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I.T

I.T LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 999)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 29 FEBRUARY 2012

FINANCIAL HIGHLIGHTS

- Total turnover of the Group increased by 49.7% to HK$5,741.6 million with robust sales growth achieved in all operating markets.

- Total retail sales in Hong Kong increased by 30.4% to HK$3,385.5 million at comparable store sales growth rate of +14.9%. Total retail sales in Mainland China increased by 51.9% to HK$1,426.6 million at comparable store sales growth rate of +8.0%.

- Japan landed at total sales of HK$560.0 million and achieved a profit turnaround at HK$14.1 million operating profit.

- Total retail sales in other regions (namely Macau and Taiwan) increased by 48.7% to HK$228.6 million and operating profits increased by 69.4% to HK$57.8 million.

- Gross profit of the Group increased by 45.7% to HK$3,540.0 million at gross profit margin of 61.7% (FY10/11: 63.3%).

- Net profit of the Group increased by 21.9% to HK$473.1 million, the third consecutive year of record profit. All operating markets achieved positive growth in operating profit.

- Basic earnings per share increased by 18.2% to HK$0.39. Diluted earnings per share increased by 15.6% to HK$0.37.

- Final dividend of 12.9 HK cents (FY10/11: 10.4 HK cents)per share is proposed representing a total payout of HK$157.5 million. Together with the interim dividend of 2.5 HK cents per share, the payout ratio is approximately 40% of the profit attributable to equity holders of the Company for the year.

The board of directors (the "Board") of I.T Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 29 February 2012, prepared on the basis set out in Note 1, together with the comparative figures for the year ended 28 February 2011, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**2012 HK$'000**	2011 HK$'000
Turnover	2	**5,741,642**	3,834,422
Cost of sales	4	**(2,201,683)**	(1,405,482)
Gross profit		**3,539,959**	2,428,940
Other loss	3	**(2,776)**	(7,544)
Operating expenses	4	**(2,961,879)**	(1,958,255)
Operating profit		**575,304**	463,141
Finance income	5	**6,385**	5,100
Finance costs	5	**(11,993)**	(2,900)
Share of profit of jointly controlled entities		**4,086**	15,923
Profit before income tax		**573,782**	481,264
Income tax expense	6	**(100,652)**	(93,118)
Profit for the year		**473,130**	388,146
Other comprehensive income:			
Currency translation differences		**27,157**	28,808
Total comprehensive income for the year		**500,287**	416,954
Profit attributable to:			
– Equity holders of the Company		**471,300**	387,948
– Non-controlling interests		**1,830**	198
		473,130	388,146
Total comprehensive income attributable to:			
– Equity holders of the Company		**498,476**	416,756
– Non-controlling interests		**1,811**	198
		500,287	416,954
Earnings per share for profit for the year (expressed in HK$ per share)			
– basic	7	**HK$0.39**	HK$0.33
– diluted	7	**HK$0.37**	HK$0.32
Dividends	8	**187,967**	174,737

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 29 February 2012 HK$'000	As at 28 February 2011 HK$'000
ASSETS			
Non-current assets			
Property, furniture and equipment		**880,887**	727,022
Intangible assets		**373,018**	370,722
Investments in and amounts due from jointly controlled entities		**118,059**	63,730
Rental deposits		**277,738**	199,414
Prepayments for furniture and equipment		**4,437**	–
Deferred income tax assets		**77,782**	51,389
		1,731,921	1,412,277
Current assets			
Inventories		**1,237,808**	736,717
Trade and other receivables	9	**155,450**	121,371
Amounts due from jointly controlled entities		**23,648**	21,995
Prepayments and other deposits		**216,063**	217,358
Derivative financial instruments		**116**	–
Cash and cash equivalents		**626,944**	775,841
		2,260,029	1,873,282
LIABILITIES			
Current liabilities			
Bank borrowings	11	**(184,178)**	(214,911)
Trade and bill payables	10	**(487,948)**	(360,545)
Accruals and other payables		**(463,583)**	(349,524)
Amounts due to jointly controlled entities		**(50,064)**	(45,055)
Current income tax liabilities		**(48,754)**	(42,460)
		(1,234,527)	(1,012,495)
Net current assets		**1,025,502**	860,787
Total assets less current liabilities		**2,757,423**	2,273,064
Non-current liabilities			
Bank borrowings	11	**(437,126)**	(379,234)
Accruals		**(18,079)**	(21,935)
Derivative financial instruments		**(2,639)**	–
Deferred income tax liabilities		**(30,801)**	(28,683)
		(488,645)	(429,852)
Net assets		**2,268,778**	1,843,212
EQUITY			
Capital and reserves			
Share capital		**122,067**	119,725
Reserves		**2,148,649**	1,727,236
Non-controlling interests		**(1,938)**	(3,749)
Total equity		**2,268,778**	1,843,212

NOTES

1. **Principal accounting policies**

Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by financial assets and financial liabilities at fair value through profit or loss (including derivative instruments).

(a) The following new standards, amendments and interpretations to existing standards are mandatory for the annual period beginning on or after 1 March 2011, but are currently not relevant to the Group:

HKAS 24 (Revised)	Related Party Disclosures
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosure for First-Time Adopters
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguish Financial Liabilities with Equity Instruments

(b) The following new standards, amendments and interpretations to existing standards have been issued, but are not effective and have not been early adopted:

HKAS 1 (Amendment)	Presentation of Financial Statements on Other Comprehensive Income (effective for annual period beginning on or after 1 July 2012)
HKAS 12 (Amendment)	Deferred Tax – Recovery of Underlying Assets (effective for annual period beginning on or after 1 January 2012)
HKAS 19 (Revised 2011)	Employee Benefits (effective for annual period beginning on or after 1 January 2013)
HKAS 27 (Revised 2011)	Separate Financial Statements (effective for annual period beginning on or after 1 January 2013)
HKAS 28 (Revised 2011)	Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2013)
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (effective for annual period beginning on or after 1 January 2014)
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual period beginning on or after 1 July 2011)
HKFRS 7 (Amendment)	Disclosures – Transfer of Financial Assets (effective for annual period beginning on or after 1 July 2011)
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (effective for annual period beginning on or after 1 July 2013)

HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures (effective for annual period beginning on or after 1 January 2015)
HKFRS 9	Financial Instruments (effective for annual period beginning on or after 1 January 2015)
HKFRS 10	Consolidated Financial Statements (effective for annual period beginning on or after 1 January 2013)
HKFRS 11	Joint Arrangements (effective for annual period beginning on or after 1 January 2013)
HKFRS 12	Disclosure of Interests in Other Entities (effective for annual period beginning on or after 1 January 2013)
HKFRS 13	Fair Value Measurement (effective for annual period beginning on or after 1 January 2013)
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine (effective for annual period beginning on or after 1 January 2013)

The Group has not early adopted these new standards, amendments and interpretations to existing standards in the financial statements for the year ended 29 February 2012. The adoption of the above new standards, amendments and interpretations to existing standards in future periods is not expected to result in substantial changes to the Group's accounting policies.

In addition, the Hong Kong Institute of Certified Public Accountants also published a number of amendments to existing standards under its annual improvement project. These amendments are not expected to have a significant financial impact on the results of operations and financial position of the Group.

The Group will adopt the above new standards, amendments and interpretations when they become effective.

2. Turnover and segment information

(a) Analysis of revenue by category

	2012	2011
	HK$'000	HK$'000
Turnover		
– Sales of fashion wears and accessories	**5,741,642**	3,834,422

(b) Segment information

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, and amortisation of intangible assets ("EBITDA"). The measure excludes the effects of share of profit/(loss) from jointly controlled entities. Finance income and expenses are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group. The information provided to the board of directors is measured in a manner consistent with that in the financial statements.

Segment assets exclude deferred income tax assets and investments in and amounts due from jointly controlled entities which are managed on a central basis.

The segment information provided to the board of directors for the reportable segments for the year ended 29 February 2012 and 28 February 2011 is as follows:

	Hong Kong		Mainland China		Japan		Others		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Turnover	**3,408,539**	2,612,364	**1,544,457**	1,024,818	**560,013**	43,500	**228,633**	153,740	**5,741,642**	3,834,422
EBITDA	**479,027**	369,849	**215,274**	185,843	**53,072**	(4,090)	**71,270**	45,278	**818,643**	596,880
Depreciation and amortisation	**(114,091)**	(77,207)	**(69,836)**	(42,342)	**(34,787)**	(3,045)	**(13,446)**	(11,145)	**(232,160)**	(133,739)
Impairment of property, furniture and equipment	**(6,971)**	–	**–**	–	**(4,208)**	–	**–**	–	**(11,179)**	–
Operating profit/(loss)	**357,965**	292,642	**145,438**	143,501	**14,077**	(7,135)	**57,824**	34,133	**575,304**	463,141
Finance income									**6,385**	5,100
Finance costs									**(11,993)**	(2,900)
Share of profits of jointly controlled entities									**4,086**	15,923
Profit before income tax									**573,782**	481,264
Total segment assets	**1,904,583**	1,690,248	**1,328,738**	923,986	**424,688**	413,522	**114,452**	120,689	**3,772,461**	3,148,445

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

	2012	2011
	HK$'000	HK$'000
Segment assets for reportable segments	**3,658,009**	3,027,756
Other segments assets	**114,452**	120,689
	3,772,461	3,148,445
Unallocated:		
Deferred income tax assets	**77,782**	51,389
Investments in and amounts due from jointly controlled entities	**141,707**	85,725
	3,991,950	3,285,559

3. Other loss

	2012 HK$'000	2011 HK$'000
Fair value loss from derivative financial instruments		
– forward foreign exchange contracts	**137**	7,544
– foreign currency swap contract	**2,639**	–
	2,776	7,544

4. Expenses by nature

	2012 HK$'000	2011 HK$'000
Cost of inventories sold	**2,081,466**	1,374,991
Write-downs of inventories to net realisable value	**99,673**	15,944
Employment costs (including directors' emoluments)	**912,222**	657,633
Operating lease rentals of premises		
– minimum lease payments	**892,337**	645,763
– contingent rents	**185,599**	122,206
Advertising and promotion costs	**99,420**	67,558
Depreciation of property, furniture and equipment	**217,340**	127,387
Impairment of property, furniture and equipment	**11,179**	–
Loss on disposals of property, furniture and equipment	**1,214**	1,870
Licence fees (included in operating expenses)		
– amortisation of licence rights	**4,760**	4,213
– contingent licence fees	**20,112**	7,026
Amortisation of intangible assets (excluding licence fees)	**10,060**	2,139
Provision for impairment of trade receivables	**3,559**	–
Provision for impairment of amount due from a jointly controlled entity	**200**	322
Auditor's remuneration	**5,201**	5,109
Net exchange gains	**(23,024)**	(13,930)
Other expenses	**642,244**	345,506
Total	**5,163,562**	3,363,737
Representing:		
Cost of sales	**2,201,683**	1,405,482
Operating expenses	**2,961,879**	1,958,255
	5,163,562	3,363,737

5. **Finance income and costs**

	2012	2011
	HK$'000	HK$'000
Interest income from		
– bank deposits	**2,977**	1,814
– amounts due from jointly controlled entities	**1,067**	610
– others (i)	**2,341**	2,676
Finance income	**6,385**	5,100
Interest expense on bank borrowings		
– wholly repayable within five years	**(10,401)**	(2,351)
– not wholly repayable within five years	**(1,592)**	(549)
Finance costs	**(11,993)**	(2,900)
Net finance (costs)/income	**(5,608)**	2,200

Note:

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

6. **Income tax expense**

The Company is exempted from income taxes 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% (2011: 16.5%) on the estimated assessable profits of the Group's operations in Hong Kong.

According to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), the income tax rates for both domestic and foreign investment enterprises are unified at 25% effective from 1 January 2008. However, for enterprises which are established before the publication of the CIT Law and are entitled to preferential treatments of reduced income tax rate granted by relevant tax authorities, the income tax rate is gradually increased to 25% within 5 years after the effective date of the CIT Law. For the region that enjoys a reduced income tax rate at 15%, the income tax rate is gradually increased to 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% for 2012 according to grandfathering rules stipulated in the Detailed Implementation Regulations ("DIR") and related circular. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term continue to enjoy such treatment until the fixed term expires.

Mainland China enterprise income tax has been provided at the applicable rates ranging from 24% to 25% (2011: ranging from 22% to 25%) on the profits of the Group's operations in Mainland China.

Taiwan profits tax has been provided at the rate of 17% (2011: 17%) on the estimated assessable profits of the Group's operations in Taiwan.

Macau Complementary (Corporate) Tax has been provided at the applicable rates ranging from 9% to 12% (2011: 9% to 12%) on the estimated assessable profit in excess of HK$196,000 (approximately MOP200,000) and below HK$295,000 (approximately MOP300,000) and a fixed rate of 12% on assessable profit in excess of HK$295,000 (approximately MOP300,000).

Japan Corporate Income Tax has been provided at the applicable rate of 42% on the estimated assessable profits of the Group's operations in Japan. According to the "Amendment to the 2011 Tax Reform Bill ("2011 Reform Amendment Law") and "Special Measures to Secure the Financial Resources to Implement the Restoration from the Tohoku Earthquake" ("Special Restoration Tax Law"), the Corporate income tax rates are gradually reduced from 42% to 35.64%, effective for tax years beginning on or after 1 April 2012 (for corporations with capital exceeding JPY 100 million in the Tokyo Metropolitan Area). The effective applicable tax rates is gradually decreased to 40.69% for 2012, 38.01% for 2013 to 2015, 35.64% for tax years beginning on or after 1 April 2015, according to Restoration surtax stipulated in the Special Restoration Tax Law and related circular.

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

	2012	2011
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax	**76,723**	46,570
– Mainland China enterprise income tax	**41,345**	32,929
– Overseas income tax	**6,513**	3,620
– (Over)/under-provision in prior year	**(476)**	510
	124,105	83,629
Deferred income tax	**(23,453)**	9,489
	100,652	93,118

7. Earnings per share

Basic

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

	2012	2011
Profit attributable to equity holders of the Company (HK$'000)	**471,300**	387,948
Weighted average number of ordinary shares in issue ('000)	**1,216,443**	1,176,027
Basic earnings per share (HK$)	**0.39**	0.33

Diluted

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

	2012	2011
Profit attributable to equity holders of the Company (HK$'000)	**471,300**	387,948
Weighted average number of ordinary shares in issue ('000)	**1,216,443**	1,176,027
Adjustments for share options ('000)	**45,090**	52,604
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,261,533**	1,228,631
Diluted earnings per share (HK$)	**0.37**	0.32

8. Dividends

	2012	2011
	HK$'000	HK$'000
Interim dividend, paid, of 2.5 HK cents (2011: 4.2 HK cents with options of scrip share) per ordinary share	**30,501**	50,223
Final dividend, proposed, 12.9 HK cents (2011: 10.4 HK cents) per ordinary share	**157,466**	124,514
	187,967	174,737

A final dividend relating to the year ended 28 February 2011 amounted to HK$126,906,000 and an interim dividend relating to the six months ended 31 August 2011 amounted to HK$30,501,000 which was fully paid in August 2011 and December 2011 respectively.

An interim dividend relating to the six months ended 31 August 2010 amounted to HK$50,223,000 of which HK$47,631,000 was paid in December 2010 and ordinary shareholders holding 61,713,317 out of the then total outstanding shares of 1,195,795,179 elected to receive scrip shares in lieu of cash dividends of HK$2,592,000.

The board of directors proposed a final dividend of 12.9 HK cents per ordinary share for the year ended 29 February 2012 on 25 May 2012 (2011: 10.4 HK cents per ordinary share). This proposed final dividend is not reflected as a dividend payable as of 29 February 2012, but will be recorded as a distribution of retained earnings for the year ending 28 February 2013.

9. Trade and other receivables

	2012	2011
	HK$'000	HK$'000
Trade receivables – gross	**154,504**	121,364
Less: provision for impairment of trade receivables	**(3,471)**	–
Trade receivables – net	**151,033**	121,364
Other receivables	**4,417**	7
Trade and other receivables	**155,450**	121,371

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

	2012	2011
	HK$'000	HK$'000
Beginning of the year	–	–
Provision for the year	3,559	–
Exchange differences	(88)	–
End of the year	3,471	–

As of 29 February 2012, trade receivables of HK$3,471,000 (2011: Nil) were impaired. The amount of the provision was HK$3,471,000 as of 29 February 2012 (2011: Nil). The ageing of these receivables is as follows:

	2012	2011
	HK$'000	HK$'000
Over 90 days	3,471	–

The ageing analysis of trade receivables past due but not impaired as at 29 February 2012 and 28 February 2011 is as follows:

	2012	2011
	HK$'000	HK$'000
0 to 30 days	633	3,600
31 to 60 days	–	32
61 to 90 days	94	–
Over 90 days	142	333
	869	3,965

There were no other receivables past due but not impaired as at 29 February 2012 and 28 February 2011.

The ageing analysis of trade receivables is as follows:

	2012	2011
	HK$'000	HK$'000
0 to 30 days	145,664	116,963
31 to 60 days	3,640	3,538
61 to 90 days	1,296	467
Over 90 days	3,904	396
	154,504	121,364

10. Trade and bill payables

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

	2012	2011
	HK$'000	HK$'000
0 to 30 days	**237,940**	240,347
31 to 60 days	**104,318**	71,184
61 to 90 days	**64,889**	22,039
91 to 180 days	**73,355**	20,416
181 to 365 days	**6,067**	4,218
Over 365 days	**1,379**	2,341
	487,948	360,545

11. Borrowings

	2012	2011
	HK$'000	HK$'000
Non-current bank borrowings	**437,126**	379,234
Current bank borrowings	**184,178**	214,911
	621,304	594,145

The maturity of bank borrowings is as follows:

	2012	2011
	HK$'000	HK$'000
Within 1 year	**184,178**	214,911
Between 1 and 2 years	**168,580**	84,857
Between 2 and 5 years	**174,796**	190,027
Wholly repayable within 5 years	**527,554**	489,795
Over 5 years	**93,750**	104,350
	621,304	594,145

The effective borrowing cost was 1.9% (2011: 1.4%) per annum.

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

	2012 HK$'000	2011 HK$'000
Hong Kong Dollar	**446,750**	392,550
Japanese Yen	**128,168**	167,113
Euro	**46,386**	34,482
	621,304	594,145

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of 12.9 HK cents (FY10/11: 10.4 HK cents) per share for the year ended 29 February 2012. The final dividend amounts to approximately HK$157.5 million, if approved by the shareholders at the forthcoming annual general meeting to be held on 17 August 2012.

Further announcement on the closure of register of members of the Company for the propose of determination of entitlements to attend and vote at the forthcoming annual general meeting and to qualify for receiving the final dividend will be released as soon as practicable.

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

(a) Group

The first half of the FY11/12 witnessed a great start into the year for the fashion retail business fuelled by strong consumer sentiment. This was, however, followed by a progressive reduction in customer traffic flow and decline in spending rest of year which alongside the late arrival of winter and escalating operating cost has posted challenges to the business on different fronts.

Despite all these challenges, the Group has achieved a substantial increase in annual turnover to HK$5,741.6 million, representing a 49.7% increase over last year with robust sales growth recorded in all operating markets. Coupled with a bigger revenue base and market penetration, the Group has managed to deliver the third consecutive year of record net profit in FY11/12 at HK$473.1 million with positive growth in operating profit achieved in all operating markets.

Turnover by Markets

Hong Kong continued to be the largest revenue and profit contributor to the Group as a trend setter with market dominance. Total turnover of all Hong Kong businesses amounted to HK$3,408.5 million in FY11/12, a 30.5% increase over last year which accounted for 59.4% of total Group turnover.

Driven by significant expansion in retail network and market penetration during the period, total turnover of our China businesses has achieved a step up increase of 50.7% over last year to HK$1,544.5 million in FY11/12 which accounted for 26.9% of total Group turnover.

Following our acquisition of the majority interest in January 2011, considerable progress has been made in building our Nowhere Japan business in terms of both sales and profitability. Total turnover reached HK$560.0 million in FY11/12 (vs. only 1 month operation consolidated in FY10/11) which accounted for 9.8% of total Group turnover.

Breakdown of turnover by region of operation:

	Turnover			**Group Participation**	
	FY11/12	FY10/11	**Change**	**FY11/12**	FY10/11
	HK$ million	HK$ million			
Hong Kong	**3,408.5**	2,612.4	+30.5%	**59.4%**	68.1%
Retail sales only	***3,385.5***	*2,596.9*	*+30.4%*		
Mainland China	**1,544.5**	1,024.8	+50.7%	**26.9%**	26.7%
Retail sales only	***1,426.6***	*938.9*	*+51.9%*		
Japan	**560.0**	43.5	+1,187.4%	**9.8%**	1.1%
Others	**228.6**	153.7	+48.7%	**3.9%**	4.1%
Total	**5,741.6**	3,834.4	+49.7%	**100.0%**	100.0%

Brand Mix

All in-house, international and licensed brands have achieved robust sales growth over last year. With continuous efforts to further leverage the brand equity of our in-house brands, especially in China, in-house brands enjoyed the highest year-over-year sales growth rate among all brands at 62.1% with group sales participation further increased to 57.9% in FY11/12 (vs. 53% in FY10/11).

Breakdown of retail sales by brand category:

	Retail Sales			Group Participation	
	FY11/12	FY10/11	**Change**	**FY11/12**	FY10/11
	HK$ million	HK$ million			
In-house brands	**3,198.6**	1,973.0	+62.1%	**57.9%**	53.0%
International brands	**2,135.7**	1,608.4	+32.8%	**38.6%**	43.2%
Licensed brands	**190.7**	142.1	+34.2%	**3.5%**	3.8%
	5, 525.0	3,723.5	+48.4%	**100.0%**	100.0%

Dynamics in Margin and Cost

Alongside the significant increase in turnover, gross profit of the group has increased 45.7% to HK$3,540.0 million in FY11/12 (vs. HK$2,428.9 million in FY10/11) while gross profit margin percentage narrowed slightly to 61.7% (FY10/11: 63.3%) attributable to more promotion activities and discount offers as well as the optimization of pricing strategies to accelerate volume growth.

Total operating cost ratio maintained relatively stable at 51.6% in FY11/12 (marginally higher than FY10/11 at 51.1%) despite escalating operating cost pressure. Store sales productivity has increased during the year as reflected by the improvement of both staff cost (excluding share option expenses) ratio (driven down 1.4 ppt to 15.4% in FY11/12 from 16.8% in FY10/11) and rent (including rental charges, management fee, rates and government rent) ratio (down 1.6 ppt to 21.3% in FY11/12 from 22.9% in FY10/11). This productivity enhancement was, however, offset by additional operating cost including new Government tax imposed in China (e.g. city construction tax) as well as the annualized full year impact of commission expense to our operating partners in some Japan stores.

With the above-mentioned revenue, margin and cost dynamics, operating profit of the Group increased by 24.2% to HK$575.3 million in FY11/12 (FY10/11: HK$463.1 million) at operating profit margin of 10.0% (FY10/11: 12.1%)

(b) *Hong Kong*

Continuous efforts have been deployed to maintain our market dominance in Hong Kong through better shopping experience and excitement in terms of product, pricing and service. Apart from driving year-over-year increase in store sales productivity of existing stores, new retail shops have been opened with total trading area increased by 13.3% in FY11/12 compared to last year. With total Hong Kong turnover amounted to HK$3,408.5 million in FY11/12, retail sales in Hong Kong increased by 30.4% to HK$3,385.5 million at comparable store sales growth rate of 14.9% despite a progressive slowdown in customer spending momentum experienced in the second half of the year.

Operating profit increased 22.3% to HK$358.0 million in FY11/12 at 10.5% operating margin (FY10/11: 11.2%). The impact of narrowed gross margin to 61.0% in FY11/12(from 62.9% in FY10/11) driven by increased discount offers and optimization of pricing strategies have been partly compensated by enhancement in operating efficiency with total operating cost ratio reduced to 50.4% in FY11/12(from 51.4% in FY10/11).

(c) Mainland China

Our retail network and market penetration in China has been significantly expanded in the year with total trading area increased by 51.5% in FY11/12 compared to last year with total turnover increased by 50.7% to HK$1,544.5 million notwithstanding the noticeable deceleration in customer spending experienced in the second half of the year.

Alongside the consistent efforts to further enhance the brand awareness of our existing portfolio of brands and retail formats, new brands and formats, in particular in-house brand have continued to be introduced to the market to better leverage customer potential in different segments. Total retail sales in China increased by 51.9% to HK$1,426.6 million in FY11/12 at comparable store sales growth rate of 8.0%.

Operating profit increased 1.3% to HK$145.4 million in FY11/12 at 9.4% operating margin (FY10/11: 14.0%) in a volatile trading environment. Gross margin has narrowed to 62.5% in FY11/12(from 63.8% in FY10/11) driven by increased discount offers and optimization of pricing strategies. Impacted by additional Government tax imposed(e.g. city construction tax) and the additional staffing structure to support store network expansion, total operating cost ratio increased to 53.1% in FY11/12(from 49.8% in FY10/11).

(d) Japan

Progressive acceleration of sales growth and enhancement in operating efficiency has been achieved following our acquisition of the majority interest in Nowhere Group Japan in January 2011 notwithstanding the challenging trading environment in the first half of the year adversely impacted by the earthquake. Total sales landed at HK$560.0 million with a profit turnaround achieved at HK$14.1 million operating profit.

(e) Others

Total retail sales in other regions (namely Macau and Taiwan) increased by 48.7% to HK$228.6 million and operating profits increased by 69.4% to HK$57.8 million. Strong tourist traffic flow from Mainland China together with robust local consumption were the key sales growth drivers for our Macau business. The increase in scale of business through expansion of retail network has contributed to the profit increase in Taiwan over last year.

In addition to our diversified portfolio of self-managed stores in different markets and franchised stores in China, the Group also maintained a franchised store network comprising 23 overseas franchised stores in countries such as UK, France, Canada, Thailand, Philippines, Singapore and South Korea.

Share of Results of Jointly Controlled Entities

Partly attributable to the pre-operating expenses of the jointly controlled entity, Galeries Lafayette (China) Limited, share of profit of jointly controlled entities reduced to HK$4.1 million for the year ended 29 February 2012 (vs. HK$15.9 million last year).

Inventory

Impacted by decelerated customer spending momentum as evidenced in the second half of the year together with unfavorable weather (late arrival of winter) and the increase in inventory purchase to support business expansion, inventory turnover days of the Group increased to 164.1 days for the year ended 29 February 2012 (vs. 146.9 days last year) though lowered from the 177.0 days level recorded for the six months ended 31 August 2011.

Cash Flows & Financial Position

While supported an aggressive store network expansion during the year, the Group has maintained a solid financial position in FY11/12 with total cash and bank balances amounted to HK$626.9 million (FY10/11: HK$775.8 million) and an overall net cash position of HK$5.6 million (net cash is defined as cash and cash equivalents of HK$626.9 million less bank borrowings of HK$621.3 million as shown in the consolidated balance sheet) as at 29 February 2012 though reduced from the net cash position of HK$181.7 million same period last year.

Cash inflow from operating activities for the year ended 29 February 2012 amounted to HK$359.0 million, a reduction from the level last year (HK$450.4 million) driven mainly by increase in inventory level to support new store opening as well as higher stock turnover days in existing business impacted by cool down in sales momentum in second half of the year.

Liquidity and Banking Facilities

The Group has secured adequate bank lines to support continuous corporate growth and development. Aggregate banking facilities amounted to approximately HK$1,531.1 million (2011: HK$1,025.4 million) as at 29 February 2012, of which approximately HK$718.0 million (2011: HK$254.4 million) was unutilized. While stepped up our business expansion in the year, the Group managed to maintain an overall net cash position with Debt-to-Equity ratio reduced to 27.4% in FY11/12 (vs. 32.2% in FY10/11).

Charges of Assets

As at 29 February 2012, bank borrowings are secured on land and building and motor vehicles with carrying amounts of HK$229.1 million (FY10/11: HK$279.5 million) and nil (FY10/11: HK$12.8 million), respectively.

Contingent Liabilities

As at 29 February 2012, the Group did not have significant contingent liabilities.

Foreign Exchange

The Group is exposed to foreign exchange risk arising from the exposure in Japanese Yen, Macau Pataca, Pound Sterling, Euro, United States Dollar, New Taiwan Dollar and Chinese Renminbi against Hong Kong Dollar. Management regularly monitors the foreign exchange risks of the Group and enters into forward exchange contracts and foreign currency swap contracts with major and reputable financial institutions to hedge the foreign exchange risk.

Employment, Training and Development

The Group had a total of 6,089 employees as at 29 February 2012 (FY10/11: 4,771) with quality staff added in the year to support front-line operations of new stores as well as continuous corporate development. 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

With confidence on the long-term growth prospects of the fashion retail markets in the region in particular Mainland China, the Group will continue to explore opportunities to further extend our market penetration and dominance through prudent and focused investment together with more dynamic operational and promotional tactics to cope with the increased market volatility, escalating operating costs and a general slowdown in consumer spending as experienced since second half of FY11/12.

Capitalizing the proven success "multi-brand, multi-layer" business model, the continuous enhancement in operating efficiency as well as further strengthening of our point of differentiation and competitiveness in pricing, product offer and service are some of the key corporate initiatives in 2012 which alongside the consistent efforts in enriching product collections, acquiring fashionable designers' brands and extending brand awareness would enable the Group to reinforce our trend-setting fashion icon position even under volatile economic and trading environment.

New brands and store formats will be introduced into the markets to provide new shopping excitement and experience to different customer segments, including the new "Aape" brand and store format launched in May 2012 which leveraged the brand equity of "A Bathing Ape" to target for the younger customer segment.

As a strategic market and major profit contributor of the Group, we will continue to maintain our market dominance in Hong Kong with opportunistic store expansion strategy for good potential new sites. Following the significant network expansion in China in the past 2 years, our focus is to ride on the operating intelligence built up to refine our store and format expansion strategy and to drive enhancement in store productivity and operating efficiency to maximize profitability.

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 year ended 29 February 2012 except for the deviations as mentioned below.

Code Provision A.2.1 of 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 year ended 29 February 2012, 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 consolidated financial statements of the Group and the annual report for the year ended 29 February 2012.

The figures in respect of the preliminary announcement of the Group's results for the year ended 29 February 2012 have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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 year ended 29 February 2012.

By Order of the Board
Sham Kar Wai
Chairman

Hong Kong, 25 May 2012

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