

[For Immediate Release]



I.T Limited Announces Interim Results for FY2016/17

Financial Highlights

	For the six months ended 31 August		
(HK\$ million)	2016	2015	Change (%)
Turnover	3,643.2	3,392.5	+7.4
Gross profit	2,209.2	2,026.1	+9.0
Operating profit	125.0	44.6	+180.0
Operating profit (Adjusted) ¹	125.0	111.5	+12.1
Net profit	39.1	(31.0)	+226.0
Net profit (Adjusted) ¹	39.1	35.8	+9.2

Note

¹ If an exceptional non-recurring foreign exchange loss of HK\$66.8 million as a result of the conversion of the Group's RMB fixed deposits, amounting to RMB1,187 million, into Hong Kong Dollar in August 2015 is excluded.

(25 October 2016 - Hong Kong) I.T Limited ("I.T" or the "Group"; stock code: 999) announced interim results for the six months ended 31 August 2016.

The operating environment of the fashion retail business in the first half of the fiscal year continued to be suppressed by the same adverse economic factors as in the previous year. Total turnover increased by 7.4% to HK\$3,643.2 million. Gross profit grew by 9.0% to HK\$2,209.2 million, while gross profit margin increased by 0.9 percentage point to 60.6% amid difficult times and promotional headwinds.

External market factors, such as the persistent cost inflation in operating retail channels, continued to place downward pressure on the Group's profitability, particularly in the Hong Kong segment. As a result, total operating cost ratio of the Group increased by 0.5 percentage point to 57.6%. Rent-to-sales ratio (including rental charges and building management fees) remained flat at 26.5%. Staff cost-to-sales ratio (excluding share option expenses) increased from 16.3% to 17.0%.

Operating profit (adjusted) increased by 12.1% to HK\$125.0 million whereas net profit (adjusted) increased by 9.2% to HK\$39.1 million. Basic earnings per share were 3.2 HK cents against the basic loss per share of 2.6 HK cents for the corresponding period in 2015. The Board does not declare the payment of an interim dividend for the six months ended 31 August 2016 (six months ended 31 August 2015: Nil).

Looking specifically in the Group's Hong Kong market, the overall market conditions have remained very challenging in the midst of an uncertain macroeconomic landscape and volatile financial markets. Currency headwinds continued to impact domestic spending momentum. The cost of operating retail channels, particularly rental and staff costs, continued to rise. This was an area that placed significant pressure on the profitability of the Group's Hong Kong segment and remained the most challenging area of the Group's business. As a result, retail sales in Hong Kong declined by 2.0% to HK\$1,540.2 million, with comparable store sales growth registered at -0.9%. Gross margin increased by 2.0 percentage points to 58.9%, primarily a result of a more favorable mix of sales toward in-house brands and a slight decrease in markdowns in relation to sales during the period. However, such enhancement in gross margin was not sufficient to completely offset a decline in efficiency measured by operating costs on sales. An operating loss of HK\$140.0 million was recorded for the six months ended 31 August 2016.

The Group is gratified with the progress in expansion that it has achieved so far in Mainland China as it has successfully capitalised on multiple growth opportunities and has extended its self-managed store presence to new cities such as Changchun and Nanning. Total retail sales of the Group's Mainland China business increased by 14.0% to HK\$1,523.7 million, attributable to not only the increase in total trading area but also a positive comparable store sales growth of 4.6%. Gross margin decreased by 0.6 percentage point to 58.4%, primarily a result of exchange differences from the devaluation of Chinese Renminbi over the previous period. Operating profit increased by 4.8% to HK\$82.0 million.

The Group's Japan segment has continued to outperform benefiting from the overwhelming responses to its collections of all brands within the A Bathing Ape group, as well as the increase in inbound tourist traffic growth during the period. Sales of Japan business increased by 28.4% to JPY4,796.3 million, whereas sales in Hong Kong Dollar terms grew by 46.6% to HK\$348.5 million. Gross margin landed at 71.6%, compared to 70.5% in 1H FY15/16. Operating profit increased by 52.6% to HK\$144.5 million.

The Group maintained a solid balance sheet, with cash and bank balances amounting to HK\$1,766.4 million and a net cash position of HK\$343.2 million as at 31 August 2016.

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For further information, please contact:

iPR Ogilvy & Mather

Callis Lau / Molisa Lau / Maggie Chui / Caroline Zhang

Tel: (852) 2136 6952 / 2136 6953 / 2136 8059 / 3920 7684

Fax: (852) 3170 6606

E-mail: callis.lau@iprogilvy.com/molisa.lau@iprogilvy.com/maggie.chui@iprogilvy.com/caroline.zhang@iprogilvy.com