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I.T LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 999)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2011

- Turnover of the Group increased by 60.3% to HK$2,404.6 million.
- Total retail sales in Hong Kong increased by 38.4% to HK$1,445.9 million, and comparable store sales increased by 17.5%.
- Total retail sales in Mainland China increased by 56.2% to HK$564.5 million, and comparable store sales increased by 17.6%.
- Total sales in Japan was HK$247.4 million and EBITDA was HK$19.7 million.
- Total retail sales in other regions (namely Macau and Taiwan) increased by 61.9% to HK$87.4 million and operating profits increased by 178.9% to HK$22.4 million.
- Gross profit of the Group increased by 59.8% to HK$1,497.8 million. Gross profit margin maintained at 62.3%.
- EBITDA increased by 67.4% to HK$313.4 million and net profit increased by 40.7% to HK$151.8 million.
- Basic earnings per share increased by 35.5% to HK$0.126.
- An interim dividend of HK2.5 cents per share was declared.

The board of directors (the "Board") of I.T Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 August 2011, prepared on the basis set out in Note 1, together with the comparative figures for the corresponding period, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 31 August	
		2011	2010
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Turnover	2	**2,404,596**	1,499,832
Cost of sales	4	**(906,800)**	(562,566)
Gross profit		**1,497,796**	937,266
Other gains/(losses)	3	**4,024**	(7,531)
Operating expenses	4	**(1,307,559)**	(800,966)
Operating profit		**194,261**	128,769
Finance (cost)/income, net	5	**(2,619)**	1,940
Share of profits less losses of jointly controlled entities		**3,394**	3,006
Profit before income tax		**195,036**	133,715
Income tax expense	6	**(43,276)**	(25,841)
Profit for the period		**151,760**	107,874
Other comprehensive income:			
Currency translation differences		**20,322**	4,279
Total comprehensive income for the period		**172,082**	112,153
Profit/(loss) attributable to:			
– Equity holders of the Company		**152,428**	107,874
– Non-controlling interests		**(668)**	–
		151,760	107,874
Total comprehensive income/(loss) attributable to:			
– Equity holders of the Company		**173,090**	112,153
– Non-controlling interests		**(1,008)**	–
		172,082	112,153
Earnings per share for the period (expressed in HK$ per share)			
– basic	7	**0.126**	0.093
– diluted	7	**0.119**	0.092
Dividend	8	**30,515**	50,088

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at 31 August 2011 (Unaudited)** *HK$'000*	As at 28 February 2011 (Audited) *HK$'000*
ASSETS			
Non-current assets			
Property, furniture and equipment		**805,924**	727,022
Intangible assets		**381,044**	370,722
Investments in and amounts due from jointly controlled entities		**112,462**	63,730
Rental deposits		**228,415**	199,414
Deferred income tax assets		**57,443**	51,389
		1,585,288	1,412,277
Current assets			
Inventories		**1,007,633**	736,717
Trade and other receivables	9	**102,228**	121,371
Amounts due from jointly controlled entities		**23,089**	21,995
Derivative financial instruments		**2,384**	–
Prepayments and other deposits		**210,661**	217,358
Cash and cash equivalents		**606,348**	775,841
		1,952,343	1,873,282
LIABILITIES			
Current liabilities			
Bank borrowings	11	**(94,528)**	(214,911)
Trade and bill payables	10	**(468,918)**	(360,545)
Accruals and other payables		**(335,119)**	(349,524)
Amount due to jointly controlled entities		**(49,144)**	(45,055)
Current income tax liabilities		**(54,206)**	(42,460)
		(1,001,915)	(1,012,495)
Net current assets		**950,428**	860,787
Total assets less current liabilities		**2,535,716**	2,273,064
Non-current liabilities			
Bank borrowings	11	**(528,558)**	(379,234)
Other payables		**(20,651)**	(21,935)
Deferred income tax liabilities		**(29,985)**	(28,683)
		(579,194)	(429,852)
Net assets		**1,956,522**	1,843,212
EQUITY			
Capital and reserves			
Share capital		**122,061**	119,725
Reserves		**1,839,218**	1,727,236
Non-controlling interests		**(4,757)**	(3,749)
Total equity		**1,956,522**	1,843,212

NOTES

1. Basis of preparation and accounting policies

This condensed consolidated interim financial information for the six months ended 31 August 2011 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

This condensed consolidated interim financial information should be read in conjunction with the Group's annual financial statements for the year ended 28 February 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 28 February 2011, as described in those annual financial statements.

The following new standards, amendments and interpretations to existing standards are mandatory for the accounting periods beginning on or after 1 March 2011:

HKAS 34 (Amendment)	Interim financial Reporting

2. Turnover and segment information

	Six months ended 31 August	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Turnover		
– Sales of fashion wears and accessories	**2,404,596**	1,499,832

The chief operating decision maker has been identified as the board of directors that makes strategic decisions. The board of directors 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 board of directors considers the business from geographic perspective and assesses the performance of the geographical segment based on a measure of operating profit before impairment of goodwill and property, furniture and equipment, depreciation of property, furniture and equipment, amortisation and write-off of intangible assets ("EBITDA"). The information provided to the board of directors is measured in a manner consistent with that in the financial statements.

The segment information provided to the board of directors for the reportable segments for the period ended 31 August 2011 and 2010 is as follows:

	(Unaudited)									
	Hong Kong		Mainland China		Japan		Others		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Turnover	**1,455,798**	1,054,009	**614,013**	391,838	**247,426**	–	**87,359**	53,985	**2,404,596**	1,499,832
EBITDA	**180,357**	114,017	**84,995**	60,121	**19,747**	–	**28,347**	13,098	**313,446**	187,236
Depreciation, amortisation and impairment	**(62,357)**	(34,757)	**(27,896)**	(18,635)	**(22,961)**	–	**(5,971)**	(5,075)	**(119,185)**	(58,467)
Share of profit/(loss) from jointly controlled entities	**3,155**	2,154	**(653)**	420	**–**	–	**892**	432	**3,394**	3,006
Finance income	**1,086**	1,348	**2,326**	1,244	**36**	–	**58**	50	**3,506**	2,642
Finance cost	**(4,177)**	(697)	**(189)**	(5)	**(1,759)**	–	**–**	–	**(6,125)**	(702)
Profit/(loss) before income tax	**118,064**	82,065	**58,583**	43,145	**(4,937)**	–	**23,326**	8,505	**195,036**	133,715
Income tax (expense)/credit	**(24,191)**	(14,391)	**(17,717)**	(10,069)	**1,081**	–	**(2,449)**	(1,381)	**(43,276)**	(25,841)

3. Other gains/(losses)

	Six months ended 31 August	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Fair value gain/(loss) from derivative financial instruments – forward foreign exchange contracts	**4,024**	(7,531)

4. Expenses by nature

	Six months ended 31 August	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Cost of inventories sold	**866,570**	568,369
Write-down/(reversal of write-down) of inventories to net realisable value	**14,926**	(4,739)
Employment costs (including directors' emoluments)	**403,519**	273,545
Operating lease rentals of premises		
– minimum lease payments	**409,525**	287,013
– contingent rents	**66,924**	42,788
Advertising and promotion costs	**43,797**	21,257
Depreciation of furniture and equipment	**104,876**	55,634
Impairment of furniture and equipment	**6,971**	–
Loss on disposals of furniture and equipment	**1,701**	2,409
Licence fees (included in operating expenses)		
– amortisation of licence rights	**2,200**	1,965
– contingent licence fees	**6,820**	1,980
Amortisation of intangible assets (included in operating expenses)	**5,138**	868
Provision for impairment of amount due from a jointly controlled entity	**1,023**	576
Reversal of impairment of prepayments and other deposits	**–**	(10,363)
Net exchange gains	**(1,199)**	(16,025)
Other expenses	**281,568**	138,255
Total	**2,214,359**	1,363,532
Representing:		
Cost of sales	**906,800**	562,566
Operating expenses	**1,307,559**	800,966
	2,214,359	1,363,532

5. Finance (cost)/income, net

	Six month ended 31 August	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest income from		
– bank deposits	**2,509**	972
– amounts due from jointly controlled entities	**284**	304
– others [i]	**713**	1,366
Finance income	**3,506**	2,642
Interest expense on		
– bank borrowings wholly repayable within five years	**(6,125)**	(702)
Finance cost	**(6,125)**	(702)
Net finance (cost)/income	**(2,619)**	1,940

Note:

(i) These represent the interests arising from the amortisation of financial assets and liabilities recognised at amortised cost.

6. Income tax expense

The Company is exempted from taxation in Bermuda until March 2016. The Company's subsidiaries established in the British Virgin Islands are incorporated under the BVI Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income taxes.

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 31 August 2010: 16.5%) and overseas profits tax has been provided at the rates of taxation prevailing in the countries in which the Group operates.

During the period, subsidiaries established in Mainland China are subject to China corporate income tax at rate ranging from 24% to 25% (six months ended 31 August 2010: ranging from 22% to 25%).

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

	Six months ended 31 August	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax	**24,125**	17,612
– Mainland China enterprise income tax	**21,504**	4,476
– Overseas income tax	**2,588**	–
Deferred income tax	**(4,941)**	3,753
	43,276	25,841

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 2011 is 22.2% (six months ended 31 August 2010: 19.3%).

7. Earnings per share

Basic

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

	Six months ended 31 August	
	2011	2010
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (HK$'000)	**152,428**	107,874
Weighted average number of shares in issue ('000)	**1,212,296**	1,156,655
Basic earnings per share (HK$)	**0.126**	0.093

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

Shares issuable under the share option schemes are the only dilutive potential shares. A calculation is prepared 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 increased by the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 31 August	
	2011	2010
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (HK$'000)	**152,428**	107,874
Weighted average number of shares in issue (thousands)	**1,212,296**	1,156,655
Adjustments for share options (thousands)	**69,628**	17,835
Weighted average number of shares for diluted earnings per share (thousands)	**1,281,924**	1,174,490
Diluted earnings per share (HK$)	**0.119**	0.092

8. Dividend

A final dividend relating to the year ended 28 February 2011 amounted to HK$126,906,000, which was fully paid in August 2011.

The board of directors declared an interim dividend of HK2.5 cents per share for the six months ended 31 August 2011 on 24 October 2011 (six months ended 31 August 2010: HK4.2 cents per share). This proposed interim dividend is not reflected as a dividend payable as of 31 August 2011, but will be recorded as a distribution of retained earnings for the year ending 29 February 2012. The proposed interim dividend of HK$30,515,000 for the six months ended 31 August 2011 is calculated based on 1,220,605,370 shares of the Company in issue.

9. Trade and other receivables

	As at 31 August 2011 (Unaudited) HK$'000	As at 28 February 2011 (Audited) HK$'000
Trade receivables	**101,478**	121,364
Other receivables	**750**	7
Trade and other receivables	**102,228**	121,371

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 are as follows:

	As at 31 August 2011 (Unaudited) HK$'000	As at 28 February 2011 (Audited) HK$'000
0 to 30 days	**82,772**	116,963
31 to 60 days	**7,782**	3,538
61 to 90 days	**7,485**	467
Over 90 days	**3,439**	396
	101,478	121,364

10. Trade and bill payables

The ageing analysis of trade and bill payables is as follows:

	As at 31 August 2011 (Unaudited) HK$'000	As at 28 February 2011 (Audited) HK$'000
0 to 30 days	**329,295**	240,347
31 to 60 days	**70,316**	71,184
61 to 90 days	**23,200**	22,039
91 to 180 days	**34,315**	20,416
181 to 365 days	**11,085**	4,218
Over 365 days	**707**	2,341
	468,918	360,545

11. Bank borrowings

	As at 31 August 2011 (Unaudited) HK$'000	As at 28 February 2011 (Audited) HK$'000
Current bank borrowings	**94,528**	214,911
Non-current bank borrowings	**528,558**	379,234
	623,086	594,145

Movements in bank borrowings are analysed as follows:

	HK$'000
Six months ended 31 August 2011	
As at 1 March 2011	594,145
Proceeds from borrowings	274,085
Repayments of borrowings	(254,944)
Exchange differences	9,800
As at 31 August 2011	623,086
Six months ended 31 August 2010	
As at 1 March 2010	82,600
Proceeds from borrowings	300,000
Repayments of borrowings	(23,700)
As at 31 August 2010	358,900

Bank borrowings are secured and bear interest at rates ranging from 3-month Hong Kong Interbank Offered Rate ("HIBOR") to 1-month HIBOR plus 1.2% per annum (28 February 2011: ranging from 3-month HIBOR plus 0.8% per annum to 1-month HIBOR plus 1.9% per annum) or at a rate of 1-month LIBOR plus 1.35% per annum. The carrying amounts of bank borrowings approximate their fair values.

Interest expense on borrowings for the six months ended 31 August 2011 is approximately HK$6,125,000 (for the six months ended 31 August 2010: HK$702,000).

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK2.5 cents per share for the six months ended 31 August 2011 (six months ended 31 August 2010: HK4.2 cents per share), amounting to approximately HK$30.5 million. The interim dividend will be payable to the shareholders of the Company on or around 20 December 2011 to those shareholders whose names appear on the register of members of the Company on 7 December 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

(a) Group

Most Asian economies have emerged at a faster rate from the economic downturn in 2008/09 than countries in North America and the Euro zone. Due to this, retail markets in the Greater China have maintained strong growth momentum and continued to be strong during the first half of the financial year. We recorded a strong sales growth of 60.3% for the six months ended 31 August 2011, and together with our cost-consciousness in managing the expenses, we recorded a net profit growth in the first half by 40.7%. Net profit reached HK$151.8 million (six months ended 31 August 2010: HK$107.9 million).

Pursuant to the acquisition of Nowhere Co., Ltd. on 31 January 2011, results of Japan operation has been consolidated into the Group results, the Japan market contributed about 10.3% of total turnover for the six months ended 31 August 2011. The Hong Kong market contributed about 60.5% of total turnover (six months ended 31 August 2010: 70.3%), while the Mainland China market contributed about 25.5% (six months ended 31 August 2010: 26.1%). Hong Kong and China continue to be the key revenue drivers to Group.

Breakdown of turnover by region of operation:

	Six months ended 31 August			Six months ended 31 August	
	2011	2010	**Change**	**2011**	2010
	HK$ million	HK$ million			
Hong Kong	**1,455.8**	1,054.0	+38.1%	**60.5%**	70.3%
Mainland China	**614.0**	391.8	+56.7%	**25.5%**	26.1%
Japan *(Note 1)*	**247.4**	–	N/A	**10.3%**	–
Others *(Note 2)*	**87.4**	54.0	+61.9%	**3.7%**	3.6%
	2,404.6	1,499.8	+60.3%	**100.0%**	100.0%

Note 1: Result of Japan operation has been consolidated into the result of the Group since 1 February 2011, after Nowhere Group was acquired by the Group on 31 January 2011.

Note 2: Others represent operation in Macau and Taiwan.

Total turnover of the Group increased by 60.3% to HK$2,404.6 million (six months ended 31 August 2010: HK$1,499.8 million).

The contribution of turnover from Mainland China to total Group turnover dropped slightly to 25.5%, due to the inclusion of Japan operation for the six months ended 31 August 2011. The turnover growth in Mainland China was 56.7%, which was higher than the turnover growth of 38.1% recorded in the Hong Kong market for the corresponding period.

Breakdown of retail sales by region:

	Six months ended 31 August		Retail sales growth
	2011	2010	
Hong Kong	**62.7%**	71.6%	38.4%
Mainland China	**24.5%**	24.7%	56.3%
Japan	**9.1%**	–	N/A
Others	**3.7%**	3.7%	59.6%
	100%	100.0%	

The Group continues to maintain a diversified brand portfolio in capturing different market segments and clienteles. On the Group level, retail sales from in-house brands increased faster than the international brands and became the largest contributor to the retail sales of the Group, it accounted for 55.9% (six months ended 31 August 2010: 49.8%) of the total retail sales. International brands continued to be a major revenue contributor, accounting for 40.8% (six months ended 31 August 2010: 46.1%) of the total retail sales.

Breakdown of retail sales by brand category:

	Six months ended 31 August	
	2011	2010
In-house brands	**55.9%**	49.8%
International brands	**40.8%**	46.1%
Licensed brands	**3.3%**	4.1%
	100.0%	100.0%

With the overall consumer sentiment remained positive, we reduced the discount level and adopted proactive marketing strategies to boost sales during the first half of the financial year. As a result, gross profit increased by 59.8% to HK$1,497.8 million (six months ended 31 August 2010: HK$937.3 million). Gross profit margin for the six months ended 31 August 2011 maintained at 62.3% against the 62.5% for the six months ended 31 August 2010.

Total operating expenses increased by 63.2% to HK$1,307.6 million (six months ended 31 August 2010: HK$801.0 million), operating expenses as a percentage of turnover increased by 1 percentage point to 54.4% for the six months ended 31 August 2011 (six months ended 31 August 2010: 53.4%). Total rental expenses (including rental charges, management fee, rates and government rent) as a percentage to turnover decreased by 2.7 percentage points to 22.6% for the six months ended 31 August 2011 (six months ended 31 August 2010: 25.3%) and total staff cost (excluding share option expenses) as a percentage to turnover decreased by 1.5 percentage points to 16.2% for the six months ended 31 August 2011 (six months ended 31 August 2010: 17.7%). Since there were more brand building activities (e.g. fashion shows, media activities, outdoor advertising, television commercial, and promotional events, etc.) during the first half as compared with that of the corresponding period of last financial year, advertising and promotion expenses increased significantly by 105.6% to HK$43.8 million (six months ended 31 August 2010: HK$21.3 million). However, it was still maintained at a stable level of about 1.8% as a percentage of turnover (six months ended 31 August 2010: 1.4%).

The strong growth in gross profit, coupled with the effective cost controls, increased our operating profit by 50.9% to HK$194.3 million (six months ended 31 August 2010: HK$128.8 million) and EBITDA (earnings before interest, taxation, depreciation and amortisation) increased by 67.4% to HK$313.4 million (six months ended 31 August 2010: HK$187.2 million). The Group's operating margin in the six months ended 31 August 2011 decreased by 0.5 percentage point to 8.1% (six months ended 31 August 2010: 8.6%) which was mainly due to the inclusion of operating loss from Japan operation in the six months ended 31 August 2011. EBITDA margin for the six months ended 31 August 2011 increased by 0.5 percentage point to 13.0% (six months ended 31 August 2010: 12.5%).

(b) Hong Kong

Sales from retail operation increased by 38.4% to HK$1,445.9 million (six months ended 31 August 2010: HK$1,044.9 million) at an overall comparable store sales growth rate of 17.5% (six months ended 31 August 2010: 13.4%). The strong growth was mainly due to increase in sales footage and stronger customer demand from tourists, in particular from Mainland China.

Retail sales from in-house brands increased by 37.3% whereas retail sales from international brands increased by 40.5%. The proportion of in-house brands to total retail sales decreased from 47.6% for the six months ended 31 August 2010 to 47.3% for the six months ended 31 August 2011. The proportion of retail sales contributed by international brands was 48.3% (six months ended 31 August 2010: 47.6%) while licensed brands accounted for 4.4% of total retail sales (six months ended 31 August 2010: 4.8%). Since more new sales footage was added to international brands than to in-house brands during the six months ended 31 August 2011, the sales growth and the proportion of sales contributed by international brands were both higher than that of in-house brands. Gross profit margin of international brands is lower than that of in-house brands and coupled with the higher sales growth rate and the bigger proportion of retail sales contributed by international brands as compared with the same period last financial year, the gross profit margin of the Hong Kong retail sales decreased slightly from 62.1% for six months ended 31 August 2010 to 62.0% in six months ended 31 August 2011.

Rental expenses (including rental charges, management fee, rates and government rent) as a percentage to turnover was reduced by 1.7 percentage points to 22.9% (six months ended 31 August 2010: 24.6%). Staff cost (excluding share option expenses) as a percentage of turnover also reduced during the financial period, by 1.3 percentage points to 18.0% (six months ended 31 August 2010: 19.3%). With higher sales revenue and gross profit base, and lower operating expenses as proportion to sales, the operating profit increased by 48.8% to HK$118.0 million in the first half of the financial year (six months ended 31 August 2010: HK$79.3 million) and the operating margin increased from 7.5% for the six months ended 31 August 2010 to 8.1% for the six months ended 31 August 2011. EBITDA for the six months ended 31 August 2011 was HK$180.4 million (six months ended 31 August 2010: HK$114.0 million), increased by 58.2%, whereas the EBITDA margin was 12.4% (six months ended 31 August 2010: 10.8%), increased by 1.6 percentage points.

(c) Mainland China

For the Mainland China market, the sales from retail operation increased by 56.2% to HK$564.5 million (six months ended 31 August 2010: HK$361.3 million) at an overall comparable store sales growth rate of 17.6% (six months ended 31 August 2010: 8.0%). More marketing effort was made in the past years, leading to higher brand awareness and sales growth while making less discount, so gross profit margin of retail operation increased 2.4 percentage points from 64.0% for the six month ended 31 August 2010 to 66.4% for the six month ended 31 August 2011.

International brands accounted for 41.3% of the total retail sales for the six months ended 31 August 2011 (six months ended 31 August 2010: 47.1%). Since more in-house brand shops were opened during the six months ended 31 August 2011, the sales contribution from in-house brands increased and accounted for 56.9% of total retail sales (six months ended 31 August 2010: 50.6%), while sales of licensed brands continued to be low, accounting for 1.8% (six months ended 31 August 2010: 2.3%) of total retail sales.

Rental expenses (including rental charge and management fee) as a percentage to turnover decreased from 27.3% for the six months ended 31 August 2010 to 25.9% for the six months ended 31 August 2011, which was mainly due to the faster growth of the turnover. In addition, with a net increase of about 64,000 square feet of total sales floor area as compared with that of the last financial year end, our rental cost (including fees and management rates) increased by about 48.4% as compared with last corresponding period. Staff cost as a percentage to turnover increased from 14.0% for the six months ended 31 August 2010 to 15.5% for the six months ended 31 August 2011. Benefitting from the steadily growing of the retail market since last financial year, our Mainland China operation recorded an operating profit of HK$57.1 million (six months ended 31 August 2010: HK$41.5 million). Operating margin decreased slightly to 9.3% for the six months ended 31 August 2011 (six months ended 31 August 2010: 10.6%) mainly due to surtax such as education fund contribution and city construction tax introduced to Foreign-Invested Enterprises by Chinese authorities starting from 1 December 2010, and pre-operating costs incurred for our retail network expansion in new cities. EBITDA for the six months ended 31 August 2011 was HK$85.0 million (six months ended 31 August 2010: HK$60.1 million), increased by 41.3%. EBITDA margin decreased by 1.5 percentage points to 13.8% (six months ended 31 August 2010: 15.3%).

(d) Japan

The Group established its footsteps in Japan through the acquisition of 90.3% of the Nowhere Group on 31 January 2011. Total sales in Japan for the six months ended 31 August 2011 were HK$247.4 million. It represented 10.3% of the Group turnover, and was the third largest market of the Group. Gross profit recorded HK$141.1 million with gross profit margin at 57.0% in the first half of the financial year. Operating expenses as a percentage of sales was at 58.3%, and an operating loss of HK$3.2 million was reported for the six months ended 31 August 2011. EBITDA for the six months ended 31 August 2011 recorded HK$19.7 million with EBITDA margin at 8.0%.

(e) Others

Others represent retail operations in Macau and Taiwan. Macau operation reported a remarkable comparable store sales growth of 69.5% for the six months ended 31 August 2011 (six months ended 31 August 2010: 30.3%) due to the influx of tourists from Mainland China and the strong local consumption. Retail sales from Taiwan operation increased by 64.1% for the six months ended 31 August 2011 and with comparable store growth rate of 5.0% (six months ended 31 August 2010: 8.8%). The number of self-managed stores in Taiwan increased to 16 as of 31 August 2011 (31 August 2010: 8). An operating profit of HK$22.4 million was recorded for Macau and Taiwan operations as a whole during the six months ended 31 August 2011 (six months ended 31 August 2010: an operating profit of HK$8.0 million).

As at 31 August 2011, we had a total of 22 overseas franchised stores, seven in Europe, ten in Thailand, two in the Philippines, one each in Saudi Arabia, Singapore and South Korea.

Share of Results of Jointly Controlled Entities

Including share of pre-operating loss from the joint venture with Galarie Lafayette amounting to HK$2.2 million for six month ended 31 August 2011 (six months ended 31 August 2010: Nil), share of profits of jointly controlled entities for the six months ended 31 August 2011 was HK$3.4 million (six months ended 31 August 2010: share of profits of HK$3.0 million).

Cash Flows

Increase in revenue, but offset by higher proportion of early arrival of inventories for sales for the period after 31 August 2011, net cash inflow from operating activities for the six months ended 31 August 2011 recorded HK$109.1 million (six months ended 31 August 2010: HK$110.0 million), of similar level as same period last year. Net cash used in investing activities for the six months ended 31 August 2011 has increased to HK$224.7 million (six months ended 31 August 2010: HK$47.4 million) which mainly represented the expenditure on furniture, fixtures & equipment for new shops for retail operation and capital injection to the Galeries Lafayette joint venture. During the six months ended 31 August 2011, net cash outflow from financing activities was HK$54.9 million which comprises outflow for payment of dividend of HK$126.9 million, inflow from shares issuance of HK$52.8 million and net inflow from bank loans of HK$19.2 million. As compared with six months ended 31 August 2010, a net cash inflow of HK$252.0 million was recorded which was mainly due to a stand-by loan of HK$300 million raised for any potential acquisition(s) in case of opportunities arise.

Inventory

Inventory turnover days of the Group were 177.0 days for the six months ended 31 August 2011 (six months ended 31 August 2010: 141.1 days). There were more inventory piled up and larger proportion of early arrival of fall/winter season merchandises to boost future sales and there were also some delays in shop handover leading to postponement of new shop openings in this financial period.

Liquidity and Capital Resources

As at 31 August 2011, total cash and bank balances amounted to HK$606.3 million (28 February 2011: HK$775.8 million) and total liabilities were HK$1,581.1 million (28 February 2011: HK$1,442.3 million). As at 31 August 2011, shareholders' equity was HK$1,956.5 million (28 February 2011: HK$1,843.2 million).

As at 31 August 2011, the Group had aggregate banking facilities of approximately HK$1,183.2 million (28 February 2011: HK$1,025.4 million) for overdrafts, bank loans and trade financing, of which approximately HK$304.0 million (28 February 2011: HK$254.4 million) was unutilized. These facilities are secured by corporate guarantees provided by the Company and certain subsidiaries. The Group had HK$623.1 million bank borrowings as at 31 August 2011 (28 February 2011: HK$594.1 million). The current ratio as at 31 August 2011 was 1.95 (28 February 2011: 1.85) and the gearing ratio was 31.8% as at 31 August 2011 (28 February 2011: 32.2%) based on shareholders' equity. The Group was in net debt position of HK$16.7 million as at 31 August 2011 (28 February 2011: net cash position of HK$181.7 million).

Capital Commitment

The Group had no capital commitment as at 31 August 2011 (28 February 2011: capital contribution to a jointly controlled entity of HK$46.6 million).

Contingent Liabilities

As at 31 August 2011, the Group did not have significant contingent liabilities (28 February 2011: Nil).

Foreign Exchange

To manage our foreign exchange exposure on sourcing for merchandise from Europe and Japan, the Group entered into forward exchange contracts with major and reputable financial institutions to hedge foreign exchange risk. As at 31 August 2011, the notional amounts of outstanding forward foreign exchange contracts to buy Euros, Japanese Yen and United States Dollars for hedging against foreign exchange risk exposure relating to committed purchase order of fashion wears and accessories and certain outstanding payables denominated in those currencies, are approximately HK$142.2 million (28 February 2011: Nil).

Employment, Training and Development

The Group had a total of 5,364 employees as at 31 August 2011 (28 February 2011: 4,771). Training and development courses were regularly organized for employees to enhance their technical and product knowledge as well as sales and marketing and business management skills. The Group offered competitive remuneration packages to its employees, including basic salary, allowances, insurance and commission/bonuses. In addition, share options were granted to selected employees based on their individual performance.

Future Outlook

Despite the fact that global leaders have yet been able to resurrect the slowing U.S. economy and the threats of Europe's sovereign debt and banking crisis, the global market turmoil has limited impact on our business in the first half of the financial year and the Group has managed to generate promising returns. Our cost control policy has proven to be effective, as both of the rental expenses-to-turnover ratio and the staff costs-to-turnover ratio have decreased during the financial period.

The Group has increased sales floor area in China by 30% during the year ended 28 February 2011 and is targeting another 30% increase before the end of the financial year of 2012. Given an 16% increase in the first six months of this financial year, the 30% target would be achievable as we will continue to expand our retail network in China, beyond Shanghai and Beijing and into Guangzhou, Shenzhen, Chongqing, Wuhan, Tianjin and Shenyang.

In Hong Kong, we have increased approximately 7% new sales floor area since 1 March 2011. We maintain flexibility in our expansion strategy and are not setting a hard target in terms of sales area expansion in Hong Kong, given the current size of our retail network. The growth pace in Hong Kong is within acceptance limits.

We remain cautiously optimistic to potential future challenges in the retail markets. We will continue to grow our business steadily; by leveraging the use of advertising and marketing events to further enhance our brand awareness around the regions, especially in Hong Kong and China. We will also continue to look for opportunities to acquire potential designer brands, and prime locations for retail stores expansion. Even if global markets remain unfavorable, we are confident that the flexibility of our multi-brands and multi-layers business model will keep us in a competitive position in different market segments and different clienteles.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 5 December 2011 to Wednesday, 7 December 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 2 December 2011.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES AND THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

In the opinion of the Board, the Company has complied with the Code Provisions set out in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 31 August 2011 except for the deviations as mentioned below.

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer 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.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to 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 2011, they have complied with the required standard set out in the Model Code regarding securities transactions by the Directors.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed with the Management the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters including the review of the unaudited financial information of the Group and interim report for the six months ended 31 August 2011.

The interim financial report for the six months ended 31 August 2011 has also been reviewed by PricewaterhouseCoopers, the Company's independent auditor, whose review report will be included in the interim report to be sent to shareholders.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the six months ended 31 August 2011.

By Order of the Board
Sham Kar Wai
Chairman

Hong Kong, 24 October 2011

As at the date of this announcement, the Board comprises Mr. SHAM Kar Wai and Mr. SHAM Kin Wai as Executive Directors and Mr. WONG Wai Ming, Mr. Francis GOUTENMACHER and Dr. WONG Tin Yau, Kelvin as Independent Non-executive Directors.