

[For Immediate Release]



## I.T Limited Announces 2006/07 Interim Results

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**Total Sales and Gross Profit Grew by 18.5% and 13.5% respectively**  
***Invest for Future Growth in both Hong Kong and Greater China***

### Financial Highlights

<b>Six months ended 31 August (HK\$'000)</b>	<b>2006</b>	2005	<b>Change (%)</b>
Turnover	<b>673,304</b>	568,067	+18.5
Gross Profit	<b>384,396</b>	338,704	+13.5
Net profit	<b>31,203</b>	30,177	+3.4
EPS (HK cents)	<b>3.0</b>	2.9	+2.8

(7 November 2006 - Hong Kong) I.T Limited ("I.T" or the "Group"; stock code: 999), a well-established trendsetter in Hong Kong's fashion retail industry, announced its interim results for the six months ended 31 August 2006.

During the period under review, the Group's sales from retail shop operations increased by 17.6% to HK\$626.9 million (six months ended 31 August 2005: HK\$532.9 million). Total net profit was HK\$31.2 million, increased by 3.4% as compared to HK\$30.2 million for the six months ended 31 August 2005. If excluding share of losses from jointly controlled entities, the total net profit increased significantly by 22.9% to HK\$39.5 million (six months ended 31 August 2005: HK\$32.1 million). The gross margin for retail sales for the period under review was 60.6% (six months ended 31 August 2005: 62.7%). The Board of Directors resolved not to distribute interim dividend for the first half of 2006/07.

Commenting on the Group's interim results, I.T's Vice Chairman, Managing Director and CFO Dr. William Lo said, "During the period under review, total sales increased 18.5% to reach HK\$673.3 million, while total gross profit also surged 13.5% to HK\$384.4 million. The 2.5% drop in gross profit margin to 57.1% was a result of shift in product mix, the offer of deeper discount to customers and expansion in wholesale business. The Group has put a lot of focus on improving the efficiency and effectiveness of our retail sales environment which resulted in an improvement in comparable stores sales growth of 4.2%, a reversal of last year negative trend."

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Sales from international brands accounted for 51.1% of the total sales, contributing HK\$343.7 million while sales from in-house and licensed brands accounted for 42.1%, contributing HK\$283.2 million for the first half of 2006. Net sales footage in Hong Kong (excluding fcuk stores operated by a 50% joint venture, FCUK IT Company) increased by 2.6% to 291,290 sq.ft as at 31 August 2006. Rental cost and staff cost (excluding option expenses) as a percentage of total sales remained at similar level compared to the same period last year at 22.7% and 18.4% respectively.

For the business in Greater China, GSI.T experienced a very rapid growth phase. GSI.T has undergone a relatively compressed phase of distribution network expansion and resulted in a higher-than-expected net profit loss. However, recognition was gained for in-house brands such as <http://www.izzue.com> and b+ab in fashion conscious cities such as Shanghai and Beijing. The distribution in China, together with the franchisees network covers more than 22 key cities.

This financial year has been designated as a foundation year for which the Group's strategy is to "invest for future growth" in both Hong Kong and the Greater China region. I.T aims to maintain the momentum of growth through consolidating and improving the efficiency of existing brands and stores, as well as expanding into new segments through product innovations. In Greater China, I.T will continue to expand our network and target to achieve break-even in financial year 2007.

Looking ahead, the Group is optimistic about achieving a double-digit growth in both turnover and net profit for the full financial year in Hong Kong while minimizing loss in the Greater China region. At the same time, the Group will launch two new in-house brands, "Chocoolate" for apparels and "Venilla Suite" for shoes in November. I.T aims to broaden its customer segments and increases its market share.

In medium term, the Group will identify complementary businesses and channels for wider market and segment access. In the long run, the Group aims to evolve from a pure fashion trend-setter to a fashion-focused lifestyle products and services provider. Moreover, the distribution network in overseas markets will be further expanded, expecting several new markets to be added in the coming 12 months.

Dr. Lo concluded, "The Group has started to re-align resources to cope with the growth plan and strategy for the next five years, with task forces being set up to look at delivering short-term efficiency and sales gain. The Group aims to deliver our goal of generating higher-than-market return on investment and equity value to our shareholders over the long term."

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### **About I.T Limited**

I.T Limited is a well-established trend setter in the fashion apparel retail market in Hong Kong. Through its "multi-brand, multi-layer" business model, I.T offers a range of apparel products from hundreds of international brands, as well as in-house brands and licensed brands at varying price ranges, targeting different customer segments.

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