rates	214,449	217,222
Income not subject to tax	(3,938)	(3,545)
Expenses not deductible for tax purposes	7,152	11,059
Effect on change of overseas income tax rate	227	3,758
Impact of deferred tax not recognised	2,033	23,694
Withholding tax	43,382	17,118
Write-off of deferred tax previously recognised	–	25,184
Under/(over)-provision in prior years	342	(3,558)
Income tax expense	263,647	290,932

The weighted average applicable tax rate was 29.2% (2018: 30.6%). The decrease is mainly caused by a change of the relative profitability 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.

	2019	2018
Profit attributable to equity holders of the Company (HK$'000)	442,599	430,556
Weighted average number of ordinary shares in issue ('000)	1,195,797	1,195,797
Basic earnings per share (HK cent)	37.0	36.0

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.

	2019	2018
Profit attributable to equity holders of the Company (HK$'000)	442,599	430,556
Weighted average number of ordinary shares in issue ('000)	1,195,797	1,195,797
Adjustments for share options ('000)	44,346	36,308
Weighted average number of ordinary shares for diluted earnings per share ('000)	1,240,143	1,232,105
Diluted earnings per share (HK cent)	35.7	34.9

13 DIVIDENDS

	2019 HK$'000	2018 HK$'000
Final dividend, proposed, 18.0 HK cents (2018: 17.8 HK cents) per ordinary share	215,243	212,852

The dividends paid during the years ended 28 February 2019 and 2018 were HK$212,852,000 (17.8 HK cents per share) and HK$155,454,000 (13.0 HK cents per share) respectively.

A final dividend of 18.0 HK cents (2018: 17.8 HK cents) per ordinary share for the year ended 28 February 2019 is to be proposed at the annual general meeting.

14 LAND USE RIGHT

The Group's land use right represents the prepayment for a land use right, the net book value of which is analysed as follows:

	28 February 2019 HK$'000	28 February 2018 HK$'000
Opening net book amount	–	–
Addition	39,255	–
Transfer to construction in progress	(654)	–
Currency translation differences	30	–
Closing net book amount	38,631	–

As at 28 February 2019, the Group's land use right is located in the PRC and the remaining lease period is 49 years.

15 PROPERTY, FURNITURE AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles and yacht HK$'000	Construction in progress HK$'000	Total HK$'000
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
Year ended 28 February 2019						
Opening net book amount	**222,470**	**504,214**	**116,739**	**16,010**	**–**	**859,433**
Additions	**–**	**309,790**	**63,351**	**1,084**	**59,723**	**433,948**
Disposals	**–**	**(19,318)**	**(13,425)**	**(162)**	**–**	**(32,905)**
Reversal of impairment	**–**	**3,984**	**–**	**–**	**–**	**3,984**
Depreciation	**(6,798)**	**(237,654)**	**(36,105)**	**(6,507)**	**–**	**(287,064)**
Currency translation differences	**(920)**	**(16,845)**	**(4,586)**	**(160)**	**79**	**(22,432)**
Closing net book amount	**214,752**	**544,171**	**125,974**	**10,265**	**59,802**	**954,964**
At 28 February 2019						
Cost	**272,496**	**1,774,331**	**279,116**	**63,594**	**59,802**	**2,449,339**
Accumulated depreciation and impairment	**(57,744)**	**(1,230,160)**	**(153,142)**	**(53,329)**	**–**	**(1,494,375)**
Net book amount	**214,752**	**544,171**	**125,974**	**10,265**	**59,802**	**954,964**

Depreciation and impairment expenses of property, furniture and equipment have been included in operating expenses.

As at 28 February 2019, certain bank borrowings of the Group are secured by the land and buildings with carrying amounts of HK$183,694,000 (28 February 2018: HK$190,177,000) (Note 23).

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

16 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 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
Year ended 28 February 2019								
Opening net book amount	**295,609**	**–**	**1,261**	**7,837**	**19,147**	**–**	**8,098**	**331,952**
Additions	**–**	**–**	**–**	**37**	**14,906**	**–**	**–**	**14,943**
Amortisation	**–**	**–**	**(499)**	**(2,542)**	**(9,087)**	**–**	**–**	**(12,128)**
Currency translation differences	**(12,423)**	**–**	**–**	**(219)**	**(177)**	**–**	**–**	**(12,819)**
Closing net book amount	**283,186**	**–**	**762**	**5,113**	**24,789**	**–**	**8,098**	**321,948**
At 28 February 2019								
Cost	**354,105**	**2,317**	**22,093**	**23,750**	**58,382**	**3,621**	**8,098**	**472,366**
Accumulated amortisation and impairment	**(70,919)**	**(2,317)**	**(21,331)**	**(18,637)**	**(33,593)**	**(3,621)**	**–**	**(150,418)**
Net book amount	**283,186**	**–**	**762**	**5,113**	**24,789**	**–**	**8,098**	**321,948**

Amortisation and impairment expenses of intangible assets have been included in operating expenses.

16 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 2019			
Mainland China	**250,766**	**(11,143)**	**239,623**
Japan	**44,843**	**(1,280)**	**43,563**
	295,609	**(12,423)**	**283,186**
28 February 2018			
Mainland China	230,305	20,461	250,766
Japan	42,363	2,480	44,843
	272,668	22,941	295,609

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 2019 and 28 February 2018 are as follows:

	Mainland China		Japan	
	28 February 2019	28 February 2018	**28 February 2019**	28 February 2018
Average annual growth rate	**0% to 7%**	0% to 10%	**3% to 5%**	3% to 5%
Long-term growth rate	**2%**	2%	**2%**	2%
Gross margin	**48% to 64%**	54% to 62%	**66%**	66%
Discount rate (post-tax)	**12%**	12%	**12%**	12%

During the years ended 28 February 2019 and 2018, no impairment was recognised in respect of the goodwill.

17 SUBSIDIARIES

Details of the principal subsidiaries as at 28 February 2019:

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
AAPE Limited	Hong Kong	HK$500,000	–	100%	–	Lease holding
b+ab (bvi) limited	British Virgin Islands	US$1	–	100%	–	Investment holding
b&ab Limited	Hong Kong	HK$500,000	–	100%	–	Lease holding
Black Chocoolate Limited	Hong Kong	HK$1	–	100%	–	Lease holding
Blossom Glory Limited	Hong Kong	HK$500,000	–	100%	–	Retail of fashion wears and accessories
Charm Source Limited	Hong Kong	HK$5,000,000	–	100%	–	Dormant
Century Team Corporation Limited	Hong Kong	HK$2	–	100%	–	Investment holding
Cheersway Development Limited	Hong Kong	HK$2	–	100%	–	Dormant
Cheerwood Limited	Hong Kong	HK$2	–	100%	–	Lease holding
Chocoolate Limited	Hong Kong	HK$500,000	–	100%	–	Lease holding
Double Park Limited	Hong Kong	HK$500,000	–	100%	–	Lease holding
Elegant Century Enterprises Limited	Hong Kong	HK$500,000	–	100%	–	Retail and trading of fashion wears and accessories
Fairman International Limited	Hong Kong	HK$2	–	100%	–	Lease holding
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 apparels (Guangzhou) Limited	Mainland China	RMB500,000	–	100%	–	Provision of administrative services
I.T China Limited	Hong Kong	HK$60,000,008	–	100%	–	Investment holding
I.T China Holdings (BVI) Limited	British Virgin Islands	US$1	–	100%	–	Investment holding
I.T China Holding (Shanghai) Co., Ltd (ii)	Mainland China	RMB129,500,000	–	100%	–	Investment holding
I.T. CHINA (B.V.I.) LIMITED	British Virgin Islands	US$2	–	100%	–	Investment holding

17 SUBSIDIARIES (Continued)

Details of the principal subsidiaries as at 28 February 2019: (Continued)

Name	Place of incorporation/ establishment and operations	Issued and fully paid/ registered capital	Proportion of ordinary shares directly held by parent (%)	Percentage of equity interest attributable to the Group (i)	Proportion of ordinary shares held by non-controlling interests (%)	Principal activities
I.T China Sourcing Limited	Hong Kong	HK$1	–	100%	–	Sourcing
I.T Cosmetics (BVI) Limited	British Virgin Islands	US$1	–	100%	–	Investment holding
I.T CP China Holdings (BVI) Limited	British Virgin Islands	US$1	–	100%	–	Investment holding
I.T Distribution Limited	Hong Kong	HK$2	–	100%	–	Trading of fashion wear and accessories
I.T Distribution (Canada) Limited	Canada	CAD100	–	100%	–	Dormant
I.T eshop Limited	Hong Kong	HK$1	–	100%	–	Dormant
I.T ezhop Holdings Limited	British Virgin Islands	US$1	–	100%	–	Investment holding
I.T ezhop (HK) Limited	Hong Kong	HK$1	–	100%	–	Retail of fashion wears and accessories
I.T ezhop (Shanghai) Limited (ii)	Mainland China	RMB1,840,000	–	100%	–	Retail of fashion wears and accessories
I.T FC China Holdings (BVI) Limited	British Virgin Islands	US$1	–	100%	–	Investment holding
I.T F&B (BVI) Limited	British Virgin Islands	US$1	–	100%	–	Investment holding
I.T F&B (HK) Limited	Hong Kong	HK$1	–	100%	–	Investment holding
I.T F&B (Shanghai) Limited (ii)	Mainland China	RMB890,000	–	100%	–	Retail of food and beverages
I.T Finance Limited	Hong Kong	HK$1	–	100%	–	Provision of financing services
I.T GL Holdings (BVI) Limited	British Virgin Islands	US$1	–	100%	–	Investment holding
I.T Intellectual Property Limited	Hong Kong	HK$1	–	100%	–	Dormant
I.T KS Holdings Limited	British Virgin Islands	US$1	–	100%	–	Investment holding
I.T Licensing Limited	Hong Kong	HK$1,000,000	–	100%	–	Retail of fashion wears and accessories
I.T Macau (BVI) Limited	British Virgin Islands	US$1	–	100%	–	Investment holding
I.T (Macau) Limited	Macau	MOP9,270,000	–	100%	–	Retail of fashion wears and accessories
I.T Nowhere Holdings (BVI) Limited	British Virgin Islands	US$1	–	100%	–	Investment holding
I.T Nowhere Holdings (HK) Limited	Hong Kong	HK$1	–	100%	–	Investment holding

17 SUBSIDIARIES (Continued)

Details of the principal subsidiaries as at 28 February 2019: (Continued)

Name	Place of incorporation/ establishment and operations	Issued and fully paid/ registered capital	Proportion of ordinary shares directly held by parent (%)	Percentage of equity interest attributable to the Group (i)	Proportion of ordinary shares held by non-controlling interests (%)	Principal activities
I.T Nowhere (UK) Limited	The United Kingdom	GBP1	–	100%	–	Dormant
I.T Optical Holdings Limited	British Virgin Islands	US$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
I.T Taiwan (BVI) Limited	British Virgin Islands	US$100	–	100%	–	Investment holding
ithk associates limited (BVI)	British Virgin Islands	US$1	–	100%	–	Investment holding
ithk holdings limited	British Virgin Islands	US$20,000	100%	100%	–	Investment holding
ithk investments limited	British Virgin Islands	US$1	–	100%	–	Investment holding
ithk tm limited	British Virgin Islands	US$1	–	100%	–	Dormant
Izzue Limited	Hong Kong	HK$500,000	–	100%	–	Lease holding
izzue (bvi) limited	British Virgin Islands	US$1	–	100%	–	Investment holding
izzue.com (Hong Kong) Limited	Hong Kong	HK$1	–	100%	–	Dormant
Jademan Group Limited	Hong Kong	HK$1	–	100%	–	Dormant
Jenin Limited	Hong Kong	HK$1	–	100%	–	Lease holding
Jetchance Limited	Hong Kong	HK$300,000	–	100%	–	Lease holding
Joyful Fair Limited	Hong Kong	HK$500,000	–	100%	–	Lease holding
Joyful Way Development Limited	Hong Kong	HK$1	–	100%	–	Lease holding
Kenchart Investments Limited	Hong Kong	HK$300,000	–	100%	–	Lease holding
Kenchart Development Limited	Hong Kong	HK$1	–	100%	–	Investment holding
Kenchart Trading (Shanghai) Limited	Mainland China	RMB3,590,000	–	100%	–	Dormant
Kenchart (Kunshan) Limited (ii)	Mainland China	RMB165,900,000	–	100%	–	Dormant
King Chart Limited	Hong Kong	HK$10,000	–	100%	–	Lease holding
Legend Grace International Limited	Hong Kong	HK$2	–	100%	–	Lease holding

17 SUBSIDIARIES (Continued)

Details of the principal subsidiaries as at 28 February 2019: (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
Maxgainer Limited	Hong Kong	HK$1	–	100%	–	Investment holding
Maxgainer Trading (Shanghai) Limited (ii)	Mainland China	USD150,000	–	100%	–	Trading of cosmetic products
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
Mega Charm Holdings (BVI) Limited	British Virgin Islands	US$1,172,332	–	100%	–	Investment holding
Mega Charm Industrial Limited	Hong Kong	HK$1	–	100%	–	Investment holding
New Concepts Corporation Limited	Hong Kong	HK$5	–	100%	–	Investment holding and trading of fashion wears and accessories
Neith Limited	Hong Kong	HK$2	–	100%	–	Retail of eyewears
Neith (Shanghai) Limited (ii)	Mainland China	RMB3,000,000	–	100%	–	Retail of eyewears
Prime Vantage Enterprises Limited	Hong Kong	HK$1	–	100%	–	Investment holding
Prime Vantage Holdings (BVI) Limited	British Virgin Islands	US$1	–	100%	–	Investment holding
Prime Vantage Trading (Shanghai) Limited (ii)	Mainland China	US$1,000,000	–	100%	–	Retail of fashion wears and accessories
Peak Mark Limited	Hong Kong	HK$1	–	100%	–	Trading of fashion wears and accessories
Pride Wide Limited	Hong Kong	HK$4	–	100%	–	Investment holding
Pride Wide Trading (Shanghai) Limited (ii)	Mainland China	US$600,000	–	100%	–	Retail of fashion wears and accessories
Promax Concept Limited	Hong Kong	HK$1	–	100%	–	Dormant
Regent Cheer Limited	Hong Kong	HK$1,000,000	–	100%	–	Lease holding
Right Young Limited	Hong Kong	HK$1	–	100%	–	Retail of food and beverages
Sanjose Limited	Hong Kong	HK$2	–	100%	–	Property holding
Sift Company Limited	Hong Kong	HK$2,009,800	–	100%	–	Retail of chocolates and cakes

17 SUBSIDIARIES (Continued)

Details of the principal subsidiaries as at 28 February 2019: (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
Sparkle Star China Limited	Hong Kong	HK$3	–	100%	–	Investment holding
Summit Shine Limited	Hong Kong	HK$1	–	100%	–	Investment holding
Sunport Holdings Limited	Hong Kong	HK$10	–	100%	–	Investment holding
Top Honour Corporation Limited	Hong Kong	HK$4,000,000	–	100%	–	Lease holding
Under Garden Limited	Hong Kong	HK$2	–	100%	–	Dormant
Venilla Suite Limited	Hong Kong	HK$300,000	–	100%	–	Lease holding
White Chocoolate Limited	Hong Kong	HK$1	–	100%	–	Dormant
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 Limited	Hong Kong	HK$2	–	100%	–	Investment holding
Zoompac Apparel (Shanghai) Limited (ii)	Mainland China	US$8,000,000	–	100%	–	Retail and trading of fashion wears and accessories
香港商翊鼎國際開發股份有限公司	Taiwan	NT$3,000,000	–	100%	–	Retail of fashion wears and accessories

Notes:

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

(ii) I.T China Holding (Shanghai) Co., Ltd, I.T F&B (Shanghai) Limited, Maxgainer Trading (Shanghai) Limited, Neith (Shanghai) Limited, I.T ezhop (Shanghai) Limited, Mega Charm Apparels (Shanghai) Limited, Pride Wide Trading (Shanghai) Limited, Prime Vantage Trading (Shanghai) Limited, Zoompac Apparel (Shanghai) Limited, Kenchart Trading (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 2047, 30 years up to year 2042, 30 years up to year 2041, 30 years up to year 2048, 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, 20 years up to 2023, 30 years up to 2040, 20 years up to 2035, 30 years up to year 2043 and 20 years up to year 2030, respectively.

18 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES

	28 February 2019 HK$'000	28 February 2018 HK$'000
Share of net assets (Note (a))	146,445	138,071
Loans to joint ventures (Note (b))	21,434	20,979
	167,879	159,050
Amounts due from joint ventures (Note (b))	132,311	65,080
Amounts due to joint ventures (Note (b))	(24,165)	(19,009)

(a) Share of net assets of joint ventures

	28 February 2019 HK$'000	28 February 2018 HK$'000
Beginning of the year	138,071	109,379
Share of results of joint ventures		
– (loss)/profit before income tax	(23,988)	3,093
– income tax (expense)/credit	(3,858)	10,903
– currency translation differences	(6,216)	11,696
Capital injection in joint ventures (Note)	42,436	3,000
End of the year	146,445	138,071

Note:

The capital injection in joint venture for the year ended 28 February 2019 refers to the investment by the Group in Kenzo Asia Holding Co. Limited at consideration of RMB36,799,000 (equivalent to approximately HK$42,436,000).

18 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 2019:

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
Galeries Lafayette (Shanghai) Limited (iii)	Mainland China	RMB20,000,000	50%	Operation of a department store
Macaron (Beijing) Limited (iv)	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 (v)	Mainland China	US$3,500,000	50%	Retail of foot wears
Kenzo Asia Holding Co. Limited	Hong Kong	RMB75,100,000	49%	Investment holding
Kenzo (Shanghai) Commercial Co. Ltd (vi)	Mainland China	RMB40,000,000	49%	Retail of fashion wears and accessories

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) Galeries Lafayette (Shanghai) Limited is a joint venture, which is a wholly owned foreign enterprise of Galeries Lafayette (China) Limited, established in Shanghai, Mainland China to be operated for 30 years up to year 2048.

(iv) 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.

(v) 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.

(vi) Kenzo (Shanghai) Commercial Co. Ltd is a joint venture, which is a wholly owned foreign enterprise of Kenzo Asia Holding Co. Limited, established in Shanghai, Mainland China to be operated for 20 years up to year 2038.

18 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES (Continued)

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

Galeries Lafayette (China) Limited and Kenzo (Shanghai) Commercial Co. Ltd are material joint ventures of the Group.

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 2019 HK$'000	28 February 2018 HK$'000
Assets		
Non-current assets	484,967	189,410
Current assets		
– Cash and cash equivalents	215,213	252,890
– Other current assets	310,368	137,726
	525,581	390,616
Total assets	1,010,548	580,026
Liabilities		
Current liabilities		
– Financial liabilities (excluding trade and other payables)	(110,770)	(141,265)
– Other current liabilities (including trade and other payables)	(640,256)	(194,982)
	(751,026)	(336,247)
Total liabilities	(751,026)	(336,247)
Net assets	259,522	243,779

Summarised statement of comprehensive income

	28 February 2019 HK$'000	28 February 2018 HK$'000
Turnover	561,124	452,007
Cost of sales	(219,768)	(150,496)
Other expenditures	(410,076)	(281,545)
(Loss)/profit after tax	(68,720)	19,966
Other comprehensive (loss)/income	(11,683)	24,498
Total comprehensive (loss)/income	(80,403)	44,464

18 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 ventures of the Group:

	Galeries Lafayette (China) Limited		Kenzo Asia Holding Co. Limited	
	28 February 2019 HK$'000	28 February 2018 HK$'000	28 February 2019 HK$'000	28 February 2018 HK$'000
Non-current assets	432,266	170,829	40,900	–
Current assets	219,856	238,413	193,303	–
Current liabilities	(456,657)	(175,793)	(168,381)	–
Net assets	195,465	233,449	65,822	–
Turnover	320,616	328,059	127,288	–
Profit after tax	(29,733)	38,539	(21,997)	–
Other comprehensive (loss)/income	(8,250)	16,978	17	–
Total comprehensive income	(37,983)	55,517	(21,980)	–

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 ventures.

(b) Balances with joint ventures

	28 February 2019 HK$'000	28 February 2018 HK$'000
Due from joint ventures		
ZIT H.K. Limited (i)	18,990	16,134
FCIT China Limited (ii)	23,129	34,094
Glory Premium Limited (iv)	2,234	2,302
Galeries Lafayette (Beijing) Limited (iv)	11,379	21,231
Camper (Shanghai) Limited (iii)	33,225	35,376
Kenzo (Shanghai) Commercial Co. Ltd (iv)	88,027	–
FCUK IT Company (iv)	159	320
	177,143	109,457
Less: provision for impairment	(23,398)	(23,398)
Due from joint ventures, net of provision	153,745	86,059
Due to joint ventures		
Kenchart Apparel (Shanghai) Limited (iv)	(17,393)	(13,843)
Glory Premium Limited (iv)	–	(74)
FCUK IT Company (iv)	(42)	(50)
ZIT H.K. Limited (iv)	(6,622)	(4,918)
Camper I.T China Limited (iv)	(105)	(121)
FCIT China Limited (iv)	(3)	(3)
Due to joint ventures	(24,165)	(19,009)

Notes:

(i) As at 28 February 2019, the loan to ZIT H.K. Limited of approximately HK$9,100,000 (28 February 2018: HK$9,100,000) is unsecured, interest bearing at 5% (28 February 2018: 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 2019, the loan to FCIT China Limited of approximately HK$8,000,000 (28 February 2018: 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 2019, the loan to Camper (Shanghai) Limited of approximately HK$23,398,000 (28 February 2018: HK$23,398,000) 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.

18 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES (Continued)

(b) Balances with joint ventures (Continued)

Movement on the provision for impairment of amount due from joint venture is as follows:

	28 February 2019 HK$'000	28 February 2018 HK$'000
Beginning of the year	23,398	10,050
Provision for impairment of amount due from a joint venture	–	13,348
End of the year	23,398	23,398

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 and future prospect of receiving from counterparties. The existing counterparties do not have defaults in the past and is not expected to have significant credit losses.

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

	28 February 2019 HK$'000	28 February 2018 HK$'000
Hong Kong Dollar	8,649	16,671
Pound Sterling	5,260	5,260
Euro	997	997
United States Dollar	29,062	29,062
Macau Pataca	847	846
Chinese Renminbi	132,328	56,621
	177,143	109,457

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

	28 February 2019 HK$'000	28 February 2018 HK$'000
Hong Kong Dollar	6,772	5,165
Chinese Renminbi	17,393	13,844
	24,165	19,009

(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.

19 INVENTORIES

	28 February 2019 HK$'000	28 February 2018 HK$'000
Merchandise stock for resale	1,538,037	1,402,466
Raw materials	–	2,293
	1,538,037	1,404,759

The cost of inventories recognised as expense and included in cost of sales amounted to approximately HK$3,127,159,000 (28 February 2018: HK$3,067,026,000).

20 TRADE AND OTHER RECEIVABLES

	28 February 2019 HK$'000	28 February 2018 HK$'000
Trade receivables	281,769	316,659
Less: provision for impairment of trade receivables	(1,253)	(2,726)
Trade receivables – net	280,516	313,933
Interest receivables	249	2,020
Other receivables	19,406	15,473
Trade and other receivables	300,171	331,426

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

	28 February 2019 HK$'000	28 February 2018 HK$'000
Beginning of the year	2,726	1,218
(Reversal of)/provision for impairment of trade receivables	(1,374)	1,436
Currency translation differences	(99)	72
End of the year	1,253	2,726

As of 28 February 2019, trade receivables of HK$1,253,000 (28 February 2018: HK$2,726,000) were impaired. The ageing of these receivables is as follows:

	28 February 2019 HK$'000	28 February 2018 HK$'000
Over 90 days	1,253	2,726

The ageing analysis of trade receivables is as follows:

	28 February 2019 HK$'000	28 February 2018 HK$'000
0 to 30 days	210,961	259,944
31 to 60 days	55,224	48,057
61 to 90 days	7,912	4,295
Over 90 days	7,672	4,363
	281,769	316,659

20 TRADE AND OTHER RECEIVABLES (Continued)

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

	28 February 2019 HK$'000	28 February 2018 HK$'000
Chinese Renminbi	203,099	238,377
Hong Kong Dollar	33,218	30,665
Japanese Yen	40,960	40,769
United States Dollar	6,986	4,145
Others	15,908	17,470
	300,171	331,426

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

For the trade receivables, the Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the nature of the receivables and days past due. The expected credit losses below also incorporate forward looking information. Financial assets are written off when there is no reasonable expectation of recovery.

For the other receivables, the credit quality has been assessed by reference to historical information about the counterparty default rates and future prospect of receiving from counterparties. The existing counterparties do not have defaults in the past and is not expected to have significant credit losses.

As at 28 February 2019 and 2018, the maximum exposure to credit risk is the carrying values of trade and other receivables. The Group does not hold any collateral.

21 RENTAL DEPOSITS, PREPAYMENTS AND OTHER DEPOSITS

	28 February 2019 HK$'000	28 February 2018 HK$'000
Rental deposits	513,268	486,445
Prepayments	239,860	241,879
Utility and other deposits	25,222	24,317
	778,350	752,641
Less: non-current portion:		
Rental deposits	(346,422)	(313,012)
Prepayments for non-current assets	(52,672)	(59,558)
	379,256	380,071

As at 28 February 2019, rental deposits are carried at amortised costs using the effective interest rates ranging from 0.2% to 5% (28 February 2018: 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 and future prospect of receiving from counterparties. The existing counterparties do not have defaults in the past and is not expected to have significant credit losses.

As at 28 February 2019 and 2018, 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.

22 CASH AND CASH EQUIVALENTS

	28 February 2019 HK$'000	28 February 2018 HK$'000
Cash at bank and in hand	1,349,571	1,782,707
Short-term bank deposits	422,386	532,626
	1,771,957	2,315,333

The interest rates for short-term bank deposits was approximately 2.3% (28 February 2018: 2.9%) 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 2019 and 2018, 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 2019 HK$'000	28 February 2018 HK$'000
Chinese Renminbi	1,038,377	1,043,880
Hong Kong Dollar	191,554	632,235
Japanese Yen	305,354	322,320
Euro	9,228	37,854
United States Dollar	169,079	239,811
Pound Sterling	7,425	11,939
Others	50,940	27,294
	1,771,957	2,315,333

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.

23 BORROWINGS

	28 February 2019 HK$'000	28 February 2018 HK$'000
Non-current borrowings		
– Bank borrowings	653,981	123,355
	653,981	123,355
Current borrowings		
– Portion of bank borrowings due for repayment within one year	444,045	85,600
– Portion of bank borrowings due for repayment after one year which contain a repayable on demand clause	61,950	72,550
– Senior Notes (Note a)	–	1,095,866
	505,995	1,254,016
	1,159,976	1,377,371

23 BORROWINGS (Continued)

The fair values of current borrowings approximate their carrying amounts, as the impact of discounting is not significant. As at 28 February 2019, the effective borrowing cost was 2.9% (28 February 2018: 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 2019, bank borrowings of HK$72,550,000 (28 February 2018: HK$83,150,000) were secured by the Group's certain land and buildings with carrying amounts of HK$183,694,000 (28 February 2018: HK$190,177,000) (Note 15).

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).

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 28 February 2018, 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 were fully repaid on 15 May 2018.

The maturity of borrowings is as follows:

	28 February 2019 HK$'000	28 February 2018 HK$'000
Within 1 year	505,995	1,254,016
Between 1 and 2 years	176,918	98,545
Between 2 and 5 years	477,063	24,810
	1,159,976	1,377,371

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

	28 February 2019 HK$'000	28 February 2018 HK$'000
Chinese Renminbi	–	1,095,866
Euro	40,391	–
Japanese Yen	649	–
Hong Kong Dollar	1,118,936	281,505
	1,159,976	1,377,371

Details of the Group's banking facilities are set out in Note 31.

24 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	28 February 2019 HK$'000	28 February 2018 HK$'000
0 to 30 days	148,260	209,079
31 to 60 days	154,392	144,124
61 to 90 days	58,107	55,962
91 to 180 days	23,458	29,064
181 to 365 days	6,952	9,541
Over 365 days	22,951	23,194
	414,120	470,964

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

The trade payables are denominated in the following currencies:

	28 February 2019 HK$'000	28 February 2018 HK$'000
Chinese Renminbi	190,847	257,156
Hong Kong Dollar	14,250	6,496
Euro	32,425	20,171
Japanese Yen	136,892	145,668
United States Dollar	32,306	38,942
Pound Sterling	7,177	2,111
Korean Won	159	414
Others	64	6
	414,120	470,964

25 ACCRUALS AND OTHER PAYABLES AND CONTRACT LIABILITIES

(a) Accrual and other payables

	28 February 2019 HK$'000	28 February 2018 HK$'000
Unutilised coupon	1,339	3,062
Provision for reinstatement cost	139,768	142,921
Accruals		
– Rented premises	131,401	153,288
– Employment costs	89,873	134,362
– Others	139,824	152,874
Other payables	184,259	145,553
	686,464	732,060
Less: non-current portion:		
Accruals – Rented premises	(6,125)	(7,169)
	680,339	724,891

25 ACCRUALS AND OTHER PAYABLES AND CONTRACT LIABILITIES (Continued)

(a) Accrual and other payables (Continued)

Other payables are denominated in the following currencies:

	28 February 2019 HK$'000	28 February 2018 HK$'000
Chinese Renminbi	82,319	91,120
Hong Kong Dollar	91,586	39,174
Japanese Yen	6,188	12,881
Others	4,166	2,378
	184,259	145,553

The carrying amounts of other payables approximate their fair values.

(b) Contract liabilities

Contract liabilities are recognised when payments are received from customers in advance but the relevant performance obligation has not been performed. The following table shows how much of the revenue recognised in the current reporting period related to carried-forward contract liabilities.

	28 February 2019 HK$'000	28 February 2018 HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	21,496	36,484

26 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 28 February 2019 Liabilities HK$'000	As at 28 February 2018 Liabilities HK$'000
Qualified for hedge accounting – cash flow hedge:		
Foreign currency and interest rate swap contract, at market value (Note a)	–	(29,212)
Currency swap contract, at market value (Note b)	(11,003)	–
Not qualified for hedge accounting:		
Currency swap contracts, at market value (Note c)	(1,773)	(4,749)
	(12,776)	(33,961)
Less: current portion		
Foreign currency and interest rate swap contract, at market value (Note a)	–	29,212
Currency swap contract, at market value (Note b)	11,003	–
	(1,773)	(4,749)

26 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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, which has been designated as the hedging instrument for the Senior Notes (Note 23). As at 28 February 2018, the fixed interest rate for the Senior Notes was 6.25% per annum. The swap exchange rate is 1.2645 HK$ per one RMB whereas the swap interest rate is 5.75% per annum. Gains and losses recognised in the hedging reserve in equity (Note 29) 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. The foreign currency and interest rate swap contract was mature upon the repayment of Senior Notes on 15 May 2018.

(b) As at 28 February 2019, the notional principal amounts of the outstanding foreign currency swap contract were Swedish Krona ("SEK") 486,341,168, which has been designated as the hedging instrument for the committed payment of consideration under a Share Purchase Agreement with Acne Studios Holding AB ("Acne Studios") for purchase of 10.9% issued share capital of Acne Studios Holding AB and its subsidiaries (the "Acne Studios Group") entered on 22 December 2018. The swap exchange rate is SEK1.145 per HK$1. Gains and losses recognised in the hedging reserve in equity (Note 29) on foreign currency swap contract as of 28 February 2019 will be continuously released to the consolidated statement of comprehensive income until the settlement of the acquisition. The foreign currency swap contract was matured upon the completion of the acquisition and the consideration settled on 10 May 2019.

(c) As at 28 February 2019, 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 USD8,000,000 (2018: USD11,000,000).

27 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 2019 HK$'000	28 February 2018 HK$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	101,403	108,296
– Deferred income tax assets to be recovered within 12 months	8,924	8,937
	110,327	117,233
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	(31,255)	(29,965)
– Deferred income tax liabilities to be settled within 12 months	(36,039)	(17,861)
	(67,294)	(47,826)
Deferred income tax assets (net)	43,033	69,407

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

	28 February 2019 HK$'000	28 February 2018 HK$'000
Beginning of the year	69,407	107,052
Recognised in the consolidated statement of comprehensive income (Note 11)	(26,798)	(37,881)
Currency translation differences	424	236
End of the year	43,033	69,407

27 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		Tax losses		Total	
	28 February 2019 HK$'000	28 February 2018 HK$'000	28 February 2019 HK$'000	28 February 2018 HK$'000	28 February 2019 HK$'000	28 February 2018 HK$'000	28 February 2019 HK$'000	28 February 2018 HK$'000
Beginning of the year	41,439	42,755	90,086	89,751	43,968	69,679	175,493	202,185
Recognised in the consolidated statement of comprehensive income	(3,054)	(1,859)	3,403	(6,174)	(885)	(26,087)	(536)	(34,120)
Currency translation differences	(259)	543	(2,994)	6,509	(362)	376	(3,615)	7,428
End of the year	38,126	41,439	90,495	90,086	42,721	43,968	171,342	175,493

Deferred tax liabilities

	Withholding tax		Accelerated tax depreciation		Total	
	28 February 2019 HK$'000	28 February 2018 HK$'000	28 February 2019 HK$'000	28 February 2018 HK$'000	28 February 2019 HK$'000	28 February 2018 HK$'000
Beginning of the year	(65,873)	(57,681)	(40,213)	(37,452)	(106,086)	(95,133)
Recognised in the consolidated statement of comprehensive income	(24,865)	(3,580)	(1,397)	(181)	(26,262)	(3,761)
Currency translation differences	2,607	(4,612)	1,432	(2,580)	4,039	(7,192)
End of the year	(88,131)	(65,873)	(40,178)	(40,213)	(128,309)	(106,086)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable. As at 28 February 2019, the Group has unrecognised tax losses of HK$305,278,000 (28 February 2018: HK$273,636,000).

The expiry dates of unrecognised tax losses are as follows:

	28 February 2019 HK$'000	28 February 2018 HK$'000
2019	–	468
2020	521	545
2021	500	522
2022	602	629
2023	38	40
No expiry date	303,617	271,432
	305,278	273,636

28 SHARE CAPITAL

Movements were:

	Number of ordinary shares '000	Share capital HK$'000
Issued and fully paid:		
At 1 March 2017, 28 February 2018 and 28 February 2019	1,195,797	119,580

Share options

The Company currently has two share option schemes, namely the First Share Option Scheme and the New Share Option Scheme, detailed as hereinafter. Under both share option schemes, options may be granted to eligible participants (including directors and employees) as defined in the respective share option scheme to subscribe for shares in the Company. The exercise price is determined by the Board and shall not be less than the highest of (i) the nominal value of a share; (ii) the closing price of a share as stated in the daily quotation sheets issued by The Stock Exchange of Hong Kong Limited on the date of the offer; and (iii) the average closing price of the shares as stated in the daily quotation sheets issued by The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of offer. A consideration of HK$10 is payable on acceptance of the grant of options.

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

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

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

28 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 2019		28 February 2018	
	Exercise price per share HK$	Options '000	Exercise price per share HK$	Options '000
Beginning of the year	2.95	121,152	2.95	121,152
Exercised	–	–	–	–
Expired	–	–	–	–
End of the year	2.95	121,152	2.95	121,152

No options were exercised during the years ended 28 February 2019 and 2018.

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 2019 '000	Share options 28 February 2018 '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

29 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 2018	812,732	175,566	40,715	94,667	64,941	3,835	2,233,299	3,425,755
Profit for the year	–	–	–	–	–	–	442,599	442,599
Transfer to statutory reserve	–	–	–	–	1,743	–	(1,743)	–
Share option scheme								
– value of employment services	–	3,371	–	–	–	–	–	3,371
Final dividend for the year ended 28 February 2018	–	–	–	–	–	–	(212,852)	(212,852)
Currency translation differences								
– Group	–	–	–	(109,125)	–	–	–	(109,125)
– Joint ventures	–	–	–	(6,209)	–	–	–	(6,209)
Cash flow hedge recognised as finance costs	–	–	–	–	–	(33,047)	–	(33,047)
Fain value change on cash flow hedge, net of tax	–	–	–	–	–	18,209	–	18,209
Balance at 28 February 2019	812,732	178,937	40,715	(20,667)	66,684	(11,003)	2,461,303	3,528,701
Analysed by –								
Company and subsidiaries	812,732	178,937	40,715	(23,035)	66,684	(11,003)	2,461,303	3,526,333
Joint ventures	–	–	–	2,368	–	–	–	2,368
Balance at 28 February 2019	812,732	178,937	40,715	(20,667)	66,684	(11,003)	2,461,303	3,528,701
Representing –								
2019 Final dividend proposed							215,243	
Others							2,246,060	
							2,461,303	

29 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 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	

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.

30 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	2019 HK$'000	2018 HK$'000
Profit before income tax	707,792	722,858
Adjustments for:		
– Interest expense	42,922	71,352
– Interest income	(24,946)	(22,457)
– Share of losses/(profits) of joint ventures	27,846	(13,996)
– Depreciation of property, furniture and equipment	287,064	292,343
– Provision for/(reversal of provision for) inventories losses	14,532	(6,135)
– (Reversal of)/provision for impairment for property, furniture and equipment	(3,984)	15,730
– Provision for impairment of amounts due from joint ventures	–	13,348
– Amortisation of intangible assets	12,128	13,231
– Fair value (gains)/losses on derivative financial instruments	(2,976)	4,749
– Loss on disposal of property, furniture and equipment	12,131	7,245
– Share-based payment	3,371	6,904
	1,075,880	1,105,172
Changes in working capital:		
– Inventories	(186,272)	205,814
– Trade and other receivables	17,186	(87,127)
– Prepayments and other deposits	(44,135)	(15,649)
– Amounts due from joint ventures	(68,557)	(6,350)
– Trade payables	(46,873)	58,554
– Accruals and other payables and contract liabilities	(6,586)	74,241
– Amounts due to joint ventures	5,753	(6,488)
Cash generated from operations	746,396	1,328,167

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

	2019 HK$'000	2018 HK$'000
Net book amount (Note 15)	32,905	7,339
Loss on disposal of property, furniture and equipment (Note 7)	(12,131)	(7,245)
Proceeds from disposal of property, furniture and equipment	20,774	94

30 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 2019 HK$'000	28 February 2018 HK$'000
Cash and cash equivalents	1,771,957	2,315,333
Borrowings – repayable within one year	(505,995)	(1,254,016)
Borrowings – repayable after one year	(653,981)	(123,355)
Net cash	611,981	937,962
Cash and cash equivalents	1,771,957	2,315,333
Gross debt – fixed interest rates	–	(1,095,866)
Gross debt – variable interest rates	(1,159,976)	(281,505)
Net cash	611,981	937,962

	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
Net cash as at 1 March 2018	2,315,333	(1,377,371)	937,962
Cash flows	(508,460)	251,457	(257,003)
Foreign exchange adjustments	(34,916)	(34,062)	(68,978)
Net cash as at 28 February 2019	1,771,957	(1,159,976)	611,981

31 BANKING FACILITIES AND PLEDGE OF ASSETS

As at 28 February 2019, the Group had aggregate banking facilities of approximately HK$2,162,550,000 (28 February 2018: HK$1,433,150,000) at floating rate for overdrafts, bank loans and trade financing, of which approximately HK$854,277,000 (28 February 2018: HK$1,035,406,000) 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.

32 COMMITMENTS

(a) Capital commitments

	28 February 2019 HK$'000	28 February 2018 HK$'000
Contracted but not provided for		
– acquisition of furniture and equipment	6,246	7,780
– construction in progress	475,512	–
	481,758	7,780

(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 2019 HK$'000	28 February 2018 HK$'000
Not later than one year	1,258,197	1,249,262
Later than one year and not later than five years	1,722,542	1,510,925
Later than five years	92,320	87,908
	3,073,059	2,848,095

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.

33 RELATED PARTY TRANSACTIONS

As at 28 February 2019, 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:

	2019 HK$'000	2018 HK$'000
Interest income from (2)		
– ZIT H.K. Limited (1)	455	455
Commission income from (3)		
– FCUK IT Company (1)	758	896
– ZIT H.K. Limited (1)	1,212	957
Service fees income from (3)		
– FCUK IT Company (1)	1,141	1,588
– FCIT China Limited (1)	3	10
– ZIT H.K. Limited (1)	1,785	1,785
– FCIT (Macau), Limited (1)	–	322
– Camper (Shanghai) Limited (1)	2,510	2,445
– Galeries Lafayette (China) Limited (1)	1,718	1,091
– Kenzo (Shanghai) Commercial Co. Ltd (1)	8,950	–
Commission fees payable to (3)		
– Galeries Lafayette (Beijing) Limited (1)	18,367	22,751
Purchase of goods from (4)		
– FCIT China Limited (1)	2,917	5,340

Notes:

(1) FCUK IT Company, FCIT China Limited, ZIT H.K. Limited, FCIT (Macau), Limited, Camper (Shanghai) Limited, Galeries Lafayette (China) Limited, Galeries Lafayette (Beijing) Limited and Kenzo (Shangha) Commercial Co. Ltd are joint ventures of the Group.

(2) Interest income on amount due from ZIT H.K. Limited is charged at 5% (28 February 2018: 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 35.

34 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	Note	28 February 2019 HK$'000	28 February 2018 HK$'000
ASSETS			
Non-current assets			
Investments in and amounts due from subsidiaries		335,076	331,702
Current assets			
Cash and cash equivalents		356	356
Amounts due from subsidiaries		1,500,170	2,862,143
		1,500,526	2,862,499
LIABILITIES			
Current liabilities			
Borrowings		–	(1,095,866)
Accruals and other payables		(17)	(19,719)
Derivative financial instruments		–	(29,212)
Current income tax liabilities		(6,470)	(6,470)
		(6,487)	(1,151,267)
Net current assets		1,494,039	1,711,232
Net assets		1,829,115	2,042,934
EQUITY			
Capital and reserves			
Share capital		119,580	119,580
Reserves	(a)	1,709,535	1,923,354
Total equity		1,829,115	2,042,934

The statement of financial position of the Company was approved by the Board of Directors on 24 May 2019 and were signed on its behalf.

SHAM KAR WAI
Chairman

SHAM KIN WAI
Director

34 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 2018	812,732	173,851	136,680	3,835	796,256	1,923,354
Loss for the year	–	–	–	–	(503)	(503)
Share option scheme – value of employment services	–	3,371	–	–	–	3,371
Final dividend for the year ended 28 February 2018	–	–	–	–	(212,852)	(212,852)
Cash flow hedge recognised as finance costs	–	–	–	(33,047)	–	(33,047)
Fain value change on cash flow hedge, net of tax	–	–	–	29,212	–	29,212
Balance at 28 February 2019	812,732	177,222	136,680	–	582,901	1,709,535
Representing –						
2019 Final dividend proposed					215,243	
Others					367,658	
					582,901	
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	

35 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 2019 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	Salary	Discretionary bonuses	Housing allowance	Estimated money value of other benefits	Employer's contributions to a retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors							
Mr. Sham Kar Wai (Chief Executive Officer)	–	8,195	10,253	1,800	1,687	18	21,953
Mr. Sham Kin Wai	–	5,429	8,389	1,800	1,687	18	17,323
Mr. Chan Wai Kwan, Kenny	–	4,437	1,600	412	–	18	6,467
Independent non- executive directors							
Dr. Wong Tin Yau, Kelvin, JP	286	–	–	–	–	–	286
Mr. Francis Goutenmacher	286	–	–	–	–	–	286
Mr. Mak Wing Sum, Alvin	286	–	–	–	–	–	286
	858	18,061	20,242	4,012	3,374	54	46,601

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	Salary	Discretionary bonuses	Housing allowance	Estimated money value of other benefits	Employer's contributions to a retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	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, Kenny	–	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

No remunerations were paid or receivable in respect of accepting office as directors during the year ended 28 February 2019 (2018: Nil).

No directors waived any emoluments during the year ended 28 February 2019 (2018: 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 2019 (2018: 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 2019 (28 February 2018: 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 2019 (2018: Nil).

36 SUBSEQUENT EVENT

On 22 December 2018, the Group entered into a share purchase agreement with sellers as listed in the agreement to acquire 10.9% of the issued share capital of Acne Studios Group at an estimated consideration of SEK486,341,000 (approximately HK$423,117,000). The transaction was completed on 10 May 2019 and Acne Studios Group will be accounted for an associate of the Group.

Acne Studios Group is principally engaged in the men's and women's ready-to-wear fashion, footwear, accessories and denim retail and wholesale business under the brand name of Acne Studios in various countries. The Group is in the progress of assessing the financial impact to the Group's financial statements as a result of this acquisition and the above transaction had no financial impact to the consolidated financial statements for the year ended 28 February 2019 since the completion of the transaction was subsequent to the year end.

FIVE YEARS FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	Year ended 28 February 2019 HK$'000	Year ended 28 February 2018 HK$'000	Year ended 28 February 2017 HK$'000	Year ended 29 February 2016 HK$'000	Year ended 28 February 2015 HK$'000
Turnover	8,832,157	8,383,043	8,001,329	7,541,132	7,180,540
Cost of sales	(3,192,446)	(3,059,224)	(3,073,211)	(2,974,792)	(2,716,192)
Gross profit	5,639,711	5,323,819	4,928,118	4,566,340	4,464,348
Other (losses)/gains, net	(13,532)	13,604	(14,275)	(63,786)	(19,329)
Operating expenses	(4,927,676)	(4,610,139)	(4,367,995)	(4,107,326)	(3,971,212)
Other income	55,111	30,473	25,703	26,033	19,960
Operating profit	753,614	757,757	571,551	421,261	493,767
Finance income	24,946	22,457	15,264	41,307	63,509
Finance costs	(42,922)	(71,352)	(74,043)	(79,513)	(85,092)
Share of (losses)/profits of joint ventures	(27,846)	13,996	(5,510)	(27,008)	(35,821)
Profit before income tax	707,792	722,858	507,262	356,047	436,363
Income tax expense	(263,647)	(290,932)	(192,220)	(146,310)	(123,503)
Profit for the year	444,145	431,926	315,042	209,737	312,860
Dividend	215,243	212,852	155,454	101,806	147,312

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 28 February 2019 HK$'000	As at 28 February 2018 HK$'000	As at 28 February 2017 HK$'000	As at 29 February 2016 HK$'000	As at 28 February 2015 HK$'000
ASSETS					
Non-current assets					
Land use right	38,631	–	–	–	–
Property, furniture and equipment	954,964	859,433	796,046	856,606	836,410
Intangible assets	321,948	331,952	321,197	345,633	322,404
Investments in and loans to joint ventures	167,879	159,050	138,694	139,278	166,828
Rental deposits	346,422	313,012	303,762	296,483	316,835
Prepayment for non-current assets	52,672	59,558	5,916	15,675	41,765
Deferred income tax assets	110,327	117,233	144,423	129,594	132,427
	1,992,843	1,840,238	1,710,038	1,783,269	1,816,669
Current assets					
Inventories	1,538,037	1,404,759	1,536,432	1,390,974	1,260,598
Trade, bills and other receivables	300,171	331,426	226,765	232,423	243,926
Amounts due from joint ventures	132,311	65,080	60,912	52,880	50,086
Prepayments and other deposits	379,256	380,071	346,853	370,735	285,613
Current income tax recoverable	1,989	1,930	5,741	1,603	21,714
Cash and cash equivalents	1,771,957	2,315,333	1,817,804	1,967,111	2,294,103
	4,123,721	4,498,599	3,994,507	4,015,726	4,156,040
LIABILITIES					
Current liabilities					
Borrowings	(505,995)	(1,254,016)	(262,796)	(273,396)	(267,431)
Trade and bill payables	(414,120)	(470,964)	(393,126)	(433,130)	(385,280)
Accruals and other payables	(680,339)	(724,891)	(621,016)	(649,489)	(707,859)
Contract liabilities	(21,922)	–	–	–	–
Amounts due to joint ventures	(24,165)	(19,009)	(24,285)	(33,863)	(33,693)
Derivative financial instruments	(11,003)	(29,212)	–	(42)	(30)
Current income tax liabilities	(78,327)	(108,984)	(117,175)	(68,406)	(100,949)
	(1,735,871)	(2,607,076)	(1,418,398)	(1,458,326)	(1,495,242)
Net current assets	2,387,850	1,891,523	2,576,109	2,557,400	2,660,798
Total assets less current liabilities	4,380,693	3,731,761	4,286,147	4,340,669	4,477,467
Non-current liabilities					
Borrowings	(653,981)	(123,355)	(1,045,861)	(1,262,462)	(1,468,808)
Accruals	(6,125)	(7,169)	(6,733)	(8,583)	(12,017)
Derivative financial instruments	(1,773)	(4,749)	(158,476)	(132,196)	(122,378)
Deferred income tax liabilities	(67,294)	(47,826)	(37,371)	(40,636)	(34,145)
	(729,173)	(183,099)	(1,248,441)	(1,443,877)	(1,637,348)
Net assets	3,651,520	3,548,662	3,037,706	2,896,792	2,840,119
EQUITY					
Capital and reserves					
Share capital	119,580	119,580	119,580	121,198	122,760
Reserves	3,528,701	3,425,755	2,915,373	2,773,836	2,716,421
Non-controlling interests	3,239	3,327	2,753	1,758	938
Total equity	3,651,520	3,548,662	3,037,706	2,896,792	2,840,119

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