

**I.T**  
**INTERIM**  
**REPORT**  
**20/21**

**STOCK CODE: 999**

**I.T LIMITED INTERIM REPORT**

**20/21**



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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. TSANG Hin Fun, Anthony

**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 and  
Registered PIE Auditor

**Principal Bankers**

Hang Seng Bank  
Hongkong and Shanghai Banking Corporation  
Standard Chartered Bank

**Principal Share Registrar**

Conyers Corporate Services (Bermuda) Limited

**Hong Kong Branch Share Registrar**

Computershare Hong Kong Investor Services  
Limited  
Shops 1712-1716, 17/F., Hopewell Centre  
183 Queen's Road East  
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**Corporate Website**

[www.ithk.com](http://www.ithk.com)

Stock Code  
**999**



# HIGHLIGHTS

- Total turnover of the Group decreased by 31.9% to HK\$2,734.7 million.
- Total retail sales in Hong Kong and Macau decreased by 50.9% to HK\$719.2 million. Comparable-store-sales-growth rate registered at -48.9% (FY19/20: -5.8%). Total trading area decreased by 14.3%.
- Total retail sales in Mainland China decreased by 14.9% to HK\$1,580.3 million. Comparable-store-sales-growth rate registered at -9.3% (FY19/20: +5.9%). Total trading area decreased by 3%.
- Total retail sales in Japan and the USA landed at HK\$299.8 million, representing 45.1% decrease from FY19/20.
- Gross profit of the Group decreased by 40.2% to HK\$1,493.2 million at gross profit margin of 54.6% (FY19/20: 62.1%).
- Net loss of the Group amounting to HK\$337.1 million was recorded (FY19/20: Net loss of HK\$71.2 million).
- Basic loss per share of 28.2 HK cents (FY19/20: Basic loss per share of 6.0 HK cents).

Per share data	31 August 2020	31 August 2019	Change
Loss per share – basic (HK\$)	-0.282	-0.060	+370.0%
Loss per share – diluted (HK\$)	-0.282	-0.060	+370.0%
Book value (HK\$) <sup>(1)</sup>	1.74	2.55	-31.8%

Key statistics	31 August 2020	31 August 2019	Change
Inventory turnover (Days) <sup>(2)</sup>	240.4	191.0	+25.9%
Cash and cash equivalent (HK\$ million)	1,566.9	1,708.3	-8.3%
Net debt (HK\$ million) <sup>(3)</sup>	-441.7	-15.4	+2,768.2%
Debt to equity ratio (%) <sup>(4)</sup>	96.7	56.5	+71.2%
Return on equity ratio (%) <sup>(5)</sup>	-15.2	-2.1	+623.8%

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 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 2020	29 February 2020	31 August 2020	29 February 2020
<b>Greater China:</b>				
<b>Hong Kong</b>				
I.T	172	189	-	-
ZIT H.K. <sup>(1)</sup>	4	4	-	-
SRIT <sup>(1)</sup>	1	1	-	-
<b>Mainland China</b>				
I.T	510	537	5	9
Camper I.T China <sup>(3)</sup>	-	5	-	-
Kenzo Asia <sup>(2)</sup>	36	44	-	-
ZVIT <sup>(1)</sup>	9	9	-	-
SRIT <sup>(1)</sup>	1	1	-	-
Taiwan	22	24	-	-
<b>Macau</b>				
I.T	11	11	-	-
ZIT H.K. <sup>(1)</sup>	1	1	-	-
<b>Overseas:</b>				
Japan	26	25	-	-
USA	4	4	-	-
France	-	-	3	3
Thailand	-	-	1	1
England	-	-	4	8
Singapore	-	-	3	3
Ireland	-	-	1	1
South Korea	-	-	1	1
Dubai	-	-	3	4
Russia	-	-	1	1

	B. Sales footage <sup>(4)</sup>			
	Self-managed		Franchised	
	31 August 2020	29 February 2020	31 August 2020	29 February 2020
<b>Greater China:</b>				
<b>Hong Kong</b>				
I.T	451,490	522,892	-	-
ZIT H.K. <sup>(1)</sup>	4,003	4,003	-	-
SRIT <sup>(1)</sup>	1,035	1,035	-	-
<b>Mainland China</b>				
I.T	1,595,008	1,671,913	6,273	11,072
Camper I.T China <sup>(3)</sup>	-	2,718	-	-
Kenzo Asia <sup>(2)</sup>	42,168	73,739	-	-
ZVIT <sup>(1)</sup>	10,934	10,934	-	-
SRIT <sup>(1)</sup>	1,636	1,636	-	-
Taiwan	33,920	35,466	-	-
<b>Macau</b>				
I.T	35,793	35,793	-	-
ZIT H.K. <sup>(1)</sup>	1,998	1,998	-	-
<b>Overseas:</b>				
Japan	47,663	47,446	-	-
USA	12,017	12,017	-	-
France	-	-	2,360	2,360
Thailand	-	-	2,000	2,000
England	-	-	1,138	2,083
Singapore	-	-	4,767	4,767
Ireland	-	-	550	550
South Korea	-	-	2,796	2,796
Dubai	-	-	3,506	3,980
Russia	-	-	323	323

### Notes:

- (1) a 50% owned joint venture of the Company
- (2) a 49% owned joint venture of the Company
- (3) On 5 August 2020, the Company transferred its 50% interest in the joint venture to Fornalutx, GmbH, the owner of the Camper brand
- (4) 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 condensed consolidated statement of financial position of I.T Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 31 August 2020 and the related condensed consolidated interim 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.', written over a light blue horizontal line.

PricewaterhouseCoopers  
Certified Public Accountants

Hong Kong, 29 October 2020

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# CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 August 2020

	Note	Six months ended 31 August	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Turnover	6	2,734,698	4,015,362
Cost of sales	8	(1,241,498)	(1,520,262)
<b>Gross profit</b>		<b>1,493,200</b>	<b>2,495,100</b>
Other losses, net	7	(6,002)	(22,704)
Impairment of goodwill	14	-	(46,838)
Operating expenses	8	(1,812,247)	(2,314,653)
Other income	9	101,515	33,774
<b>Operating (loss)/profit</b>		<b>(223,534)</b>	<b>144,679</b>
Finance income	10	6,592	12,198
Finance costs	10	(67,336)	(76,396)
Share of losses of joint ventures		(7,398)	(17,310)
Share of profit of an associate		35	4,111
<b>(Loss)/profit before income tax</b>		<b>(291,641)</b>	<b>67,282</b>
Income tax expense	11	(45,434)	(138,453)
<b>Loss for the period</b>		<b>(337,075)</b>	<b>(71,171)</b>
<b>Other comprehensive income/(loss):</b>			
Items that may be reclassified to profit or loss			
Currency translation differences		46,281	(96,349)
Fair value changes on cash flow hedge, net of tax		-	11,003
<b>Total other comprehensive income/(loss) for the period</b>		<b>46,281</b>	<b>(85,346)</b>
<b>Total comprehensive loss for the period</b>		<b>(290,794)</b>	<b>(156,517)</b>
<b>(Loss)/profit attributable to:</b>			
- Equity holders of the Company		(337,265)	(71,958)
- Non-controlling interests		190	787
		<b>(337,075)</b>	<b>(71,171)</b>
<b>Total comprehensive (loss)/income attributable to:</b>			
- Equity holders of the Company		(291,084)	(157,420)
- Non-controlling interests		290	903
		<b>(290,794)</b>	<b>(156,517)</b>
<b>Loss per share attributable to equity holders of the Company for the period</b> (expressed in HK cent per share)			
- basic	13	(28.2)	(6.0)
- diluted	13	(28.2)	(6.0)

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

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 August 2020

	Note	As at 31 August 2020 (Unaudited) HK\$'000	As at 29 February 2020 (Audited) HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, furniture and equipment	14	1,109,629	1,161,391
Right-of-use assets	15	1,622,228	1,900,465
Intangible assets	14	92,054	91,169
Investments in and loans to joint ventures	16	114,336	121,303
Investment in an associate	16	439,977	441,879
Rental deposits	18	222,965	271,172
Prepayments for non-current assets	18	41,149	21,236
Deferred income tax assets		153,693	137,517
		<u>3,796,031</u>	<u>4,146,132</u>
<b>Current assets</b>			
Inventories		1,522,266	1,722,110
Trade and other receivables	17	213,552	218,006
Amounts due from joint ventures	16	71,563	33,765
Amount due from an associate	16	-	272
Rental deposits, prepayments and other deposits	18	267,548	284,573
Current income tax recoverable		2,728	2,474
Cash and cash equivalents		1,566,870	1,456,807
		<u>3,644,527</u>	<u>3,718,007</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	22	(576,037)	(463,290)
Trade payables	20	(416,432)	(491,317)
Accruals and other payables	21	(438,681)	(469,974)
Contract liabilities		(44,212)	(37,844)
Lease liabilities	15	(856,276)	(958,142)
Amounts due to joint ventures	16	(8,255)	(26,840)
Amount due to an associate	16	(1,071)	-
Current income tax liabilities		(113,097)	(81,593)
		<u>(2,454,061)</u>	<u>(2,529,000)</u>
<b>Net current assets</b>		<u>1,190,466</u>	<u>1,189,007</u>
<b>Non-current liabilities</b>			
Borrowings	22	(1,432,546)	(1,463,928)
Lease liabilities	15	(1,407,502)	(1,440,713)
Accruals	21	(6,367)	(6,163)
Derivative financial instruments	19	(13,146)	(4,145)
Deferred income tax liabilities		(50,705)	(52,621)
		<u>(2,910,266)</u>	<u>(2,967,570)</u>
<b>Net assets</b>		<u>2,076,231</u>	<u>2,367,569</u>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	23	119,580	119,580
Reserves	24	1,953,069	2,244,153
Non-controlling interests		3,582	3,836
<b>Total equity</b>		<u>2,076,231</u>	<u>2,367,569</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 2020

	Share capital (Unaudited) HK\$'000	Reserves (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Balance at 1 March 2020</b>	119,580	2,244,153	3,836	2,367,569
<b>Loss for the period</b>	-	(337,265)	190	(337,075)
Other comprehensive (loss)/income:				
– currency translation differences	-	46,181	100	46,281
<b>Total comprehensive (loss)/income for the six months ended 31 August 2020</b>	-	(291,084)	290	(290,794)
<b>Transaction with owners:</b>				
Final dividends to non-controlling interests for the year ended 29 February 2020	-	-	(544)	(544)
<b>Total transaction with owners</b>	-	-	(544)	(544)
<b>Balance at 31 August 2020</b>	<b>119,580</b>	<b>1,953,069</b>	<b>3,582</b>	<b>2,076,231</b>
<b>Balance as at 1 March 2019</b>	119,580	3,302,360	3,239	3,425,179
<b>Loss for the period</b>	-	(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
<b>Total comprehensive (loss)/income for the six months ended 31 August 2019</b>	-	(157,420)	903	(156,517)
<b>Transaction with owners:</b>				
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)
<b>Total transaction with owners</b>	-	(215,243)	(359)	(215,602)
<b>Balance at 31 August 2019</b>	<b>119,580</b>	<b>2,929,697</b>	<b>3,783</b>	<b>3,053,060</b>

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 2020

	Note	Six months ended 31 August	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations		709,236	984,759
Interest paid		(24,247)	(25,764)
Hong Kong profits tax refunded/(paid)		700	(3,671)
Overseas income tax paid		(34,666)	(101,349)
<b>Net cash generated from operating activities</b>		<b>651,023</b>	<b>853,975</b>
<b>Cash flows from investing activities</b>			
Purchase of property, furniture and equipment		(115,126)	(284,093)
Purchase of intangible assets		(6,377)	(22,796)
Proceed from disposal of a joint venture		9,549	-
Capital injection to joint ventures		-	(11,603)
Loans to joint ventures		-	(36,663)
Payment for acquisition of an associate		-	(431,815)
Interest received		4,873	9,771
<b>Net cash used in investing activities</b>		<b>(107,081)</b>	<b>(777,199)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	22	348,710	1,009,798
Repayments of borrowings	22	(272,486)	(445,088)
Repayments of lease liabilities		(530,271)	(689,680)
Dividends paid to non-controlling interests		(544)	(359)
<b>Net cash used in financing activities</b>		<b>(454,591)</b>	<b>(125,329)</b>
Net increase/(decrease) in cash and cash equivalents		89,351	(48,553)
Currency translation differences		20,712	(15,060)
Cash and cash equivalents, at 1 March		1,456,807	1,771,957
Cash and cash equivalents, at 31 August		<b>1,566,870</b>	<b>1,708,344</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 Dollars (“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 2020 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 29 February 2020, 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 29 February 2020, 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.

### 3.1 Adoption of new standards and amendments in the current interim period

#### (a) *New and amended standards adopted by the Group*

The following new standards and amendments are mandatory for the financial year beginning on 1 March 2020.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform
Amendments to HKFRS 3 (Revised)	Definition of a Business
Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

Except as disclosed in Note 3.1.1 for the Amendment to 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.

#### (b) *New and amended standards not yet adopted*

The following new standards and amendments have been issued but are not effective for the financial year beginning on or after 1 March 2020 and have not been early adopted by the Group.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendment to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 1	Classification of liabilities as current or non-current
Amendment to HKAS 16	Proceeds before Intended Use
Amendment to HKAS 37	Cost of fulfilling a Contract
Amendments to Annual Improvement Project	Annual improvements 2018-2020 cycle (HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41)
HKFRS 17	Insurance Contracts



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## (Continued)

### 3 ACCOUNTING POLICIES (Continued)

#### 3.1 Adoption of new standards and amendments in the current interim period (Continued)

##### (b) *New and amended standards not yet adopted (Continued)*

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.

##### 3.1.1 Amendment to HKFRS 16 – COVID-19-Related Rent Concessions

The Group has early adopted Amendment to HKFRS 16 – COVID-19-Related Rent Concessions retrospectively from 1 March 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) any reduction in lease payments affects only payments due on or before 30 June 2021; and
- c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totaling approximately HK\$74,592,000 have been accounted for as negative variable lease payments and recognised in “operating expenses” in the condensed interim statement of comprehensive income for the half-year ended 31 August 2020, (see Note 8), with a corresponding adjustment to the lease liabilities. There is no impact on the opening balance of equity as at 1 March 2020.

A number of new or amended standards became applicable for the current reporting period. Except for the Amendment to HKFRS 16 set out above, the Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

### 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 29 February 2020.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 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 and 29 February 2020 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 29 February 2020:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>As at 31 August 2020</b>				
<b>Liabilities</b>				
Currency swap contracts not qualified for hedge accounting	<u>-</u>	<u>(13,146)</u>	<u>-</u>	<u>(13,146)</u>
<b>As at 29 February 2020</b>				
<b>Liabilities</b>				
Currency swap contracts not qualified for hedge accounting	<u>-</u>	<u>(4,145)</u>	<u>-</u>	<u>(4,145)</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## (Continued)

### 6 TURNOVER AND SEGMENT INFORMATION

	Six months ended 31 August	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover		
– Sales of fashion wears and accessories	<u>2,734,698</u>	<u>4,015,362</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 (loss)/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/(LBITDA)"). The information provided to the CODM is measured in a manner consistent with that in the annual financial statements.

Segment assets exclude deferred income tax assets, current income tax recoverable, investments in, loans to and amounts due from joint ventures and an associate which are managed centrally.

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

	Hong Kong and Macau		Mainland China		(Unaudited) Japan and the USA		Other		Total	
	Six months		Six months		Six months		Six months		Six months	
	ended 31 August		ended 31 August		ended 31 August		ended 31 August		ended 31 August	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>728,995</u>	<u>1,480,955</u>	<u>1,600,039</u>	<u>1,870,218</u>	<u>355,680</u>	<u>607,256</u>	<u>49,984</u>	<u>56,933</u>	<u>2,734,698</u>	<u>4,015,362</u>
EBITDA/(LBITDA)	(12,255)	230,135	430,456	433,265	130,061	295,716	22,019	21,058	570,281	980,174
Depreciation and amortisation	(233,728)	(370,562)	(293,285)	(283,591)	(61,910)	(41,926)	(4,197)	(6,125)	(593,120)	(702,204)
Provision for impairment of property, furniture and equipment (Note 14)	(28,407)	(1,573)	(14,015)	(19,444)	-	-	-	-	(42,422)	(21,017)
Provision for impairment of right-of-use assets (Note 15)	(139,939)	(11,671)	(18,334)	(53,765)	-	-	-	-	(158,273)	(65,436)
Provision for impairment of goodwill (Note 14)	-	-	-	(46,838)	-	-	-	-	-	(46,838)
Segment (loss)/profit	<u>(414,329)</u>	<u>(153,671)</u>	<u>104,822</u>	<u>29,627</u>	<u>68,151</u>	<u>253,790</u>	<u>17,822</u>	<u>14,933</u>	(223,534)	144,679
Finance income									6,592	12,198
Finance costs									(67,336)	(76,396)
Share of losses of joint ventures									(7,398)	(17,310)
Share of profit of an associate									35	4,111
(Loss)/profit before income tax									<u>(291,641)</u>	<u>67,282</u>

# 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 2020	<u>2,399,850</u>	<u>3,227,274</u>	<u>952,136</u>	<u>79,001</u>	<u>6,658,261</u>
As at 29 February 2020	<u>2,699,425</u>	<u>3,325,340</u>	<u>1,003,627</u>	<u>98,537</u>	<u>7,126,929</u>

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

	As at 31 August 2020 (Unaudited) HK\$'000	As at 29 February 2020 (Audited) HK\$'000
Segment assets for reportable segments	6,658,261	7,126,929
Unallocated:		
Deferred income tax assets and current income tax recoverable	156,421	139,991
Investments in, loans to and amounts due from joint ventures and an associate	<u>625,876</u>	<u>597,219</u>
	<u>7,440,558</u>	<u>7,864,139</u>

## 7 OTHER LOSSES, NET

	Six months ended 31 August 2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Fair value (losses)/gains on derivative financial instruments		
- foreign currency swap contract	(9,001)	711
Gain on disposal of a joint venture (i)	9,549	-
Net exchange losses	<u>(6,550)</u>	<u>(23,415)</u>
	<u>(6,002)</u>	<u>(22,704)</u>

Note:

- (i) On 5 August 2020, the Group entered into a sale and purchase agreement with Fornalutx, GmbH to dispose its 50% direct equity interest of Camper I.T China Limited and its 50% indirect equity interest of Camper (Shanghai) Limited, at a consideration of approximately RMB8,161,000 (equivalent to approximately HK\$9,549,000). Upon the completion, Camper I.T China Limited and Camper (Shanghai) Limited were derecognised as joint ventures of the Group.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 8 EXPENSES BY NATURE

	Six months ended 31 August	
	2020	2019
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Cost of inventories sold	1,186,741	1,471,542
Provision for write-downs of inventories to net realisable value	18,120	8,791
Employment costs (including directors' emoluments)	551,711	761,438
Depreciation expenses		
– property, furniture and equipment	119,798	134,426
– right-of-use assets	465,985	559,534
Expenses related to short-term leases	39,968	33,341
Expenses related to variable lease payments	9,265	112,133
Building management fee	122,618	137,523
Advertising and promotion costs	51,399	97,771
Commission expenses	40,541	60,390
Bank charges	27,280	41,386
Utilities expenses	16,148	25,616
Freight charges	16,644	18,854
Impairment of non-financial assets		
– property, furniture and equipment	42,422	21,017
– right-of-use assets	158,273	65,436
Loss on disposals of property, furniture and equipment	3,912	5,172
Contingent licence fees	4,485	15,332
Amortisation of intangible assets	7,337	8,244
Other expenses	171,098	256,969
	<hr/>	<hr/>
Total	<b>3,053,745</b>	<b>3,834,915</b>
	<hr/>	<hr/>
Representing:		
Cost of sales	1,241,498	1,520,262
Operating expenses	1,812,247	2,314,653
	<hr/>	<hr/>
	<b>3,053,745</b>	<b>3,834,915</b>
	<hr/>	<hr/>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 9 OTHER INCOME

	Six months ended 31 August	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Government grants		
– Employment Support Scheme (“ESS”) (i)	48,979	–
– Retail Sector Subsidy Scheme (“RSS”) (ii)	4,720	–
– Other government grants	31,381	25,388
Others	16,435	8,386
	<u>101,515</u>	<u>33,774</u>

Notes:

- (i) The amount represents salaries and wage subsidies granted under Anti-Epidemic Fund by the Government of the Hong Kong Special Administrative Region for the use of paying wages of employees from June to August 2020.
- (ii) The amount represents government subsidies granted under Anti-Epidemic Fund launched by the Government of the Hong Kong Special Administrative Region for subsidising retail stores' operation.

## 10 FINANCE INCOME AND COSTS

	Six months ended 31 August	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interest income from		
– bank deposits	4,807	10,216
– amounts due from joint ventures	228	228
– others (i)	1,557	1,754
Finance income	<u>6,592</u>	<u>12,198</u>
Interest expense on borrowings wholly repayable within five years	(19,572)	(25,764)
Interest expenses on lease liabilities	(47,764)	(50,632)
Finance costs	<u>(67,336)</u>	<u>(76,396)</u>
Net finance costs	<u>(60,744)</u>	<u>(64,198)</u>

Note:

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## (Continued)

### 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 2019: 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 2019: 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 2019: 34.59%) 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 2019: 12%) on the estimated assessable profits in excess of HK\$582,000 (approximately MOP600,000) of the Group's operations in Macau.

Taiwan profits tax has been provided at the rate of 20% (six months ended 31 August 2019: 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 2019: 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	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Current income tax		
- Hong Kong profits tax	9,227	4,689
- Mainland China enterprise income tax	21,050	4,579
- Overseas income tax	32,419	90,732
- Under/(over)-provision in prior year	1,563	(154)
Deferred income tax	(18,825)	38,607
	<u>45,434</u>	<u>138,453</u>

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 31 August 2020 is 11.4% (six months ended 31 August 2019: 61.6%). The decrease is mainly caused by a change of the distribution of profits/(losses) of the Group's entities operating in different locations.

### 12 DIVIDENDS

The Board does not declare the payment of an interim dividend for the six months ended 31 August 2020 (six months ended 31 August 2019: Nil).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 13 LOSS PER SHARE

### *Basic*

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

	<b>Six months ended 31 August</b>	
	<b>2020</b>	<b>2019</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Loss attributable to equity holders of the Company (HK\$'000)	<u>(337,265)</u>	<u>(71,958)</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,195,797</u>	<u>1,195,797</u>
Basic loss per share (HK cent)	<u>(28.2)</u>	<u>(6.0)</u>

### *Diluted*

Diluted loss 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.

	<b>Six months ended 31 August</b>	
	<b>2020</b>	<b>2019</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Loss attributable to equity holders of the Company (HK\$'000)	<u>(337,265)</u>	<u>(71,958)</u>
Weighted average number of ordinary shares for diluted loss per share ('000)	<u>1,195,797</u>	<u>1,195,797</u>
Diluted loss per share (HK cent)	<u>(28.2)</u>	<u>(6.0)</u>

\* Diluted loss per share for the six months ended 31 August 2020 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

	Property, furniture and equipment (Unaudited) HK\$'000	Intangible assets (Unaudited) HK\$'000
<b>Six months ended 31 August 2020</b>		
Opening net book amount as at 1 March 2020	1,161,391	91,169
Additions	101,066	6,377
Disposals	(3,912)	-
Depreciation and amortisation	(119,798)	(7,337)
Impairment (Note (ii))	(42,422)	-
Currency translation differences	13,304	1,845
	<u>1,109,629</u>	<u>92,054</u>
<b>Six months ended 31 August 2019</b>		
Opening net book amount as at 1 March 2019	954,964	321,948
Additions	318,675	22,796
Disposals	(5,171)	-
Depreciation and amortisation	(134,426)	(8,244)
Impairment (Note (i) & (ii))	(21,017)	(46,838)
Currency translation differences	(32,281)	(9,689)
	<u>1,080,744</u>	<u>279,973</u>

#### Notes:

#### (i) Impairment on goodwill:

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 and the USA CGU, the Retail Stores, Wholesale and the Sale Shop CGUs in 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 recognised an impairment of HK\$46,838,000 during the six months ended 31 August 2019.

#### (ii) Impairment on property, plant and equipment and right-of-use assets:

As at 31 August 2020, the Group include property, furniture and equipment of HK\$191 million and right-of-use assets of HK\$1,399 million that are subject to impairment tests. The Group regards each individual store as a separately identifiable CGU and performed impairment assessments on each of the CGU with impairment indicators by considering the recoverable amounts of such assets at store level.

Key inputs to the determination of the recoverable amount over the remaining lease period includes annual sales growth, gross margin and pre-tax discount rate. The below table shows the annual sales growth, gross margin and pre-tax discount rate used by each store in Hong Kong and Macau, Mainland China and Japan and the USA.

	As at 31 August 2020		
	Hong Kong and Macau	Mainland China	Japan and the USA
Annual sales growth	-35% to +15%	-11% to +10%	-23% to +20%
Gross margin	31% to 82%	21% to 84%	67%
Pre-tax discount rate	16%	17%	18%
	As at 29 February 2020		
	Hong Kong and Macau	Mainland China	
Annual sales growth		-20% to +8%	-15% to +10%
Gross margin		27% to 81%	54% to 82%
Pre-tax discount rates		16%	17%

The recoverable amounts of the CGUs are determined based on value-in-use calculations, which are higher than the fair value less costs of disposal calculations. The value-in-use calculations covering a period of the remaining lease term were lower than the carrying amounts of the CGUs. Accordingly, the Group recognised an impairment of the property, furniture and equipment of HK\$42 million and right-of-use assets of HK\$158 million (Note 15) during the period ended 31 August 2020 (for the period ended 31 August 2019: impairment of property, furniture and equipment and right-of-use assets of HK\$21 million and HK\$65 million, respectively).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## (Continued)

### 15 LEASES

(i) Amounts recognised in the condensed consolidated statement of financial position

The condensed consolidated statement of financial position shows the following amounts relating to leases:

	As at 31 August 2020 (Unaudited) HK\$'000	As at 29 February 2020 (Audited) HK\$'000
<b>Right-of-use assets</b>		
Land use rights	36,060	35,890
Properties leases	1,586,168	1,864,575
	<u>1,622,228</u>	<u>1,900,465</u>
<b>Lease liabilities</b>		
Current	856,276	958,142
Non-current	1,407,502	1,440,713
	<u>2,263,778</u>	<u>2,398,855</u>

During the period ended 31 August 2020, additions to the right-of-use assets were HK\$329,233,000 (For the year ended 29 February 2020: HK\$1,203,073,000).

(ii) Amounts recognised in the condensed consolidated interim statement of comprehensive income

		For the period ended 31 August 2020 (Unaudited) HK\$'000	31 August 2019 (Unaudited) HK\$'000
	Notes		
<b>Depreciation of right-of-use assets</b>			
Properties leases	8	465,985	559,534
<b>Depreciation of right-of-use assets and capitalised to the construction in progress</b>			
Land use rights		369	382
Impairment of right-of-use assets – properties leases	8	158,273	65,436
Interest expense (included in finance cost)	10	47,764	50,632
Expense related to short-term leases	8	39,968	33,341
Expense related to variable lease payments not included in lease liabilities	8	9,265	112,133
		<u>96,997</u>	<u>196,106</u>

During the period ended 31 August 2020, the net cash outflow for leases were HK\$579,504,000 (For the period ended 31 August 2019: HK\$835,154,000).

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

The Group leases various offices, warehouses and retail stores. Rental contracts of offices, warehouses and retail stores are typically made in accordance to the lease terms as stipulated in the rental contracts.

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 other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## (Continued)

### 15 LEASES (Continued)

#### (iv) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

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

	As at 31 August 2020 (Unaudited) HK\$'000	As at 29 February 2020 (Audited) HK\$'000
Share of net assets for the joint ventures	92,219	99,414
Loans to joint ventures	22,117	21,889
	<u>114,336</u>	<u>121,303</u>
Share of net assets for an associate	<u>439,977</u>	<u>441,879</u>
Amounts due from joint ventures	<u>71,563</u>	<u>33,765</u>
Amounts due to joint ventures	<u>(8,255)</u>	<u>(26,840)</u>
Amounts due (to)/from an associate	<u>(1,071)</u>	<u>272</u>
(a) Balances with joint ventures and an associate		

	As at 31 August 2020 (Unaudited) HK\$'000	As at 29 February 2020 (Audited) HK\$'000
<b>Loans to and amounts due from joint ventures</b>		
ZIT H.K. Limited (i)	19,261	18,909
FCIT China Limited (ii)	25,228	23,173
Glory Premium Limited (iv)	2,229	2,229
Galleries Lafayette (Beijing) Limited (iv)	46,347	14,603
Camper (Shanghai) Limited (iv)	-	32,165
Camper I.T China Limited (iv)	-	565
Kenzo (Shanghai) Commercial Co. Limited (iii)	34,028	31,854
ZV (Shanghai) Limited (iv)	3,779	3,376
SRIT Limited (iv)	6,795	4,774
SR (Shanghai) Limited (iv)	1,220	413
	<u>138,887</u>	<u>132,061</u>
Less: provision for impairment	<u>(45,207)</u>	<u>(76,407)</u>
Loans to and amounts due from joint ventures, net	<u>93,680</u>	<u>55,654</u>

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

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

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

	As at 31 August 2020 (Unaudited) HK\$'000	As at 29 February 2020 (Audited) HK\$'000
<b>Amounts due to joint ventures</b>		
Kenchart Apparel (Shanghai) Limited (iv)	-	(17,634)
FCUK IT Company (iv)	(1,729)	(1,506)
ZIT H.K. Limited (iv)	(6,348)	(5,482)
Camper I.T China Limited (iv)	-	(2,215)
FCIT China Limited (iv)	(3)	(3)
SRIT Limited (iv)	(175)	-
	<u>(8,255)</u>	<u>(26,840)</u>
<b>Amount due (to)/from an associate</b>		
Acne Studios Holding AB (iv)	<u>(1,071)</u>	<u>272</u>

#### Notes:

- (i) As at 31 August 2020, the loan to ZIT H.K. Limited of approximately HK\$9,100,000 (29 February 2020: HK\$9,100,000) is unsecured, interest bearing at 5% (29 February 2020: 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 2020, the loan to FCIT China Limited of approximately HK\$8,000,000 (29 February 2020: 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 2020, the loan to Kenzo (Shanghai) Commercial Co. Limited of approximately HK\$27,896,000 (29 February 2020: HK\$27,896,000) is unsecured, interest bearing at 2% (29 February 2020: 2%) per annum and has no fixed term of repayment. The remaining balance is unsecured, non-interest bearing and repayable on demand.
- (iv) These balances with joint ventures 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)

## 16 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
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
SRIT Limited	Hong Kong	HK\$2	50%	Retail of fashion wears and accessories
SR (Shanghai) Limited	Mainland China	RMB1,000,000	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)

## 17 TRADE AND OTHER RECEIVABLES

	As at 31 August 2020 (Unaudited) HK\$'000	As at 29 February 2020 (Audited) HK\$'000
Trade receivables	182,721	192,697
Less: Impairment loss on trade receivables	(1,260)	(2,416)
	<hr/>	<hr/>
Trade receivables – net	181,461	190,281
Interest receivables	265	331
Other receivables	31,826	27,394
	<hr/>	<hr/>
Trade and other receivables	<u>213,552</u>	<u>218,006</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 2020 (Unaudited) HK\$'000	As at 29 February 2020 (Audited) HK\$'000
0 to 30 days	137,591	88,818
31 to 60 days	38,184	76,939
61 to 90 days	4,203	20,050
Over 90 days	2,743	6,890
	<hr/>	<hr/>
	<u>182,721</u>	<u>192,697</u>

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

## 18 RENTAL DEPOSITS, PREPAYMENTS AND OTHER DEPOSITS

	As at 31 August 2020 (Unaudited) HK\$'000	As at 29 February 2020 (Audited) HK\$'000
Rental deposits	397,722	458,328
Prepayments	110,647	90,918
Utilities and other deposits	23,293	27,735
	<hr/>	<hr/>
	531,662	576,981
Less: non-current portion:		
Rental deposits	(222,965)	(271,172)
Prepayments for non-current assets	(41,149)	(21,236)
	<hr/>	<hr/>
	<u>267,548</u>	<u>284,573</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 19 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 August 2020 Liabilities (Unaudited) HK\$'000	As at 29 February 2020 Liabilities (Audited) HK\$'000
Not qualified for hedge accounting:		
Currency swap contracts, at market value (Note a)	<u>(13,146)</u>	<u>(4,145)</u>

Note:

- (a) As at 31 August 2020, the notional principal amount of the outstanding currency swap contracts to buy United States Dollar for economic hedge against foreign exchange risk exposures relating to liabilities denominated in United States Dollar was USD11,500,000 (as at 29 February 2020: USD10,500,000).

## 20 TRADE PAYABLES

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

	As at 31 August 2020 (Unaudited) HK\$'000	As at 29 February 2020 (Audited) HK\$'000
0 to 30 days	206,746	152,173
31 to 60 days	85,519	146,034
61 to 90 days	29,098	109,050
91 to 180 days	52,327	46,215
181 to 365 days	14,166	10,937
Over 365 days	28,576	26,908
	<u>416,432</u>	<u>491,317</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 21 ACCRUALS AND OTHER PAYABLES AND CONTRACT LIABILITIES

### (a) Accrual and other payables

	As at 31 August 2020 (Unaudited) HK\$'000	As at 29 February 2020 (Audited) HK\$'000
Unutilised coupon	6,008	1,192
Provision for reinstatement cost	128,426	136,209
Accruals		
- Rented premises and contingent rents	30,302	31,480
- Employment costs	54,035	46,329
- Others	108,024	155,574
Other payables	118,253	105,353
	<u>445,048</u>	<u>476,137</u>
Less: non-current portion: Accruals	(6,367)	(6,163)
	<u><u>438,681</u></u>	<u><u>469,974</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 2020 (Unaudited) HK\$'000	As at 29 February 2020 (Audited) HK\$'000
Turnover recognised that was included in the contract liabilities at the beginning of the period/year	<u><u>37,844</u></u>	<u><u>21,922</u></u>



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

## 22 BORROWINGS

	As at 31 August 2020 (Unaudited) HK\$'000	As at 29 February 2020 (Audited) HK\$'000
Non-current borrowings		
– Bank borrowings	1,432,546	1,463,928
Current borrowings		
– Portion of bank borrowings due for repayment within one year	527,337	411,940
– Portion of bank borrowings due for repayment after one year which contain a repayable on demand clause	48,700	51,350
	<u>576,037</u>	<u>463,290</u>
	<u><b>2,008,583</b></u>	<u><b>1,927,218</b></u>

Movements in borrowings are analysed as follows:

	(Unaudited) HK\$'000
<b>Six months ended 31 August 2020</b>	
As at 1 March 2020	1,927,218
Proceeds from borrowings	348,710
Repayments of borrowings	(272,486)
Currency translation differences	5,141
<b>As at 31 August 2020</b>	<u><b>2,008,583</b></u>
<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><b>1,723,715</b></u>

The fair values of current borrowings approximate their carrying amounts, as the impact of discounting is not significant. As at 31 August 2020, the effective borrowing cost was 2.5% (as at 29 February 2020: 3.4%) per annum.

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## (Continued)

### 23 SHARE CAPITAL

Movements were:

	Number of ordinary shares '000	Share capital HK\$'000
Issued and fully paid:		
At 1 March 2019 (Audited), 29 February 2020 (Audited) and 31 August 2020 (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 29 February 2020. Movements in the number of share options outstanding and the exercise prices are as follows:

	Six months ended 31 August			
	2020		2019	
	Weighted-average exercise price per share HK\$	Share options (thousands)	Weighted-Average exercise price per share HK\$	Share options (thousands)
Beginning of the period	4.38	64,810	2.95	121,152
Exercised	-	-	-	-
Expired	-	-	-	-
End of the period	4.38	<u>64,810</u>	2.95	<u>121,152</u>

No options were exercised during the six months ended 31 August 2020 and 2019.

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 2020	As at 31 August 2019
27 December 2019	1.23	-	33,805
11 February 2020	1.43	-	22,537
17 March 2021	4.96	40,250	40,250
16 September 2022	3.42	24,560	24,560
		<u>64,810</u>	<u>121,152</u>

During the six months ended 31 August 2020, no share-based payments was recognised in the condensed consolidated interim statement of comprehensive income (31 August 2019: Nil).

# 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	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 March 2020	812,732	178,937	40,715	(127,380)	68,128	1,271,021	2,244,153
Loss for the period	-	-	-	-	-	(337,265)	(337,265)
Currency translation differences							
- Group	-	-	-	47,924	-	-	47,924
- Joint ventures and Associate	-	-	-	(1,743)	-	-	(1,743)
Balance at 31 August 2020	<u>812,732</u>	<u>178,937</u>	<u>40,715</u>	<u>(81,199)</u>	<u>68,128</u>	<u>933,756</u>	<u>1,953,069</u>

	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 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 and Associate	-	-	-	(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>

### 25 BANKING FACILITIES AND PLEDGE OF ASSETS

The Group's banking facilities are subject to annual review. As at 31 August 2020, the Group had aggregate banking facilities (including committed and uncommitted banking facilities) of approximately HK\$3,374,300,000 (29 February 2020: approximately HK\$3,306,950,000) at floating rate for overdrafts, term loans, revolving loans and trade financing, of which approximately HK\$1,247,245,000 (29 February 2020: approximately HK\$1,232,831,000) 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 2020 (Unaudited) HK\$'000	As at 29 February 2020 (Audited) HK\$'000
Contracted but not provided for		
- acquisition of fixture and furniture	8,915	300
- construction in progress	250,539	184,850
	<u>259,454</u>	<u>185,150</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## (Continued)

### 27 RELATED PARTY TRANSACTIONS

(a) As at 31 August 2020, the Group was controlled by Effective Convey Limited (incorporated in the British Virgin Islands), which directly and indirectly owns a total of 58.42% 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	
	2020	2019
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest income from joint ventures	228	228
Service fees income from joint ventures	16,173	7,416
Commission income from joint ventures	262	970
Commission fees payable to a joint venture	8,591	8,270
Purchases of goods from joint ventures	258	1,136
Purchase of goods from an associate	29,865	42,965
	<u>29,865</u>	<u>42,965</u>

(c) Key management compensation

	Six months ended 31 August	
	2020	2019
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Salaries and allowances	9,467	11,012
Pension costs – employer's contributions to a defined contribution plan	27	27
	<u>9,494</u>	<u>11,039</u>

### 28 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

The business environment in which the Group operated was severely affected by the COVID-19 pandemic during the six months ended 31 August 2020. The Group's net sales decreased significantly compared to the corresponding period of the previous year. This loss of sales reflects the considerable decline in consumers' spending enthusiasm resulting from various social distancing and health-related measures, along with extensive travel restrictions, border controls and quarantine arrangements.

As a result, our stores had to be temporarily closed or operate with reduced opening hours in most markets – especially during the first quarter of the financial year, i.e. in the period from 1 March 2020 to 31 May 2020.

The Group gradually reopened stores in some of the markets in the second quarter in line with the decisions made by the local authorities. The pace of the sales recovery therefore varied to a large extent across our markets. For example, our China market has been recovering at a faster pace compared to other regions such as Hong Kong and Macau where sales are traditionally heavily dependent on tourism.

With some of our stores temporarily closed and with travel restrictions in place during the period under review, we therefore accelerated the pace of our digital development, both through our own e-commerce channel and via third-party online marketplaces. We have also been focusing on redirecting our customer flow to our digital channels through online promotional campaigns. As a result, the sales contribution from e-commerce continued to rise, to 25% compared to 9% in the corresponding period of the previous year.

The Group has taken forceful actions to manage the rapid changes in customer behavior and the decrease in demand caused by COVID-19. This was reflected in many parts of the business, including areas such as inventory purchasing, rents, advertising and promotions. We have also undertaken a comprehensive review of our shop portfolio, further optimising and integrating our channels.

Although we took rapid and decisive action to reduce our costs considerably, the savings in operating costs were not sufficient to offset the decline in sales and gross margin – and hence the Group's profitability.

Turnover of the Group declined by 31.9% over the last period to HK\$2,734.7 million. Gross margin also decreased by 7.5 percentage points to 54.6%, which was principally due to the extra discount activities that we offered during the period. The Group incurred a net loss of HK\$337.1 million for the period under review, compared to a net loss of HK\$71.2 million for the same period in the previous year.

The pandemic had a significant negative impact on the assessment of the Group's non-financial assets and impact on the results of the first half of FY20/21. Consequently, the Group recognised non-cash impairment on non-financial assets of HK\$200.7 million during the first half of FY20/21.

*Turnover by market*

For the period under review, turnover in our Hong Kong and Macau segment decreased by 50.8% to HK\$729.0 million while the segment contributed 26.7% towards the Group's total turnover (FY19/20: 36.9%). The decrease in turnover was principally attributable to a reduction in the store distribution network in Hong Kong and negative comparable-store-sales-growth. Additionally, our shops were either temporarily closed or operated with reduced opening hours during the period. Irrespective of the gradual reopening of shops, demand remained significantly subdued in Hong Kong and Macau.

Turnover of our Mainland China operations decreased by 14.4% to HK\$1,600.0 million, which contributed 58.5% towards the Group's total turnover (FY19/20: 46.6%). Although e-commerce sales have seen outstanding growth, this growth was not sufficient to compensate for the sales losses incurred by our retail stores as a result of temporary closure or reduced operating hours, which reflected the various health-related and travel restrictions under COVID-19.

Similarly, our Japan and USA segment, which accounted for 13.0% of the Group's total turnover (FY19/20: 15.1%), has had to navigate the same difficult pandemic-generated business environment. Turnover of our Japan and USA business decreased by 41.4% to HK\$355.7 million.

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

	Turnover			% of Turnover	
	Six months ended 31 August			Six months ended 31 August	
	2020	2019	Change	2020	2019
	HK\$ million	HK\$ million		2020	2019
Hong Kong and Macau	729.0	1,481.0	-50.8%	26.7%	36.9%
Retail sales only	719.2	1,463.3	-50.9%		
Mainland China	1,600.0	1,870.2	-14.4%	58.5%	46.6%
Retail sales only	1,580.3	1,856.3	-14.9%		
Japan and the USA	355.7	607.3	-41.4%	13.0%	15.1%
Retail sales only	299.8	546.0	-45.1%		
Other	50.0	56.9	-12.1%	1.8%	1.4%
<b>Total</b>	<b>2,734.7</b>	<b>4,015.4</b>	<b>-31.9%</b>	<b>100.0%</b>	<b>100.0%</b>

**Brand Mix**

The Group's strength and resilience derives from our consistent efforts to diversify the Group's business across geographies and to define the optimal mix across different fashion concepts. We are delighted by the new brands we introduced during the period and we believe that these additions have further enhanced our already comprehensive brand portfolio. For the period under review, our in-house brands segment continued to provide us with the largest revenue contribution, amounting to 54.4% (FY19/20: 58.7%).

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

	Retail Sales			% of Retail Sales	
	Six months ended 31 August			Six months ended 31 August	
	2020	2019	Change	2020	2019
	HK\$ million	HK\$ million		2020	2019
In-house brands	1,441.5	2,302.4	-37.4%	54.4%	58.7%
International brands	1,198.8	1,607.1	-25.4%	45.3%	41.0%
Licensed brands	9.0	13.0	-30.8%	0.3%	0.3%
<b>Total</b>	<b>2,649.3</b>	<b>3,922.5</b>	<b>-32.5%</b>	<b>100.0%</b>	<b>100.0%</b>

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

The Group recorded a reduction in turnover of 31.9%, with gross profit also decreasing by 40.2% and gross margin decreasing by 7.5 percentage points to 54.6% as compared to the corresponding period of the previous year. This was predominantly due to the decline in sales amid a difficult business environment, rapid changes in consumers' behavior and weak consumer spending enthusiasm caused by COVID-19 pandemic.

The negative development of gross margin was mainly due to extra discount offerings during the period with the objective of boosting sales volume.

Although we aggressively implemented cost control measures across all regions and all levels to mitigate the negative impact of the COVID-19 situation, total operating costs as a percentage of sales increased to 66.3% (FY19/20: 57.6%) as a result of the considerable decline in sales.

The Group's incurred operating loss amounted to HK\$223.5 million, it was principally due to the pressure from turnover and gross profit decline.

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

Our performance in Hong Kong and Macau was severely impacted by the COVID-19 situation in the first half of the financial year. The government mandated social distancing measures, which included the shutdown of public and private facilities, travel restrictions and border control were in force throughout the period under review. Our stores had to reduce their operating hours or were temporarily closed for a period of time.

The Group has taken rapid and decisive cost adjustment measures to mitigate the negative impact of the COVID-19 situation. These have included a comprehensive review of our retail store portfolio, resulting in the downsizing of the business through the closure of certain loss-making retail locations. We recorded a net closure of 17 stores in our Hong Kong and Macau segment for the period under review. Savings were also achieved in stock purchasing and other costs' lines such as marketing expenses.

Turnover in our Hong Kong and Macau segment decreased by 50.8% over the corresponding period of the previous year to HK\$729.0 million. Retail sales also decreased by 50.9% to HK\$719.2 million. Comparable-store-sales-growth registered at -48.9% (FY19/20: -5.8%).

Gross margin decreased to 47.8% (FY19/20: 58.7%). This decline in gross margin was a result of multiple factors, but it was primarily the result of an increase in discount related activities with the objective of boosting sales volume amidst the challenging operational environment.



Consequently, an operating loss of HK\$414.3 million was recorded for our Hong Kong and Macau segment for the six months that ended on 31 August 2020 (FY19/20: operating loss of HK\$153.7 million).

**(c) Mainland China**

Similar to Hong Kong and Macau, our performance in Mainland China has been materially impacted by the pandemic in the first quarter of the financial year with temporary store closures across multiple cities. We started to gradually reopen stores in a number of cities in the first quarter, but some restrictions remained.

When some of our stores were temporarily closed in the first quarter, we focused more on redirecting customer flow to our digital channels through online promotional and discounting campaigns. As a result, online sales have seen outstanding growth in this segment and the positive development of online sales has continued since we began to reopen our stores.

Turnover attributable to our Mainland China region decreased by 14.4% to HK\$1,600.0 million. Total retail sales decreased by 14.9% to HK\$1,580.3 million, with comparable-store-sales-growth registering -9.3% (FY19/20: +5.9%).

Gross margin decreased by 6.0 percentage points to 55.3%, principally due to the extra discount-related promotions that we offered during the period.

In response to the unprecedented situation, we aggressively implemented cost reduction initiatives across different levels of our business, including cuts in marketing spend and other discretionary expense items, to mitigate the impact of the pandemic. Consequently, operating profit amounting to HK\$104.8 million was recorded for our Mainland China segment (FY19/20: operating profit of HK\$29.6 million after a one-time non-cash impairment of goodwill).

**(d) Japan and the USA**

Sales in our Japan and the USA segment decreased by 41.4% to HK\$355.7 million while gross margin decreased to 60.7% (FY19/20: 70.8%). Operating profit decreased by 73.1% to HK\$68.2 million.

We are still extending the presence of our “A Bathing Ape” and “AAPE” brands globally, both online and offline. For example, a new “AAPE” shop was recently opened in SOHO New York, USA.

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

Share of losses of joint ventures amounting to HK\$7.4 million was recorded for the period under review (FY19/20: share of losses of joint ventures of HK\$17.3 million) in connection with the Group's joint venture businesses with multiple partners such as Galeries Lafayette.

Share of profit of an associate amounting to HK\$35 thousand was recorded for the period under review (FY19/20: share of profit of an associate of HK\$4.1 million) in connection with the Group's minority equity interest in Acne Studios Holding AB ("Acne Studios Group").

#### **Inventory**

Rapid adjustments to stock ordering meant that we were able to reduce the stock-in-trade as compared to the corresponding period of the previous year. However, there is still an oversupply of spring/summer merchandize as a result of the substantial drop in consumer demand during the pandemic. Average inventory turnover cycle of the Group increased to 240 days as compared to 191 days for the corresponding period of the previous year.

#### **Cash Flows and Financial Position**

The Group's cash and bank balances as at 31 August 2020 were HK\$1,566.9 million compared to HK\$1,456.8 million as at 29 February 2020 and the Group's net debt balance amounted to HK\$441.7 million (net debt is defined as cash and cash equivalents of HK\$1,566.9 million less borrowings of HK\$2,008.6 million) versus a net debt balance of HK\$470.4 million as at 29 February 2020.

Cash inflow from operating activities for the Reporting Period amounted to HK\$651.0 million (FY19/20: HK\$854.0 million).

#### **Liquidity and Banking Facilities**

As at 31 August 2020, the Group had aggregate banking facilities of approximately HK\$3,347.3 million (29 February 2020: HK\$3,307.0 million) for overdrafts, bank loans and trade financing, of which approximately HK\$1,247.2 million (29 February 2020: HK\$1,232.8 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 pledges of land and buildings.

#### **Charges of Assets**

As at 31 August 2020, bank borrowings were secured by land and buildings with a carrying amount of HK\$174.0 million (29 February 2020: HK\$177.2 million).

#### **Significant Investment**

The Group's share of profit of an associate amounting to HK\$35 thousand for the period ended on 31 August 2020 in connection with the Group's minority equity interest in Acne Studios Group.

The principal business of Acne Studios Group includes men's and women's ready-to-wear fashion, footwear, accessories, denim, retail and wholesale business under the brand name of "Acne Studios" across various countries in Europe, Asia and the USA. The Group has been a long-term wholesale partner with Acne Studios Group, and we believe that the investment will further strengthen the relationship between the two groups. It also allows the management of the two groups to further leverage their strong expertise in the retail sector and to grow the business together further.

#### **Contingent Liabilities**

As at 31 August 2020, the Group did not have significant contingent liabilities (As at 29 February 2020: 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 2020, the Group had a total of 6,327 full time employees (FY19/20: 7,788). The Group invests in regular training and other development courses for employees to enhance their technical and product knowledge as well as management skills. The Group offers competitive remuneration packages to its employees, including basic salary, allowances, insurance, and commission/bonuses.

#### **Outlook**

Looking ahead, the Group will continue to focus on our key markets and to closely monitor consumer behavior as we work towards a positive turnaround of our business. Inevitably, this strategy will involve rationalization such as the closure of certain loss-making locations, all with the objective of right-sizing the business in some of our operating regions such as Hong Kong.

It is widely expected that COVID-19 will continue to impact people, communities and companies around the world. Consumer demand remains weak in many of our operating regions even after the reopening of stores. Additionally, with travel restrictions still largely in place, the Group's performance is expected to remain under significant pressure for the remainder of the financial year.

# 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 2020, 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	23,780,000	6,834,000	729,178,441	60.98%
Sham Kin Wai (Note 3)	698,564,441	23,780,000	6,834,000	729,178,441	60.98%
Chan Wai Kwan	-	-	501,249	501,249	0.04%

Notes:

- (1) Mr. Sham Kar Wai and Mr. Sham Kin Wai are both beneficiaries of The ABS 2000 Trust, which is an irrevocable discretionary trust. Fine Honour Limited, Fortune Symbol Limited, Fresh Start Holdings Limited and Sure Elite Limited are wholly-owned subsidiaries of Effective Convey Limited (collectively the "Immediate Holding Companies"). Effective Convey Limited is wholly-owned by Dynamic Vitality Limited, which is in turn wholly-owned by The ABS 2000 Trust. Each of Mr. Sham Kar Wai and Mr. Sham Kin Wai is therefore deemed to be interested in the interests of the Immediate Holding Companies in the Company, detailed in the section headed "Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company" below.
- (2) Detailed in the section headed "Share Option Schemes" below.
- (3) Ms. Yau Shuk Ching, Chingmy, spouse of Mr. Sham Kar Wai, is deemed to be interested in the same number of shares held by Mr. Sham Kar Wai. Ms. Wong Choi Shan, spouse of Mr. Sham Kin Wai, is deemed to be interested in the same number of shares held by Mr. Sham Kin Wai. Their interests in the shares and underlying shares of the Company are recorded in the register maintained by the Company under Section 336 of the SFO.
- (4) The issued shares of the Company was 1,195,797,307 shares as at 31 August 2020.

### (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:

- (1) 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.

## DISCLOSURE OF INTERESTS (Continued)

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 2020.

### 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 2020 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.

Further details of the Share Option Schemes are set out in Note 23 to the condensed consolidated interim financial information.

## DISCLOSURE OF INTERESTS (Continued)

### 2008 Share Option Scheme

Share options outstanding as at 31 August 2020 are summarized as follows:

Director	Date of grant	Exercise period	Exercise price per share HK\$	Number of Share Options as at 1 March 2020 and 31 August 2020
Sham Kar Wai	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	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	18 March 2011	18 March 2017 to 17 March 2021	4.96	17,250,000
				64,810,000 (Note)

Note: Representing 5.42% of the issued shares of the Company as at the date of this report.

During the period ended 31 August 2020, 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 seven years.

## DISCLOSURE OF INTERESTS (Continued)

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

As at 31 August 2020, 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	729,178,441	60.98%	Long
Wong Choi Shan (Notes 1 & 3)	Beneficiary of a trust/ Interest of spouse	729,178,441	60.98%	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

#### 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 729,178,441 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 729,178,441 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.

# OTHER INFORMATION

## INTERIM DIVIDEND

The Board does not declare payment of an interim dividend for the six months ended 31 August 2020 (six months ended 31 August 2019: 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 2020, 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 2020, 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 2020.

### Term Loans

- (i) 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;

Facility: a term loan facility in an aggregate commitment of HK\$800,000,000 repayable by six half-yearly instalments; the repayment date of the first instalment shall be the date falling 18 months after the date of the Facility Agreement and the last instalment shall be the date falling 48 months after the date of the Facility Agreement.

- (ii) 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\$700,000,000 matures on the date falling 36 months from 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 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\$450,000,000 matures on the date falling 48 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 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\$100,000,000 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 2020 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 the interim report for the six months ended 31 August 2020.

## 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 2020.

On behalf of the Board

Sham Kar Wai  
Chairman

Hong Kong, 29 October 2020

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**I.T LIMITED INTERIM REPORT  
2020/2021**