

**I.T  
INTERIM  
REPORT  
19/20**

**STOCK CODE: 999**

**I.T LIMITED INTERIM REPORT**

**19/20**



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**IT**

**IS**



**a fashion icon**  
**TREND SETTING**

**inspiration**  
**a lifestyle**

**MOVING FORWARD**

# CORPORATE PROFILE

**Executive Directors**  
**Mr. SHAM Kar Wai**  
**Mr. SHAM Kin Wai**  
**Mr. CHAN Wai Kwan**

# DIRECTORS

**Independent Non-executive Directors**

Mr. Francis GOUTENMACHER  
Dr. WONG Tin Yau, Kelvin, JP  
Mr. MAK Wing Sum, Alvin

**Company Secretary**

Miss HO Suk Han Sophia

**Registered Office**

Clarendon House  
2 Church Street  
Hamilton HM 11  
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](http://www.ithk.com)

**Stock Code**

999



# HIGHLIGHTS

- Total turnover of the Group decreased by 1.2% to HK\$4,015.4 million.
- Total retail sales in Hong Kong and Macau decreased by 6.2% to HK\$1,463.3 million. Comparable-store-sales-growth rate registered at -5.8% (FY18/19: +8.0%). Total trading area increased by 3.5%.
- Total retail sales in Mainland China increased by 1.3% to HK\$1,856.3 million. Comparable-store-sales-growth rate registered at +5.9% (FY18/19: -2.5%). Total trading area increased by 5.9%.
- Total retail sales in Japan and the USA landed at HK\$546.0 million, representing 3.9% increase from FY18/19.
- Gross profit of the Group decreased by 4.1% to HK\$2,495.1 million at gross profit margin of 62.1% (FY18/19: 64.0%).
- Net loss of the Group amounting to HK\$71.2 million was recorded (FY18/19: Net profit of HK\$113.4 million).
- Basic loss per share of 6.0 HK cents (FY18/19: Basic earnings per share of 9.4 HK cents).

Per share data	31 August 2019	31 August 2018	Change
(Loss)/earnings per share-basic (HK\$)	-0.060	0.094	N/A
(Loss)/earnings per share-diluted (HK\$)	-0.060	0.091	N/A
Book value (HK\$) <sup>(1)</sup>	2.55	2.76	-7.6%

Key statistics	31 August 2019	31 August 2018	Change
Inventory turnover (Days) <sup>(2)</sup>	191.0	183.3	4.2%
Cash and cash equivalent (HK\$ million)	1,708.3	1,857.9	-8.1%
Net (debt)/cash (HK\$ million) <sup>(3)</sup>	-15.4	818.0	N/A
Debt to equity ratio (%) <sup>(4)</sup>	56.5	31.5	79.4%
Return on equity ratio (%) <sup>(5)</sup>	-2.1	3.3	N/A

Notes:

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

## Store Coverage

	A. No. of stores			
	Self-managed		Franchised	
	31 August 2019	28 February 2019	31 August 2019	28 February 2019
<b>Greater China:</b>				
Hong Kong				
I.T	205	215	-	-
FCUK IT <sup>(1)</sup>	-	3	-	-
ZIT H.K. <sup>(1)</sup>	4	3	-	-
Mainland China				
I.T	521	532	13	23
FCIT China <sup>(1)</sup>	8	11	-	-
Camper I.T China <sup>(1)</sup>	6	7	-	-
Kenzo Asia <sup>(2)</sup>	34	32	-	-
ZVIT <sup>(1)</sup>	7	-	-	-
Taiwan	22	22	-	-
Macau				
I.T	13	13	-	-
ZIT H.K. <sup>(1)</sup>	1	1	-	-
<b>Overseas:</b>				
Japan	23	22	-	-
USA	3	3	-	-
France	-	-	3	1
Thailand	-	-	1	1
England	-	-	8	8
Singapore	-	-	3	6
Ireland	-	-	1	-
South Korea	-	-	1	1
Canada	-	-	-	3
Dubai	-	-	4	3
Saudi Arabia	-	-	2	2
Russia	-	-	1	1

	B. Sales footage <sup>(3)</sup>			
	Self-managed		Franchised	
	31 August 2019	28 February 2019	31 August 2019	28 February 2019
<b>Greater China:</b>				
Hong Kong				
I.T	530,354	534,825	-	-
FCUK IT <sup>(1)</sup>	-	3,483	-	-
ZIT H.K. <sup>(1)</sup>	4,003	2,797	-	-
Mainland China				
I.T	1,644,384	1,697,612	16,140	27,578
FCIT China <sup>(1)</sup>	12,714	17,078	-	-
Camper I.T China <sup>(1)</sup>	3,848	4,632	-	-
Kenzo Asia <sup>(2)</sup>	57,816	55,094	-	-
ZVIT <sup>(1)</sup>	8,857	-	-	-
Taiwan	32,963	33,160	-	-
Macau				
I.T	38,241	38,241	-	-
ZIT H.K. <sup>(1)</sup>	1,998	1,998	-	-
<b>Overseas:</b>				
Japan	45,226	44,728	-	-
USA	10,595	10,595	-	-
France	-	-	2,360	1,600
Thailand	-	-	2,000	2,000
England	-	-	2,083	2,083
Singapore	-	-	4,767	11,096
Ireland	-	-	550	-
South Korea	-	-	2,796	2,796
Canada	-	-	-	7,880
Dubai	-	-	3,980	2,326
Saudi Arabia	-	-	839	839
Russia	-	-	323	323

### Notes:

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

(2) a 49% owned joint venture of the Company.

(3) represents gross area.

# INDEPENDENT REVIEW REPORT



羅兵咸永道

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

## INTRODUCTION

We have reviewed the interim financial information set out on pages 13 to 37, which comprises the interim condensed consolidated statement of financial position of I.T Limited (the "Company") and its subsidiaries (together, the "Group") as at 31 August 2019 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

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

A handwritten signature in black ink, appearing to be 'W.T.', is written over a horizontal line.

PricewaterhouseCoopers  
Certified Public Accountants

Hong Kong, 30 October 2019

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# CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 August 2019

	Note	Six months ended 31 August	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Turnover	6	4,015,362	4,064,081
Cost of sales	8	(1,520,262)	(1,463,397)
<b>Gross profit</b>		<b>2,495,100</b>	<b>2,600,684</b>
Other losses, net	7	(22,704)	(19,680)
Impairment of goodwill	14	(46,838)	-
Operating expenses	8	(2,314,653)	(2,381,351)
Other income	9	33,774	41,580
<b>Operating profit</b>		<b>144,679</b>	<b>241,233</b>
Finance income	10	12,198	14,945
Finance costs	10	(76,396)	(24,821)
Share of losses of joint ventures		(17,310)	(105)
Share of profit of an associate		4,111	-
<b>Profit before income tax</b>		<b>67,282</b>	<b>231,252</b>
Income tax expense	11	(138,453)	(117,887)
<b>(Loss)/profit for the period</b>		<b>(71,171)</b>	<b>113,365</b>
<b>Other comprehensive (loss)/income:</b>			
Items that may be reclassified to profit or loss			
Currency translation differences		(96,349)	(148,370)
Cash flow hedge recognised as finance costs		-	(33,047)
Fair value changes on cash flow hedge, net of tax		11,003	29,212
<b>Total other comprehensive loss for the period</b>		<b>(85,346)</b>	<b>(152,205)</b>
<b>Total comprehensive loss for the period</b>		<b>(156,517)</b>	<b>(38,840)</b>
<b>(Loss)/profit attributable to:</b>			
- Equity holders of the Company		(71,958)	112,511
- Non-controlling interests		787	854
		<b>(71,171)</b>	<b>113,365</b>
<b>Total comprehensive (loss)/income attributable to:</b>			
- Equity holders of the Company		(157,420)	(39,297)
- Non-controlling interests		903	457
		<b>(156,517)</b>	<b>(38,840)</b>
<b>(Loss)/earnings per share attributable to equity holders of the Company for the period (expressed in HK cent per share)</b>			
- basic	13	<b>(6.0)</b>	<b>9.4</b>
- diluted	13	<b>(6.0)</b>	<b>9.1</b>

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

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 August 2019

	Note	As at 31 August 2019 (Unaudited) HK\$'000	As at 28 February 2019 (Audited) HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use right	3	-	38,631
Property, furniture and equipment	14	1,080,744	954,964
Right-of-use assets	14	2,258,013	-
Intangible assets	14	279,973	321,948
Investments in and loans to joint ventures	15	194,878	167,879
Investment in an associate	15	436,128	-
Rental deposits	17	310,074	346,422
Prepayments for non-current assets	17	17,127	52,672
Deferred income tax assets		128,550	110,327
		<u>4,705,487</u>	<u>1,992,843</u>
<b>Current assets</b>			
Inventories		1,618,629	1,538,037
Trade and other receivables	16	246,337	300,171
Amounts due from joint ventures	15	64,967	132,311
Prepayments and other deposits	17	301,919	379,256
Current income tax recoverable		1,820	1,989
Cash and cash equivalents		1,708,344	1,771,957
		<u>3,942,016</u>	<u>4,123,721</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	21	(418,659)	(505,995)
Trade payables	19	(476,011)	(414,120)
Accruals and other payables	20	(662,375)	(680,339)
Contract liabilities		(52,613)	(21,922)
Lease liabilities	22	(1,047,835)	-
Derivative financial instruments	18	(359)	(11,003)
Amounts due to joint ventures	15	(26,081)	(24,165)
Amount due to an associate	15	(2,756)	-
Current income tax liabilities		(76,528)	(78,327)
		<u>(2,763,217)</u>	<u>(1,735,871)</u>
<b>Net current assets</b>		<u>1,178,799</u>	<u>2,387,850</u>
<b>Non-current liabilities</b>			
Borrowings	21	(1,305,056)	(653,981)
Lease liabilities	22	(1,447,909)	-
Accruals	20	(6,375)	(6,125)
Derivative financial instruments	18	(703)	(1,773)
Deferred income tax liabilities		(71,183)	(67,294)
		<u>(2,831,226)</u>	<u>(729,173)</u>
<b>Net assets</b>		<u>3,053,060</u>	<u>3,651,520</u>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	23	119,580	119,580
Reserves	24	2,929,697	3,528,701
Non-controlling interests		3,783	3,239
<b>Total equity</b>		<u>3,053,060</u>	<u>3,651,520</u>

SHAM KAR WAI  
Chairman

SHAM KIN WAI  
Director

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

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 August 2019

	Share capital (Unaudited) HK\$'000	Reserves (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 March 2019	119,580	3,528,701	3,239	3,651,520
- Change in accounting policy – HKFRS 16	-	(226,341)	-	(226,341)
Restated balance as at 1 March 2019	119,580	3,302,360	3,239	3,425,179
(Loss)/profit for the period	-	(71,958)	787	(71,171)
Other comprehensive (loss)/income:				
- currency translation differences	-	(96,465)	116	(96,349)
- fair value changes on cash flow hedge, net of tax	-	11,003	-	11,003
Total comprehensive (loss)/income for the six months ended 31 August 2019	-	(157,420)	903	(156,517)
Transaction with owners:				
Final dividends for the year ended 28 February 2019	-	(215,243)	-	(215,243)
Final dividends to non-controlling interests for the year ended 28 February 2019	-	-	(359)	(359)
Total transaction with owners	-	(215,243)	(359)	(215,602)
Balance at 31 August 2019	<u>119,580</u>	<u>2,929,697</u>	<u>3,783</u>	<u>3,053,060</u>
Balance at 1 March 2018	119,580	3,425,755	3,327	3,548,662
Profit for the period	-	112,511	854	113,365
Other comprehensive (loss)/income:				
- currency translation differences	-	(147,973)	(397)	(148,370)
- cash flow hedge recognised as finance costs	-	(33,047)	-	(33,047)
- fair value changes on cash flow hedge, net of tax	-	29,212	-	29,212
Total comprehensive (loss)/income for the six months ended 31 August 2018	-	(39,297)	457	(38,840)
Transaction with owners:				
Final dividends for the year ended 28 February 2018	-	(212,852)	-	(212,852)
Final dividends to non-controlling interests for the year ended 28 February 2018	-	-	(717)	(717)
Share option scheme				
- value of employment services	-	3,087	-	3,087
Total transaction with owners	-	(209,765)	(717)	(210,482)
Balance at 31 August 2018	<u>119,580</u>	<u>3,176,693</u>	<u>3,067</u>	<u>3,299,340</u>

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

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 31 August 2019

	Six months ended 31 August	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	984,759	262,373
Interest paid	(25,764)	(24,821)
Hong Kong profits tax paid	(3,671)	(3,265)
Overseas income tax paid	(101,349)	(110,026)
<b>Net cash generated from operating activities</b>	<b>853,975</b>	<b>124,261</b>
<b>Cash flows from investing activities</b>		
Purchase of property, furniture and equipment	(284,093)	(148,575)
Purchase of intangible assets	(22,796)	-
Capital injection to joint ventures	(11,603)	(22,630)
Loans to joint ventures	(36,663)	-
Payment for acquisition of an associate	(431,815)	-
Interest received	9,771	13,267
<b>Net cash used in investing activities</b>	<b>(777,199)</b>	<b>(157,938)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	1,009,798	787,200
Repayments of borrowings	(445,088)	(1,158,780)
Repayments of lease liabilities	(689,680)	-
Dividends paid to non-controlling interests	(359)	(717)
<b>Net cash used in financing activities</b>	<b>(125,329)</b>	<b>(372,297)</b>
Net decrease in cash and cash equivalents	(48,553)	(405,974)
Currency translation differences	(15,060)	(51,442)
Cash and cash equivalents, at 1 March	1,771,957	2,315,333
Cash and cash equivalents, at 31 August	<b>1,708,344</b>	<b>1,857,917</b>

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

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

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

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

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

This condensed consolidated interim financial information has not been audited.

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 31 August 2019 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

This condensed consolidated interim financial information should be read in conjunction with the Group’s annual financial statements for the year ended 28 February 2019, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

## 3 ACCOUNTING POLICIES

The accounting policies applied and methods of computation used in the preparation of this interim financial report are consistent with those used in the annual financial statements for the year ended 28 February 2019, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of the revised standards and amendments issued by the HKICPA.

The following new standards and amendments are mandatory for the financial year beginning on 1 March 2019.

Amendments to Annual Improvement Project	Annual Improvements 2015-2017 Cycle
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

Except as disclosed in Note 3.1 for the adoption of HKFRS 16, the adoption of the above new standards and amendments did not have any significant impact on the preparation of these condensed consolidated interim financial information.

The following new standards and amendments have been issued but are not effective for the financial year beginning on or after 1 March 2019 and have not been early adopted by the Group.

Amendments to HKFRS 3 (Revised)	Definition of a Business
Amendments to HKAS 1 and HKAS 8 (Amendment)	Definition of Materials
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
HKFRS 17	Insurance Contracts
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group will apply the above new standards and amendments 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.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## (Continued)

### 3 ACCOUNTING POLICIES (Continued)

#### 3.1 Adoption of HKFRS 16 "Leases"

The Group has adopted HKFRS 16 retrospectively from 1 March 2019, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening condensed consolidated statement of financial position on 1 March 2019.

##### (a) Adjustments recognised on adoption of HKFRS 16

The following table shows the adjustment for change in accounting policy recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Condensed consolidated statement of financial position (extract)	Audited	Effect on adoption of HKFRS 16 HK\$'000	Unaudited
	28 February 2019		1 March 2019
	As originally presented HK\$'000		Restated HK\$'000
<b>Non-current assets</b>			
Land use right	38,631	(38,631)	–
Right-of-use assets	–	2,012,500	2,012,500
Deferred income tax assets	110,327	51,699	162,026
<b>Current assets</b>			
Prepayments and other deposits	379,256	(77,779)	301,477
<b>Current liabilities</b>			
Accruals and other payables	(680,339)	103,394	(576,945)
Lease liabilities	–	(1,029,961)	(1,029,961)
<b>Non-current liabilities</b>			
Lease liabilities	–	(1,247,562)	(1,247,562)
<b>Equity</b>			
Reserves	3,528,701	(226,341)	3,302,360

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## (Continued)

### 3 ACCOUNTING POLICIES (Continued)

#### 3.1 Adoption of HKFRS 16 "Lease" (Continued)

##### (a) Adjustments recognised on adoption of HKFRS 16 (Continued)

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 March 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 March 2019 were ranging from 3% to 7%.

	HK\$'000
Operating lease commitments disclosed as at 28 February 2019	3,073,059
(Less): Leases committed but not yet commenced as at 1 March 2019	<u>(567,575)</u>
Opening leases commitments of leases commenced as at 1 March 2019	<u>2,505,484</u>
Discounted using the lessee's incremental borrowing rate of at the date of initial application	2,296,495
(Less): short-term leases recognised on a straight-line basis as expense	<u>(18,972)</u>
<b>Lease liabilities recognised as at 1 March 2019</b>	<b><u><u>2,277,523</u></u></b>
Of which are:	
Current lease liabilities	1,029,961
Non-current lease liabilities	<u>1,247,562</u>
	<b><u><u>2,277,523</u></u></b>

The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 28 February 2019.

The recognised right-of-use assets relate to the following types of assets:

	31 August 2019 HK\$'000	1 March 2019 HK\$'000
Properties leases	2,221,932	1,973,869
Land use right	<u>36,081</u>	<u>38,631</u>
<b>Total right-of-use assets</b>	<b><u><u>2,258,013</u></u></b>	<b><u><u>2,012,500</u></u></b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## (Continued)

### 3 ACCOUNTING POLICIES (Continued)

#### 3.1 Adoption of HKFRS 16 "Lease" (Continued)

##### (a) Adjustments recognised on adoption of HKFRS 16 (Continued)

##### (i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the use of recognition exemption to lease with a remaining lease term of less than 12 months at 1 March 2019;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17.

##### (ii) The Group's leasing activities and how these are accounted for

Rental contracts are typically made for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Before the adoption of the standard, leases of premises were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 March 2019, leases are recognised as a right-of-use asset and corresponding liabilities at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the lease liabilities and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability; and
- any lease payments made at or before the commencement date less any lease incentives received.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## (Continued)

### 4 ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 28 February 2019.

### 5 FINANCIAL RISK MANAGEMENT

#### 5.1 Fair value estimation

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

The following table presents the Group's financial instruments carried at fair value as at 31 August and 28 February 2019:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>As at 31 August 2019</b>				
<b>Liabilities</b>				
Currency swap contracts not qualified for hedge accounting	–	(1,062)	–	(1,062)
	<u>–</u>	<u>(1,062)</u>	<u>–</u>	<u>(1,062)</u>
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>As at 28 February 2019</b>				
<b>Liabilities</b>				
Currency swap contract – cash flow hedge	–	(11,003)	–	(11,003)
Currency swap contracts not qualified for hedge accounting	–	(1,773)	–	(1,773)
	<u>–</u>	<u>(12,776)</u>	<u>–</u>	<u>(12,776)</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## (Continued)

### 6 TURNOVER AND SEGMENT INFORMATION

	Six months ended 31 August	
	2019	2018
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Turnover		
– Sales of fashion wears and accessories	<u>4,015,362</u>	<u>4,064,081</u>

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

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 of joint ventures, share of profit of an associate, finance income and finance costs ("segment (loss)/profit"), provision for impairment of goodwill, property, furniture and equipment and right-of-use assets, depreciation and amortisation ("EBITDA"). 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 joint ventures and an associate and amounts due from joint ventures which are managed centrally.

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

	(Unaudited)									
	Hong Kong and Macau		Mainland China		Japan and the USA		Other		Total	
	Six months ended 31 August		Six months ended 31 August		Six months ended 31 August		Six months ended 31 August		Six months ended 31 August	
	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	<u>1,480,955</u>	<u>1,580,300</u>	<u>1,870,218</u>	<u>1,854,599</u>	<u>607,256</u>	<u>574,652</u>	<u>56,933</u>	<u>54,530</u>	<u>4,015,362</u>	<u>4,064,081</u>
EBITDA (i)	230,135	(4,116)	433,265	119,694	295,716	268,850	21,058	14,564	980,174	398,992
Depreciation and amortisation	(370,562)	(44,772)	(283,591)	(96,040)	(41,926)	(9,519)	(6,125)	(941)	(702,204)	(151,272)
Reversal of/(provision for) impairment of property, furniture and equipment	(1,573)	623	(19,444)	(7,110)	-	-	-	-	(21,017)	(6,487)
Provision for impairment of right-of-use assets	(11,671)	-	(53,765)	-	-	-	-	-	(65,436)	-
Provision for impairment of goodwill (Note 14)	-	-	(46,838)	-	-	-	-	-	(46,838)	-
Segment (loss)/profit	<u>(153,671)</u>	<u>(48,265)</u>	<u>29,627</u>	<u>16,544</u>	<u>253,790</u>	<u>259,331</u>	<u>14,933</u>	<u>13,623</u>	144,679	241,233
Finance income									12,198	14,945
Finance costs									(76,396)	(24,821)
Share of losses of joint ventures									(17,310)	(105)
Share of profit of an associate									4,111	-
Profit before income tax									<u>67,282</u>	<u>231,252</u>

Note:

- (i) Upon adoption of HKFRS 16, operating lease rental of premises under HKAS 17 is no longer incurred. Instead, depreciation of right-of-use assets (Note 8) and finance costs associated with lease liabilities (Note 10) are recorded, both of which are excluded from the calculation of EBITDA for the six months ended 31 August 2019.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 6 TURNOVER AND SEGMENT INFORMATION (Continued)

	Hong Kong and Macau HK\$'000	Mainland China HK\$'000	Japan and the USA HK\$'000	Other HK\$'000	Total HK\$'000
Total segment assets					
As at 31 August 2019	<u>3,338,988</u>	<u>3,451,880</u>	<u>944,633</u>	<u>85,659</u>	<u>7,821,160</u>
As at 28 February 2019	<u>2,215,679</u>	<u>2,733,039</u>	<u>693,045</u>	<u>62,295</u>	<u>5,704,058</u>

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

	As at 31 August 2019 (Unaudited) HK\$'000	As at 28 February 2019 (Audited) HK\$'000
Segment assets for reportable segments	7,735,501	5,641,763
Other segments assets	<u>85,659</u>	<u>62,295</u>
	7,821,160	5,704,058
Unallocated:		
Deferred income tax assets and current income tax recoverable	130,370	112,316
Investments in joint ventures and an associate and amounts due from joint ventures	<u>695,973</u>	<u>300,190</u>
	<u>8,647,503</u>	<u>6,116,564</u>

## 7 OTHER LOSSES, NET

	Six months ended 31 August 2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Fair value gains on derivative financial instruments		
– foreign currency swap contract	711	4,222
Net exchange losses	<u>(23,415)</u>	<u>(23,902)</u>
	<u>(22,704)</u>	<u>(19,680)</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 8 EXPENSES BY NATURE

	Six months ended 31 August	
	2019	2018
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Cost of inventories sold	1,471,542	1,413,476
Provision for write-downs of inventories to net realisable value	8,791	4,934
Employment costs (including directors' emoluments)	761,438	753,705
Depreciation expenses		
– property, furniture and equipment	134,426	145,323
– right-of-use assets	559,534	–
Operating lease rentals of premises		
– minimum lease payments	33,341	743,012
– contingent rents	112,133	122,363
Building management fee	137,523	132,751
Advertising and promotion costs	97,771	107,887
Commission expenses	60,390	57,198
Bank charges	41,386	40,229
Utilities expenses	25,616	29,003
Freight charges	18,854	17,217
Impairment of non-financial assets		
– property, furniture and equipment	21,017	6,487
– right-of-use assets	65,436	–
Loss on disposals of property, furniture and equipment	5,172	10,980
Contingent licence fees	15,332	12,067
Amortisation of intangible assets	8,244	5,949
Other expenses	256,969	242,167
<b>Total</b>	<b>3,834,915</b>	<b>3,844,748</b>
Representing:		
Cost of sales	1,520,262	1,463,397
Operating expenses	2,314,653	2,381,351
	<b>3,834,915</b>	<b>3,844,748</b>

## 9 OTHER INCOME

	Six months ended 31 August	
	2019	2018
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Government grants	25,388	37,871
Others	8,386	3,709
	<b>33,774</b>	<b>41,580</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## (Continued)

### 10 FINANCE INCOME AND COSTS

	Six months ended 31 August	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Interest income from		
– bank deposits	10,216	12,932
– amounts due from joint ventures	228	228
– others (i)	1,754	1,785
Finance income	<u>12,198</u>	<u>14,945</u>
Interest expense on borrowings wholly repayable within five years	(25,764)	(23,807)
Interest expenses on lease liabilities	(50,632)	–
Net foreign exchange transaction loss	–	(34,061)
Transfer from hedging reserve		
– interest rate and currency swaps: cash flow hedge	–	33,047
Finance costs	<u>(76,396)</u>	<u>(24,821)</u>
Net finance costs	<u>(64,198)</u>	<u>(9,876)</u>

Note:

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

### 11 INCOME TAX EXPENSE

The Company is exempted from income taxes in Bermuda until March 2035. The Company's subsidiaries established in the British Virgin Islands are incorporated under the BVI Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income taxes.

Hong Kong profits tax has been provided at the rate 16.5% (six months ended 31 August 2018: 16.5%) on the estimated assessable profits of the Group's operation in Hong Kong.

Mainland China enterprise income tax has been provided at the applicable rate of 25% (six months ended 31 August 2018: 25%) on the estimated assessable profits of the Group's operations in Mainland China.

Japan Corporate Income Tax has been provided at the applicable rate of 34.59% (six months ended 31 August 2018: 34.81%) on the estimated assessable profits of the Group's operations in Japan.

Macau Complementary (Corporate) tax has been provided at the applicable rate of 12% (six months ended 31 August 2018: 12%) on the estimated assessable profits in excess of HK\$582,000 (approximately MOP600,000) of the Group's operations in Macau.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## (Continued)

### 11 INCOME TAX EXPENSE (Continued)

Taiwan profits tax has been provided at the rate of 20% (six months ended 31 August 2018: 20%) on the estimated assessable profits of the Group's operations in Taiwan.

US enterprise income tax rate has been provided at the applicable rate of 21% (six months ended 31 August 2018: 21%) on the estimated assessable profits of the Group's operations in the United States of America.

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

	Six months ended 31 August	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Current income tax		
– Hong Kong profits tax	4,689	4,587
– Mainland China enterprise income tax	4,579	28,066
– Overseas income tax	90,732	99,584
– (Over)/under-provision in prior year	(154)	168
Deferred income tax	38,607	(14,518)
	<b>138,453</b>	<b>117,887</b>

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 31 August 2019 is 61.6% (six months ended 31 August 2018: 36.4%). The increase is mainly caused by a change of the distribution of profits/(losses) of the Group's entities operating in different locations.

### 12 DIVIDENDS

A final dividend relating to the year ended 28 February 2019 amounting to HK\$215,243,000 is included in other payables and paid in September 2019.

The Board does not declare the payment of an interim dividend for the six months ended 31 August 2019 (six months ended 31 August 2018: Nil).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 13 (LOSS)/EARNINGS PER SHARE

### Basic

The calculation of basic (loss)/earnings per share for the period is based on the consolidated (loss)/profit attributable to equity holders of the Company and on the weighted average number of ordinary shares in issue during the period.

	Six months ended 31 August	
	2019 (Unaudited)	2018 (Unaudited)
(Loss)/profit attributable to equity holders of the Company (HK\$'000)	<u>(71,958)</u>	<u>112,511</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,195,797</u>	<u>1,195,797</u>
Basic (loss)/earnings per share (HK cent)	<u>(6.0)</u>	<u>9.4</u>

### Diluted

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

	Six months ended 31 August	
	2019 (Unaudited)	2018 (Unaudited)
(Loss)/profit attributable to equity holders of the Company (HK\$'000)	<u>(71,958)</u>	<u>112,511</u>
Weighted average number of ordinary shares in issue ('000)	1,195,797	1,195,797
*Adjustments for share options ('000)	-	45,312
Weighted average number of ordinary shares for diluted (loss)/earnings per share ('000)	<u>1,195,797</u>	<u>1,241,109</u>
Diluted (loss)/earnings per share (HK cent)	<u>(6.0)</u>	<u>9.1</u>

\* Diluted loss per share for the six months ended 31 August 2019 equals to the basic loss per share as the exercise of the outstanding share options would be anti-dilutive.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## (Continued)

### 14 PROPERTY, FURNITURE AND EQUIPMENT, INTANGIBLE ASSETS AND RIGHT-OF-USE ASSETS

	Property, furniture and equipment (Unaudited) HK\$'000	Intangible assets (Unaudited) HK\$'000	Right-of-use assets (Unaudited) HK\$'000
<b>Six months ended 31 August 2019</b>			
Opening net book amount as at 1 March 2019	954,964	321,948	2,012,500
Additions	318,675	22,796	918,864
Disposals	(5,171)	-	-
Depreciation and amortisation	(134,426)	(8,244)	(559,534)
Impairment (Note i)	(21,017)	(46,838)	(65,436)
Currency translation differences	(32,281)	(9,689)	(48,381)
	<u>1,080,744</u>	<u>279,973</u>	<u>2,258,013</u>
<b>Six months ended 31 August 2018</b>			
Opening net book amount as at 1 March 2018	859,433	331,952	-
Additions	132,446	-	-
Disposals	(10,980)	-	-
Depreciation and amortisation	(145,323)	(5,949)	-
Impairment	(6,487)	-	-
Currency translation differences	(30,039)	(17,766)	-
	<u>799,050</u>	<u>308,237</u>	<u>-</u>

Note:

- (i) Goodwill is allocated to the Group's cash generating units ("CGU") which are identified according to the lines of businesses and are monitored by management internally. The Group's CGUs with goodwill allocated include the Japan CGU and the Mainland China CGU.

During the six months ended 31 August 2019, due to the change of business strategy by focusing direct retail operations in China, the Group has reassessed the cash flow projections. Based on the assessment, the recoverable amount of the Wholesale CGU is lower than the carrying amount of this CGU. The Group has fully written off the Wholesale CGU of HK\$46,838,000 during the six months ended 31 August 2019 (For the period ended 31 August 2018: Nil).

### 15 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES AND AN ASSOCIATE

	As at 31 August 2019 (Unaudited) HK\$'000	As at 28 February 2019 (Audited) HK\$'000
Share of net assets for the joint ventures	136,553	146,445
Loans to joint ventures	58,325	21,434
	<u>194,878</u>	<u>167,879</u>
Share of net assets for an associate	<u>436,128</u>	<u>-</u>
Amounts due from joint ventures	<u>64,967</u>	<u>132,311</u>
Amounts due to joint ventures	<u>(26,081)</u>	<u>(24,165)</u>
Amount due to an associate	<u>(2,756)</u>	<u>-</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

## 15 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES AND AN ASSOCIATE (Continued)

### (a) Balances with joint ventures and an associate

	As at 31 August 2019 (Unaudited) HK\$'000	As at 28 February 2019 (Audited) HK\$'000
<b>Loans to and amounts due from joint ventures</b>		
ZIT H.K. Limited (i)	18,300	18,990
FCIT China Limited (ii)	23,108	23,129
Glory Premium Limited (v)	2,229	2,234
Galleries Lafayette (Beijing) Limited (v)	10,874	11,379
Camper (Shanghai) Limited (iii)	32,440	33,225
Kenzo (Shanghai) Commercial Co. Ltd (iv)	42,447	88,027
ZV (Shanghai) Limited (v)	17,254	-
FCUK IT Company (v)	38	159
	<u>146,690</u>	<u>177,143</u>
Less: provision for impairment	(23,398)	(23,398)
	<u>123,292</u>	<u>153,745</u>
<b>Loans to and amounts due from joint ventures, net</b>		
	<u>123,292</u>	<u>153,745</u>
<b>Amounts due to joint ventures</b>		
Kenchart Apparel (Shanghai) Limited (v)	(14,960)	(17,393)
FCUK IT Company (v)	(43)	(42)
ZIT H.K. Limited (v)	(6,803)	(6,622)
Camper I.T China Limited (v)	(105)	(105)
Camper (Shanghai) Limited (iii)	(4,167)	-
FCIT China Limited (v)	(3)	(3)
	<u>(26,081)</u>	<u>(24,165)</u>
<b>Amounts due to joint ventures</b>	<u>(26,081)</u>	<u>(24,165)</u>
<b>Amount due to an associate</b>		
Acne Studios AB (v)	(2,756)	-
	<u>(2,756)</u>	<u>-</u>

#### Notes:

- (i) As at 31 August 2019, the loan to ZIT H.K. Limited of approximately HK\$9,100,000 (28 February 2019: HK\$9,100,000) is unsecured, interest bearing at 5% (28 February 2019: 5%) per annum and fully repayable at the termination of the joint venture. The remaining balance is unsecured, non-interest bearing and repayable on demand.
- (ii) As at 31 August 2019, the loan to FCIT China Limited of approximately HK\$8,000,000 (28 February 2019: HK\$8,000,000) is unsecured, non-interest bearing and has no fixed term of repayment. The remaining balance is unsecured, non-interest bearing and repayable on demand.
- (iii) As at 31 August 2019, the loan to Camper (Shanghai) Limited of approximately HK\$32,165,000 (28 February 2019: 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) As at 31 August 2019, the loan to Kenzo (Shanghai) Commercial Co. Limited of approximately HK\$27,896,000 (28 February 2019: Nil) is unsecured, interest bearing at 2% (28 February 2019: Nil) per annum and has no fixed term of repayment. The remaining balance is unsecured, non-interest bearing and repayable on demand.
- (v) These balances with joint ventures and an associate are unsecured, non-interest bearing and repayable on demand.

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## (Continued)

### 15 INVESTMENTS IN AND BALANCES WITH JOINT VENTURES AND AN ASSOCIATE (Continued)

#### (b) Details of the principal joint ventures:

Name	Place of incorporation/ establishment and operations	Issued and fully paid/ registered capital	Percentage of equity interest attributable to the Group indirectly	Principal activities
FCUK IT Company	Hong Kong	HK\$18,000,002	50%	Retail of fashion wears and accessories
FCIT China Limited	Hong Kong	HK\$2	50%	Investment holding
ZIT H.K. Limited	Hong Kong	HK\$1,000,000	50%	Retail of fashion wears and accessories
Glory Premium Limited	Hong Kong	HK\$4,500,000	50%	Investment holding
Kenchart Apparel (Shanghai) Limited	Mainland China	US\$3,700,000	50%	Retail of fashion wears and accessories
FCIT (Macau), Limited	Macau	MOP1,030,000	50%	Retail of fashion wears and accessories
Galleries Lafayette (China) Limited	Hong Kong	HK\$425,485,166	50%	Investment holding
Galleries Lafayette (Beijing) Limited	Mainland China	US\$15,000,000	50%	Operation of a department store
Galleries Lafayette (Shanghai) Limited	Mainland China	RMB20,000,000	50%	Operation of a department store
Macaron (Beijing) Limited	Mainland China	US\$100,000	50%	Operation of a supermarket
Camper I.T China Limited	Hong Kong	HK\$6,000,000	50%	Investment holding
Camper (Shanghai) Limited	Mainland China	US\$3,500,000	50%	Retail of foot wears
Kenzo Asia Holding Co. Limited	Hong Kong	RMB75,100,000	49%	Investment holding
Kenzo (Shanghai) Commercial Co. Limited	Mainland China	RMB40,000,000	49%	Retail of fashion wears and accessories
ZVIT Limited	Hong Kong	RMB20,500,004	50%	Investment holding
ZV (Shanghai) Limited	Mainland China	RMB12,900,000	50%	Retail of fashion wears and accessories

#### (c) Details of the associate:

Name	Place of incorporation/ establishment and operations	Issued and fully paid/ registered capital	Percentage of equity interest attributable to the Group indirectly	Principal activities
Acne Studios Holding AB	Sweden	SEK115,000	10.9%	Retail and wholesale of fashion wears and accessories

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 16 TRADE AND OTHER RECEIVABLES

	As at 31 August 2019 (Unaudited) HK\$'000	As at 28 February 2019 (Audited) HK\$'000
Trade receivables	222,873	281,769
Less: Impairment loss on trade receivables	(2,349)	(1,253)
	<hr/>	<hr/>
Trade receivables – net	220,524	280,516
Interest receivables	694	249
Other receivables	25,119	19,406
	<hr/>	<hr/>
Trade and other receivables	<u>246,337</u>	<u>300,171</u>

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

The ageing analysis of the trade receivables is as follows:

	As at 31 August 2019 (Unaudited) HK\$'000	As at 28 February 2019 (Audited) HK\$'000
0 to 30 days	169,732	210,961
31 to 60 days	41,440	55,224
61 to 90 days	5,602	7,912
Over 90 days	6,099	7,672
	<hr/>	<hr/>
	<u>222,873</u>	<u>281,769</u>

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

## 17 RENTAL DEPOSITS, PREPAYMENTS AND OTHER DEPOSITS

	As at 31 August 2019 (Unaudited) HK\$'000	As at 28 February 2019 (Audited) HK\$'000
Rental deposits	489,818	513,268
Prepayments	113,340	239,860
Utilities and other deposits	25,962	25,222
	<hr/>	<hr/>
	629,120	778,350
Less: non-current portion:		
Rental deposits	(310,074)	(346,422)
Prepayments for non-current assets	(17,127)	(52,672)
	<hr/>	<hr/>
	<u>301,919</u>	<u>379,256</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## (Continued)

### 18 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 August 2019 Liabilities (Unaudited) HK\$'000	As at 28 February 2019 Liabilities (Audited) HK\$'000
Qualified for hedge accounting – cash flow hedge:		
Currency swap contract, at market value (Note a)	–	(11,003)
Not qualified for hedge accounting:		
Currency swap contracts, at market value (Note b)	(1,062)	(1,773)
	(1,062)	(12,776)
Less: current portion		
Currency swap contract, at market value (Note b)	359	11,003
	<u>(703)</u>	<u>(1,773)</u>

#### Notes:

- (a) 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. The foreign currency swap contract was matured upon the completion of the acquisition and the consideration settled on 10 May 2019 (Note 27).
- (b) As at 31 August 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 USD12,000,000 (28 February 2019: USD8,000,000).

### 19 TRADE PAYABLES

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

	As at 31 August 2019 (Unaudited) HK\$'000	As at 28 February 2019 (Audited) HK\$'000
0 to 30 days	259,243	148,260
31 to 60 days	120,630	154,392
61 to 90 days	51,378	58,107
91 to 180 days	14,661	23,458
181 to 365 days	8,206	6,952
Over 365 days	21,893	22,951
	<u>476,011</u>	<u>414,120</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 20 ACCRUALS AND OTHER PAYABLES AND CONTRACT LIABILITIES

### (a) Accruals and other payables

	As at 31 August 2019 (Unaudited) HK\$'000	As at 28 February 2019 (Audited) HK\$'000
Unutilised coupon	1,334	1,339
Provision for reinstatement cost	136,596	139,768
Accruals		
– Rented premises and contingent rents	17,029	131,401
– Employment costs	66,567	89,873
– Others	115,305	139,824
Dividends payable	215,243	–
Other payables	116,676	184,259
	<u>668,750</u>	<u>686,464</u>
Less: non-current portion:		
Accruals – Rented premises	(6,375)	(6,125)
	<u><u>662,375</u></u>	<u><u>680,339</u></u>

### (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 turnover recognised in the current reporting period related to carried-forward contract liabilities.

	As at 31 August 2019 (Unaudited) HK\$'000	As at 28 February 2019 (Audited) HK\$'000
Turnover recognised that was included in the contract liabilities at the beginning of the period/year	<u><u>21,922</u></u>	<u><u>21,496</u></u>



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 21 BORROWINGS

	As at 31 August 2019 (Unaudited) HK\$'000	As at 28 February 2019 (Audited) HK\$'000
Non-current borrowings		
– Bank borrowings	1,305,056	653,981
	<u>1,305,056</u>	<u>653,981</u>
Current borrowings		
– Portion of bank borrowings due for repayment within one year	362,009	444,045
– Portion of bank borrowings due for repayment after one year which contain a repayable on demand clause	56,650	61,950
	<u>418,659</u>	<u>505,995</u>
	<u><u>1,723,715</u></u>	<u><u>1,159,976</u></u>

Movements in borrowings are analysed as follows:

	(Unaudited) HK\$'000
<b>Six months ended 31 August 2019</b>	
As at 1 March 2019	1,159,976
Proceeds from borrowings	1,009,798
Repayments of borrowings	(445,088)
Currency translation differences	(971)
<b>As at 31 August 2019</b>	<u><u>1,723,715</u></u>
<b>Six months ended 31 August 2018</b>	
As at 1 March 2018	1,377,371
Proceeds from borrowings	787,200
Repayments of borrowings	(1,158,780)
Currency translation differences	34,061
<b>As at 31 August 2018</b>	<u><u>1,039,852</u></u>

The fair values of current borrowings approximate their carrying amounts, as the impact of discounting is not significant. As at 31 August 2019, the effective borrowing cost was 3.4% (as at 28 February 2019: 2.9%) per annum.

Details of the Group's banking facilities are set out in Note 25.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 22 LEASE LIABILITIES

	As at 31 August 2019 (Unaudited) HK\$'000	As at 28 February 2019 (Audited) HK\$'000
Total lease liabilities	2,495,744	–
Less: current portion	(1,047,835)	–
Non-current portion	<u>1,447,909</u>	<u>–</u>

The Group leases various office and shop premises and land use right under lease agreements. The majority of lease liabilities are denominated in HKD and RMB. No arrangement has been entered into for variable lease payments.

During the six months ended 31 August 2019, the Group's operating lease rental payments relating to short-term lease of HK\$33,341,000 have been recognised as expenses and included in 'operating lease rentals of premises' (Note 8).

## 23 SHARE CAPITAL

Movements were:

	Number of ordinary shares '000	Share capital HK\$'000
Issued and fully paid:		
At 1 March 2018 (Audited), 28 February 2019 (Audited) and 31 August 2019 (Unaudited)	<u>1,195,797</u>	<u>119,580</u>

### Share options

Details of the Share Option Schemes are set out in the annual report for the year ended 28 February 2019. Movements in the number of share options outstanding and the exercise prices are as follows:

	Six months ended 31 August			
	2019	Share options	2018	Share options
	Weighted-average exercise price per share HK\$	(thousands)	Weighted-average exercise price per share HK\$	(thousands)
Beginning and end of the period	2.95	<u>121,152</u>	2.95	<u>121,152</u>

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

Expiry date	Exercise price after issue of scrip shares HK\$	Share options (thousands)	
		As at 31 August 2019	As at 31 August 2018
27 December 2019	1.23	33,805	33,805
11 February 2020	1.43	22,537	22,537
17 March 2021	4.96	40,250	40,250
16 September 2022	3.42	24,560	24,560
		<u>121,152</u>	<u>121,152</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 24 RESERVES

	Share premium (Unaudited) HK\$'000	Share-based payment reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Currency translation reserve (Unaudited) HK\$'000	Statutory reserve (Unaudited) HK\$'000	Hedging reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 March 2019	812,732	178,937	40,715	(20,667)	66,684	(11,003)	2,461,303	3,528,701
- Change in accounting policy - HKFRS 16	-	-	-	-	-	-	(226,341)	(226,341)
Restated balance as at 1 March 2019	812,732	178,937	40,715	(20,667)	66,684	(11,003)	2,234,962	3,302,360
Loss for the period	-	-	-	-	-	-	(71,958)	(71,958)
Final dividends for the year ended 28 February 2019	-	-	-	-	-	-	(215,243)	(215,243)
Currency translation differences								
- Group	-	-	-	(92,274)	-	-	-	(92,274)
- Joint ventures	-	-	-	(4,191)	-	-	-	(4,191)
Fair value changes on cash flow hedge, net of tax	-	-	-	-	-	11,003	-	11,003
Balance at 31 August 2019	<u>812,732</u>	<u>178,937</u>	<u>40,715</u>	<u>(117,132)</u>	<u>66,684</u>	<u>-</u>	<u>1,947,761</u>	<u>2,929,697</u>
Balance at 1 March 2018	812,732	175,566	40,715	94,667	64,941	3,835	2,233,299	3,425,755
Share option scheme								
- value of employment services	-	3,087	-	-	-	-	-	3,087
Profit for the period	-	-	-	-	-	-	112,511	112,511
Final dividends for the year ended 28 February 2018	-	-	-	-	-	-	(212,852)	(212,852)
Currency translation differences								
- Group	-	-	-	(137,427)	-	-	-	(137,427)
- Joint ventures	-	-	-	(10,546)	-	-	-	(10,546)
Cash flow hedge recognised as finance costs	-	-	-	-	-	(33,047)	-	(33,047)
Fair value changes on cash flow hedge, net of tax	-	-	-	-	-	29,212	-	29,212
Balance at 31 August 2018	<u>812,732</u>	<u>178,653</u>	<u>40,715</u>	<u>(53,306)</u>	<u>64,941</u>	<u>-</u>	<u>2,132,958</u>	<u>3,176,693</u>

## 25 BANKING FACILITIES AND PLEDGE OF ASSETS

As at 31 August 2019, the Group had aggregate banking facilities of approximately HK\$3,177,250,000 (28 February 2019: approximately HK\$2,162,550,000) at floating rate for overdrafts, bank loans and trade financing, of which approximately HK\$1,271,651,000 (28 February 2019: approximately HK\$854,277,000) 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.

## 26 COMMITMENTS

### Capital commitments

	As at 31 August 2019 (Unaudited) HK\$'000	As at 28 February 2019 (Audited) HK\$'000
Contracted but not provided for		
- acquisition of fixture and furniture	23,173	6,246
- construction in progress	314,909	475,512
	<u>338,082</u>	<u>481,758</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## (Continued)

### 27 ACQUISITION OF 10.9% EQUITY INTEREST IN AN ASSOCIATE

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 a consideration of SEK483,306,000 (approximately HK\$421,733,000).

Upon completion of the transaction on 10 May 2019, the Group's equity interest in the associate was 10.9% and Acne Studios Group is accounted for an associate of the Group.

Details of net assets acquired, fair value adjustments and goodwill are as follows:

	On acquisition HK\$'000
Purchase consideration:	
– Cash paid	421,733
– Direct costs paid for the acquisition	10,082
	<hr/>
Total purchase consideration	431,815
Share of fair value of net assets acquired	(64,715)
	<hr/>
Fair value adjustments and goodwill	<u>367,100</u>

### 28 RELATED PARTY TRANSACTIONS

(a) As at 31 August 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.

(b) Details of significant transactions with related parties:

	Six months ended 31 August	
	2019	2018
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest income from joint ventures	228	228
Service fees income from joint ventures	7,416	2,851
Commission fees payable to a joint venture	8,270	10,478
Purchases of goods from joint ventures	1,136	4,550
Commission income from joint ventures	970	858
Purchase of goods from an associate	42,965	–
	<hr/>	<hr/>

(c) Key management compensation

	Six months ended 31 August	
	2019	2018
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Salaries and allowances	11,012	10,564
Pension costs – employer's contributions to a defined contribution plan	27	27
Share options granted	–	3,073
	<hr/>	<hr/>
	<u>11,039</u>	<u>13,664</u>

### 29 SEASONALITY

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review

### (a) Group

During the six months ended 31 August 2019, the complex macroeconomic environment weighed significantly on the retail landscape across the Group's operating regions. Starting from the second half of the previous financial year, the Group's growth slowed as our business navigated various challenges such as ongoing China-US trade tensions, geopolitical issues, and devaluation of the Renminbi. These factors had a negative effect on spending enthusiasm in several of our operating markets.

Our Hong Kong and Macau business was also adversely impacted by the recent social instability and the associated decrease in inbound tourist traffic as evidenced by the negative sales growth and comparable-store-sales-growth declines in the segment. Gross margin in this segment also decreased, which was mainly due to early promotion of discount activities. These factors downgraded operating efficiency and as a result, the operating loss of the Group's Hong Kong and Macau business widened as compared to the corresponding period of the previous year.

Sales in Mainland China continued to grow. This increase in sales was primarily fueled by positive comparable-store-sales-growth and further store network expansions. However, the unfavorable market situation in regard to the depreciation of the Renminbi largely offset the increase in our Mainland China sales figures once such sales were converted into Hong Kong dollar for reporting purposes. On a positive note, we noted with satisfaction that the sales contribution from e-commerce to our Mainland China business continued to rise, both through our own e-commerce channel and via third party e-commerce platforms. Tmall, for instance, is a channel where we have been growing steadily over time, with the Group now operating over 12 flagship stores on the Tmall platform, each with its own unique style and store format, e.g. multi-brand store vs. mono-brand store, in-house labels vs. international brands.

We are gratified that our Japan and the USA segment continued to grow on the back of several consecutive years of strong growth. We are also excited about our new plans to further expand the store networks for our A Bathing Ape brand in New York as well as in new cities in North America and Europe.

The Group's profitability was adversely affected by the lower turnover, mainly due to Hong Kong's performance. Turnover of the Group declined by 1.2% over last period to HK\$4,015.4 million. Gross margin also decreased, which was principally due to the early promotion of discount activities in some of our operating regions such as Hong Kong.

It should be noted that an impairment provision for goodwill in association with our wholesale business in Mainland China was recognised, amounting to HK\$46.8 million, as sales contribution from wholesale business to our Mainland China business continued to shrink.

It should also be noted that a deferred tax asset amounting to HK\$37.1 million in connection with our Hong Kong business was written off amid a challenging retail environment.

The Group recorded a net loss of HK\$71.2 million for the six months ended 31 August 2019 compared to net profit of HK\$113.4 million for the same period in the previous year. If the above non-cash items in relation to the impairment of goodwill and the write-off of deferred tax assets were excluded, net profit of HK\$12.7 million would have been recorded for the Group.

If the impact of the adoption of HKFRS 16 along with the above non-cash items were excluded, net profit of the Group would have been HK\$0.5 million.

#### *Turnover by Market*

For the Reporting Period, turnover in our Hong Kong and Macau segment decreased by 6.3% to HK\$1,481.0 million while it contributed 36.9% towards the Group's total turnover (FY18/19: 38.9%). The decrease in turnover was attributable to negative comparable-store-sales growth as a result of the contraction in spending enthusiasm, which was due to multiple factors including social instability and a decrease in inbound tourist traffic.

Turnover of our Mainland China operations increased by 0.8% to HK\$1,870.2 million. The Mainland China segment contributed 46.6% towards the Group's total turnover (FY18/19: 45.6%). One pillar of our expansion strategy is to extend the reach of our brands, both online and offline, in Mainland China. We remain enthusiastic about the immense growth opportunities that we plan to capitalise on in this region during the second half of the financial year.

Our Japan and the USA segment, which accounted for 15.1% of the Group's total turnover (FY18/19: 14.1%), continued to deliver sustainable growth. Turnover of our Japan and the USA business rose by 5.7% to HK\$607.3 million. We note with satisfaction the continuous and overwhelmingly positive response to our A Bathing Ape collections and its subsidiary lines.

**Breakdown of turnover by region of operations:**

	Turnover Six months ended 31 August			% of Turnover Six months ended 31 August	
	2019 HK\$ million	2018 HK\$ million	Change	2019	2018
Hong Kong and Macau	1,481.0	1,580.3	-6.3%	36.9%	38.9%
Retail sales only	1,463.3	1,559.6	-6.2%		
Mainland China	1,870.2	1,854.6	+0.8%	46.6%	45.6%
Retail sales only	1,856.3	1,831.6	+1.3%		
Japan and the USA	607.3	574.7	+5.7%	15.1%	14.1%
Retail sales only	546.0	525.6	+3.9%		
Other	56.9	54.5	+4.4%	1.4%	1.4%
<b>Total</b>	<b>4,015.4</b>	<b>4,064.1</b>	<b>-1.2%</b>	<b>100.0%</b>	<b>100.0%</b>

**Brand Mix**

Our portfolio consists of over 400 distinctive fashion names, including in-house brands and international brands. It has always been an integral and important part of our endeavors to define the optimal mix across different concepts and geographies with the objective of maximizing returns. For the period under review, our in-house brands segment continued to provide us with the largest revenue contribution, amounting to 58.7% (FY18/19: 58.3%).

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

	Retail Sales Six months ended 31 August			% of Retail Sales Six months ended 31 August	
	2019 HK\$ million	2018 HK\$ million	Change	2019	2018
In-house brands	2,302.4	2,314.8	-0.5%	58.7%	58.3%
International brands	1,607.1	1,625.7	-1.1%	41.0%	40.9%
Licensed brands	13.0	30.8	-57.7%	0.3%	0.8%
	<b>3,922.5</b>	<b>3,971.3</b>	<b>-1.2%</b>	<b>100.0%</b>	<b>100.0%</b>

#### ***Margin and Cost Dynamics***

The Group recorded a reduction in turnover of 1.2%, with gross profit also decreasing by 4.1% and gross margin decreasing by 1.9 percentage points to 62.1% as compared to the corresponding period of the previous year. This was predominantly due to the decline in sales in our Hong Kong segment amid a difficult retail environment, weaker consumption appetite and social instability. The negative development in gross margin was mainly due to extra discounts and promotional activities that we offered during the period, particularly in our Hong Kong and Macau segment, with the objective of boosting sales volume.

Total operating costs as a percentage of sales decreased to 57.6%. If the impact of HKFRS 16 was excluded, total operating costs as a percentage of sales would have been 59.3% (FY18/19: 58.6%).

Operating profit of the Group declined by 40.0% to HK\$144.7 million. If the impact of the adoption of HKFRS 16 and the impairment of goodwill were excluded, operating profit of the Group would have been HK\$126.0 million, representing a decrease of 47.8% over the same period of the previous year, with the decrease being principally due to the decline in gross profit.

#### ***(b) Hong Kong and Macau***

Our performance in Hong Kong and Macau was impacted by the extremely challenging trading conditions in the first half of the financial year. These conditions included weaker consumption appetite as a result of macroeconomic challenges and geopolitical conflicts such as the escalating China-US trade tensions. This difficult environment was reflected in the negative performance of Hong Kong's retail sales index throughout the period under review. The decrease in inbound tourist traffic, particularly from Mainland China, which was caused by multiple factors including the depreciation of the Renminbi, also adversely impacted our performance across the region. In addition, the recent social instability in Hong Kong had a considerable negative impact on our business. As a consequence, turnover in our Hong Kong and Macau segment decreased by 6.3% over the corresponding period of the previous year to HK\$1,481.0 million. Retail sales also decreased by 6.2% to HK\$1,463.3 million. Comparable store sales growth registered at -5.8% (FY18/19: +8.0%).



Gross margin decreased to 58.7% (FY18/19: 63.7%). This decline in gross margin was due to multiple factors, but it was primarily the result of an increase in markdowns attributable to sales and discount activities. Consequently, an operating loss of HK\$153.7 million was recorded for our Hong Kong and Macau segment for the six months that ended on 31 August 2019. If the impact of HKFRS 16 was excluded, operating loss of HK\$182.5 million would have been recorded for our Hong Kong and Macau segment (FY18/19: operating loss of HK\$48.3 million).

**(c) Mainland China**

Turnover attributable to our Mainland China region increased by 0.8% to HK\$1,870.2 million, such increase in turnover was negatively affected by the weakening of the Renminbi against other currencies as compared to the corresponding period of the previous year. Total retail sales increased by 1.3% to HK\$1,856.3 million, with comparable-store-sales growth registering +5.9% (FY18/19: -2.5%). It is important to reiterate that since November 2018 the sales and profits of brand KENZO were no longer consolidated in our Mainland China business but were recorded as a share of results of joint ventures in the Group's profit or loss.

Gross margin in Mainland China increased by 0.4 percentage point to 61.3%. Consequently, operating profit of our Mainland China segment increased by 79.1% to HK\$29.6 million. If the impact of HKFRS 16 and impairment of goodwill were excluded, operating profit of our Mainland China segment would have been HK\$39.3 million, representing an increase of 137.6% over the corresponding period of the previous year.

**(d) Japan and the USA**

We are gratified by our performance in Japan and the USA, with the segment registering another period of resilient underlying growth after many consecutive years of impressive business results. Sales in this segment increased by 5.7% to HK\$607.3 million while gross margin decreased to 70.8% (FY18/19: 72.8%). Operating profit decreased slightly by 2.1% to HK\$253.8 million. If the impact of HKFRS 16 was excluded, operating profit of our Japan and the USA segment would have been HK\$254.3 million, representing a decrease of 1.9% over the corresponding period of the previous year. This decline in operating profit was principally due to the decrease in gross margin and the pre-opening expenses associated with a new flagship store for our A Bathing Ape brand in London, which is expected to launch in year 2020. We look forward to expanding the A Bathing Ape brand further through new collections, fresh fashion ideas and innovative collaborations with new partners around the world. We are also preparing to further extend the reach of this brand along with its subsidiary lines in New York and other cities such as Miami in the near term.

**Share of Results of Joint Ventures and Share of Result of an Associate**

Share of losses of joint ventures amounting to HK\$17.3 million was recorded for the Reporting Period (FY18/19: share of losses of joint ventures of HK\$0.1 million). The increase in share of losses of joint ventures was principally due to the loss incurred by our second Galeries Lafayette store in Shanghai which had a soft launch in March 2019 and is yet to be operating in full capacity.

Share of profit of an associate amounting to HK\$4.1 million was recorded for the Reporting Period (FY18/19: Nil) in connection with the Group's acquisition of minority equity interest in ACNE Studios Holding AB in May 2019.

**Inventory**

Average inventory turnover cycle of the Group increased by 8 days to 191 days as compared to the corresponding period of the previous year. Such decrease in inventory turnover efficiency was principally due to the slower sales performance in our Hong Kong and Macau segment.

**Cash Flows and Financial Position**

The Group's cash and bank balances as at 31 August 2019 were HK\$1,708.3 million compared to HK\$1,772.0 million as at 28 February 2019 and its net debt balance amounted to HK\$15.4 million (net debt is defined as cash and cash equivalents of HK\$1,708.3 million less borrowings of HK\$1,723.7 million) versus net cash balance of HK\$612.0 million as at 28 February 2019.

Cash inflow from operating activities for the Reporting Period amounted to HK\$854.0 million (FY18/19: HK\$124.3 million). The increase is mainly due to the repayment of lease liabilities is included in financing activities upon adoption of HKFRS 16.

**Liquidity and Banking Facilities**

As at 31 August 2019, the Group had aggregate banking facilities of approximately HK\$3,177.3 million (28 February 2019: HK\$2,162.6 million) for overdrafts, bank loans and trade financing, of which approximately HK\$1,271.7 million (28 February 2019: HK\$854.3 million) was unutilised at the same date. These facilities are mainly secured by corporate guarantees provided by the Company and certain subsidiaries as well as pledge of land and buildings.

**Charges of Assets**

As at 31 August 2019, bank borrowing secured by land and buildings with a carrying amount of HK\$180.5 million (28 February 2019: HK\$183.7 million).

**Contingent Liabilities**

As at 31 August 2019, the Group did not have significant contingent liabilities (FY18/19: 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 31 August 2019, the Group had a total of 7,788 full time employees (FY18/19: 7,074). 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**

There are growing signs of a slowdown in the global economy, reflecting continuing uncertainty over international trade policies and geopolitical developments including an escalation in China-US trade tensions and a deceleration in economic growth in different parts of the world. All these factors are expected to adversely impact consumer sentiment across our operating regions. Additionally, the recent events in Hong Kong portend an even more volatile second half.

Nevertheless, we will continue to invest in positive development plans to enhance the Group's long-term sustainability and profitability while focusing on controlling costs, generating cash and strengthening the balance sheet.

# DISCLOSURE OF INTERESTS

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

As at 31 August 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

### (a) Long positions in the shares of the Company

Director	Beneficiary of trust (Note 1)	Interest in underlying shares/equity derivatives (Note 2)	No. of shares held		Percentages of issued shares (Note 4)
			Direct Interest	Total	
Sham Kar Wai (Note 3)	698,564,441	35,048,379	6,834,000	740,446,820	61.92%
Sham Kin Wai (Note 3)	698,564,441	35,048,379	6,834,000	740,446,820	61.92%
Chan Wai Kwan	-	-	501,249	501,249	0.04%

Notes:

- Mr. Sham Kar Wai and Mr. Sham Kin Wai are both beneficiaries of The ABS 2000 Trust, which is an irrevocable discretionary trust. Fine Honour Limited, Fortune Symbol Limited, Fresh Start Holdings Limited and Sure Elite Limited are wholly-owned subsidiaries of Effective Convey Limited (collectively the "Immediate Holding Companies"). Effective Convey Limited is wholly-owned by Dynamic Vitality Limited, which is in turn wholly-owned by The ABS 2000 Trust. Each of Mr. Sham Kar Wai and Mr. Sham Kin Wai is therefore deemed to be interested in the interests of the Immediate Holding Companies in the Company, detailed in the section headed "Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company" below.
- Detailed in the section headed "Share Option Schemes" below.
- Ms. Yau Shuk Ching, Chingmy, spouse of Mr. Sham Kar Wai, is deemed to be interested in the same number of shares held by Mr. Sham Kar Wai. Ms. Wong Choi Shan, spouse of Mr. Sham Kin Wai, is deemed to be interested in the same number of shares held by Mr. Sham Kin Wai. Their interests in the shares and underlying shares of the Company are recorded in the register maintained by the Company under Section 336 of the SFO.
- The issued shares of the Company was 1,195,797,307 shares as at 31 August 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)
	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%
	Income Team Limited	Interests in controlled company	100%
	Online Profit Limited	Interests in controlled company	100%
	Popbest Limited	Interests in controlled company	100%
	Shine Team Development Limited	Interests in controlled company	100%
	Veston Limited	Interests in controlled company	100%
	Young Ranger Investment Limited	Interests in controlled company	100%
	Sure Elite Limited	Beneficiary of a trust	100%
	Fresh Start Holdings Limited	Beneficiary of a trust	100%
	Fortune Symbol Limited	Beneficiary of a trust	100%
	Fine Honour Limited	Beneficiary of a trust	100%
	Effective Convey Limited	Beneficiary of a trust	100%
	Dynamic Vitality Limited	Beneficiary of a trust	100%

Note:

- Mr. Sham Kar Wai and Ms. Yau Shuk Ching, Chingmy (spouse of Mr. Sham Kar Wai) each holds 25% of the issued shares of 3WH Limited. As such, Mr. Sham Kar Wai is deemed to be interested in the same number of shares held by Ms. Yau Shuk Ching, Chingmy.

Save as disclosed above, none of the Directors or their associates had any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations as at 31 August 2019.

## DISCLOSURE OF INTERESTS (Continued)

### DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from those disclosed in the section headed "*Share Option Schemes*" below, at no time during the period ended 31 August 2019 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 Share Option Schemes do not specify any minimum holding period for which an option must be held before it can be exercised.

## DISCLOSURE OF INTERESTS (Continued)

### 2008 Share Option Scheme

Share options outstanding as at 31 August 2019 are summarised as follows:

Director	Date of grant	Exercise period	Exercise price per share HK\$	Number of Share Options as at 1 March 2019 and 31 August 2019
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.

During the period ended 31 August 2019, no share option was exercised, lapsed or cancelled under the 2008 Share Option Scheme.

### 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.

The remaining life of the New Share Option Scheme is eight years.

## DISCLOSURE OF INTERESTS (Continued)

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

As at 31 August 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 Approved lending agent	2,006,220 1,994,000 58,583,236	0.16% 0.16% 4.89%	Long Short Long
Templeton Asset Management Ltd.	Investment Manager	59,742,395	5.00%	Long

#### Notes:

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

# OTHER INFORMATION

## INTERIM DIVIDEND

The Board does not declare the payment of an interim dividend for the six months ended 31 August 2019 (six months ended 31 August 2018: Nil).

## CORPORATE GOVERNANCE

The Company is committed to implementing good corporate governance practices and emphasising on transparency and accountability to its shareholders and stakeholders. In the opinion of the Board, the Company has applied and complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the six months ended 31 August 2019, except for the deviation as mentioned below.

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

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by the Directors. Upon enquiry by the Company, all Directors have confirmed that, for the six months ended 31 August 2019, they have complied with the required standard as set out in the Model Code regarding securities transactions by Directors.

## CONTINUING DISCLOSURE REQUIREMENTS

The following circumstances giving rise to the obligations of disclosure pursuant to Rule 13.18 of the Listing Rules continue to exist after the period ended 31 August 2019.

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

On 24 April 2017, the Company made the Announcement that I.T Finance Limited, an indirectly wholly-owned subsidiary of the Company, as the borrower has entered into the Banking Facility Letter. 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 a bank;

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

Details of the Facility are set out below:

Facility Agreement: the facility agreement dated 31 January 2018 entered into between I.T Finance Limited, the guarantors (being the Company and three indirectly wholly-owned subsidiaries of the Company) and a syndicate of banks on 31 January 2018;

Facility: a term loan facility in an aggregate commitment of HK\$800 million 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.



## OTHER INFORMATION (Continued)

- (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 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 million 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 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 million matures on the date falling 48 months from the date of the Facility Agreement.

- (v) Terms used herein this subsection have the same meaning as those defined in the announcement made by the Company on 25 October 2019 (the "October 2019 Facility Announcement").

On 25 October 2019, the Company made the October 2019 Facility Announcement that I.T Finance Limited as the borrower has entered into the Facility Letter. Pursuant to the 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, 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. Upon occurrence of an event of default, the Facility shall immediately become due and payable and any undrawn balance of the Facility shall automatically be cancelled.

Details of the Facility are set out below:

Facility Letter: the facility letter dated 30 September 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 on 25 October 2019;

Facility: a term loan of up to HK\$100 million matures on the date falling 48 months from the date of first utilization.

### REVIEW OF FINANCIAL INFORMATION

This interim financial report for the six months ended 31 August 2019 has been reviewed by PricewaterhouseCoopers, the Company's independent auditor whose review report is included in this interim report.

The Audit Committee has reviewed with the Management the accounting principles and practices adopted by the Company and discussed auditing, risk management and internal control systems and financial reporting matters including the review of the unaudited financial information of the Group and interim report for the six months ended 31 August 2019.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 31 August 2019.

On behalf of the Board

Sham Kar Wai  
Chairman

Hong Kong, 30 October 2019

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**I.T LIMITED INTERIM REPORT  
2019/2020**