I.T

I.T LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 999)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2013

- Total turnover of the Group decreased by 0.9% to HK$2,939.6 million.
- Total retail sales in Hong Kong decreased by 7.1% to HK$1,570.7 million with comparable store sales registered at -9.5%. Total retail sales in Mainland China increased by 14.8% to HK$933.4 million with comparable store sales registered at -1.9%.
- Japan landed at total sales of HK$204.2 million, representing 23.2% decrease from last year.
- Total retail sales in other regions (namely Macau and Taiwan) increased by 1.7% to HK$122.2 million.
- Gross profit of the Group decreased by 1.53% to HK$1,739.7 million at gross profit margin of 59.2% (2012: 59.6%).
- Net profit of the Group decreased by 76.8% to HK$28.1 million.
- Basic earnings per share decreased by 76.5% to HK$0.023. Fully diluted earnings per share decreased by 76.8% to HK$0.022.

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 2013, 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	
		2013	2012
		(Unaudited)	(Unaudited)
	Note	**HK$'000**	HK$'000
Turnover	2	**2,939,608**	2,965,306
Cost of sales	4	**(1,199,906)**	(1,198,523)
Gross profit		**1,739,702**	1,766,783
Other gains/(losses)	3	**5,859**	(9,372)
Operating expenses	4	**(1,684,793)**	(1,610,641)
Operating profit		**60,768**	146,770
Finance income	5	**16,602**	5,655
Finance costs	5	**(31,245)**	(13,862)
Share of loss of joint ventures		**(10,653)**	(3,549)
Profit before income tax		**35,472**	135,014
Income tax expense	6	**(7,324)**	(13,946)
Profit for the period		**28,148**	121,068
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Currency translation differences		**(4,036)**	(8,339)
Cash flow hedge recognised as a finance costs		**703**	–
Fair value changes on cash flow hedge, net of tax		**(29,424)**	–
Total other comprehensive loss for the period		**(32,757)**	(8,339)
Total comprehensive (loss)/income for the period		**(4,609)**	112,729
Profit attributable to:			
– Equity holders of the Company		**28,062**	119,734
– Non-controlling interests		**86**	1,334
		28,148	121,068
Total comprehensive (loss)/income attributable to:			
– Equity holders of the Company		**(4,695)**	111,182
– Non-controlling interests		**86**	1,547
		(4,609)	112,729
Earnings per share attributable to equity holders of the Company for the period (expressed in HK$ per share)			
– basic	7	**0.023**	0.098
– diluted	7	**0.022**	0.095
Dividends	8	**–**	–

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at 31 August 2013 (Unaudited) HK$'000**	As at 28 February 2013 (Audited) HK$'000
ASSETS			
Non-current assets			
Property, furniture and equipment		**886,615**	934,128
Intangible assets		**352,604**	359,338
Investments in and amounts due from joint ventures		**244,926**	199,074
Rental deposits		**281,722**	298,675
Prepayments for furniture and equipment		**1,694**	5,868
Derivative financial instruments		**230**	–
Deferred income tax assets		**127,598**	116,154
		1,895,389	1,913,237
Current assets			
Inventories		**1,145,866**	1,211,240
Trade and other receivables	9	**172,770**	133,736
Amounts due from joint ventures		**23,998**	25,388
Prepayments and other deposits		**292,813**	221,299
Derivative financial instruments		**601**	1,163
Cash and cash equivalents		**2,100,626**	961,158
		3,736,674	2,553,984
LIABILITIES			
Current liabilities			
Borrowings	11	**(430,810)**	(365,661)
Trade and bill payables	10	**(329,078)**	(273,552)
Accruals and other payables		**(524,343)**	(476,177)
Derivative financial instruments		**(222)**	(1,600)
Amounts due to joint ventures		**(56,955)**	(51,549)
Current income tax liabilities		**(27,669)**	(23,585)
		(1,369,077)	(1,192,124)
Net current assets		**2,367,597**	1,361,860
Total assets less current liabilities		**4,262,986**	3,275,097
Non-current liabilities			
Borrowings	11	**(1,671,313)**	(668,462)
Accruals		**(11,979)**	(14,140)
Derivative financial instruments		**(30,750)**	(6,140)
Deferred income tax liabilities		**(33,393)**	(32,984)
		(1,747,435)	(721,726)
Net assets		**2,515,551**	2,553,371
EQUITY			
Capital and reserves			
Share capital		**122,876**	122,818
Reserves		**2,392,281**	2,430,553
Non-controlling interests		**394**	–
Total equity		**2,515,551**	2,553,371

NOTES

1 Basis of preparation and Accounting policies

This condensed consolidated interim financial information for the six months ended 31 August 2013 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 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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 28 February 2013, except for the adoption of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the operations of the Group and mandatory for annual accounting periods beginning 1 January 2013.

Except as described below, the adoption of these new and revised standards, amendments and interpretations does not have an impact on the accounting policies of the Group.

HKFRS 10 Consolidated Financial Statements

Under HKFRS 10, subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. HKFRS 10 had no impact on the consolidation of investments held by the Group.

HKFRS 11 Joint Arrangements

Under HKFRS 11 Investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. The application of this new standard had no impact on the Group's results of operations or financial position.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance under HKFRS for all fair value measurements. HKFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under HKFRS when fair value is required or permitted. The application of HKFRS 13 has not materially impacted the fair value measurements carried out by the Group.

HKAS 1 Presentation of Items of Other Comprehensive Income – Amendments to HKAS 1

The amendments to HKAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The adoption of these amendments affected presentation only and had no impact on the Group's results of operations or financial position.

2 Turnover and segment information

	Six months ended 31 August	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Turnover		
– Sales of fashion wears and accessories	**2,939,608**	2,965,306

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 of intangible assets ("EBITDA"). The measure excludes the effects of share of loss from joint ventures. 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 joint ventures which are managed on a central basis.

The segment information provided to the board of directors for the reportable segments is as follows:

	Hong Kong Six months ended 31 August		Mainland China Six months ended 31 August		(Unaudited) Japan Six months ended 31 August		Others Six months ended 31 August		Total Six months ended 31 August	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Turnover	**1,594,250**	1,701,142	**1,018,923**	877,969	**204,215**	266,073	**122,220**	120,122	**2,939,608**	2,965,306
EBITDA	**93,791**	157,961	**34,033**	46,563	**46,218**	42,407	**26,200**	29,387	**200,242**	276,318
Depreciation, amortisation and impairment	**(71,038)**	(65,597)	**(48,075)**	(36,072)	**(12,543)**	(23,574)	**(7,818)**	(4,305)	**(139,474)**	(129,548)
Operating profit/(loss)	**22,753**	92,364	**(14,042)**	10,491	**33,675**	18,833	**18,382**	25,082	**60,768**	146,770
Finance income									**16,602**	5,655
Finance cost									**(31,245)**	(13,862)
Share of loss of joint ventures									**(10,653)**	(3,549)
Profit before income tax									**35,472**	135,014

	Hong Kong	**Mainland China**	**Japan**	**Others**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total segment assets					
As at 31 August 2013	3,003,011	1,738,589	360,835	133,106	5,235,541
As at 28 February 2013	1,831,579	1,747,282	392,272	155,472	4,126,605

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

	As at 31 August 2013 (Unaudited) HK$'000	As at 28 February 2013 (Audited) HK$'000
Segment assets for reportable segments	**5,102,435**	3,971,133
Other segments assets	**133,106**	155,472
	5,235,541	4,126,605
Unallocated:		
Deferred income tax assets	**127,598**	116,154
Investments in and amounts due from joint ventures	**268,924**	224,462
	5,632,063	4,467,221

3 Other gains/(losses)

	Six months ended 31 August	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Fair value gain/(loss) from derivative financial instruments		
– forward foreign exchange contracts	**815**	(116)
– currency swap contract	**3,009**	(5,474)
– interest rate swap contract	**2,035**	(3,782)
	5,859	(9,372)

4 Expenses by nature

	Six month ended 31 August	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Cost of inventories sold	**1,196,444**	1,154,792
(Reversal of write-down)/write-down of inventories to net realisable value	**(11,015)**	20,263
Employment costs (including directors' emoluments)	**506,209**	492,365
Operating lease rentals of premises		
– minimum lease payments	**615,686**	523,212
– contingent rents	**64,277**	101,435
Advertising and promotion costs	**34,552**	36,604
Depreciation of furniture and equipment	**133,866**	122,817
Loss/(gain) on disposals of furniture and equipment	**3,264**	(317)
Licence fees (included in operating expenses)		
– amortisation of licence rights	**1,766**	1,645
– contingent licence fees	**4,594**	6,623
Amortisation of intangible assets (included in operating expenses)	**3,842**	5,086
(Reversal of)/provision for impairment of amount due from a joint venture	**(651)**	1,576
Net exchange losses/(gains)	**7,230**	(2,070)
Other expenses	**324,635**	345,133
Total	**2,884,699**	2,809,164
Representing:		
Cost of sales	**1,199,906**	1,198,523
Operating expenses	**1,684,793**	1,610,641
	2,884,699	2,809,164

5 Finance cost, net

	Six months ended 31 August	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest income from		
– bank deposits	**15,592**	4,459
– amounts due from joint ventures	**407**	228
– others [(i)]	**603**	968
Finance income	**16,602**	5,655
Interest expense on borrowings		
– wholly repayable within five years	**(34,968)**	(12,918)
– not wholly repayable within five years	**(618)**	(944)
Net foreign exchange transaction gain	**5,044**	–
Transfer from hedging reserve		
– interest rate and currency swaps: cash flow hedge	**(703)**	–
Finance cost	**(31,245)**	(13,862)
Net finance cost	**(14,643)**	(8,207)

Note:

(i) These represent the interest arisen from the unwinding of discount on financial assets 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 2012: 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 of 25% (six months ended 31 August 2012: ranging from 24% to 25%).

Japan Corporate Income Tax has been provided at the applicable rate of 40% 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 JPY100 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.

Macau Complementary (Corporate) Tax has been provided at the applicable rates ranging from 9% to 12% (six months ended 31 August 2012: 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).

Taiwan profits tax has been provided at the rate of 17% (six months ended 31 August 2012: 17%) on the estimated assessable profits of the Group's operations in Taiwan.

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

	Six months ended 31 August	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax	**16,931**	13,082
– Mainland China enterprise income tax	**9,301**	300
– Overseas income tax	**3,287**	6,867
Deferred income tax	**(22,195)**	(6,303)
	7,324	13,946

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 2013 is 26.7% (six months ended 31 August 2012: 18.2%). The increase is mainly caused by a change of the distribution of profits of the Group's entities operating in different locations.

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 ordinary shares in issue during the period.

	Six months ended 31 August	
	2013	2012
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (HK$'000)	**28,062**	119,734
Weighted average number of ordinary shares in issue ('000)	**1,228,564**	1,226,493
Basic earnings per share (HK$)	**0.023**	0.098

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 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	
	2013	2012
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (HK$'000)	**28,062**	119,734
Weighted average number of ordinary shares in issue ('000)	**1,228,564**	1,226,493
Adjustments for share options ('000)	**31,447**	40,316
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,260,011**	1,266,809
Diluted earnings per share (HK$)	**0.022**	0.095

8 Dividends

The board of directors does not declare the payment of an interim dividend for the six months ended 31 August 2013 (six months ended 31 August 2012: Nil).

9 Trade and other receivables

	As at 31 August 2013 (Unaudited) HK$'000	As at 28 February 2013 (Audited) HK$'000
Trade receivables – gross	**172,922**	131,813
Less: provision for impairment of trade receivable	**(665)**	(586)
Trade receivables – net	**172,257**	131,227
Other receivables	**513**	2,509
Trade and other receivables	**172,770**	133,736

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 2013 (Unaudited) HK$'000	As at 28 February 2013 (Audited) HK$'000
0 to 30 days	**166,279**	126,369
31 to 60 days	**2,982**	2,077
61 to 90 days	**1,381**	996
Over 90 days	**2,280**	2,371
	172,922	131,813

10 Trade and bill payables

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

	As at 31 August 2013 (Unaudited) HK$'000	As at 28 February 2013 (Audited) HK$'000
0 to 30 days	**260,039**	149,571
31 to 60 days	**38,960**	65,950
61 to 90 days	**16,045**	33,673
91 to 180 days	**7,405**	20,936
181 to 365 days	**5,348**	2,636
Over 365 days	**1,281**	786
	329,078	273,552

11 Borrowings

	As at 31 August 2013 (Unaudited) HK$'000	As at 28 February 2013 (Audited) HK$'000
Current borrowings		
– Borrowing	**430,810**	365,661
Non-current borrowings		
– Borrowing	**424,210**	668,462
– Senior Notes	**1,247,103**	–
	1,671,313	668,462
	2,102,123	1,034,123

Movements in borrowings are analysed as follows:

	(Unaudited) HK$'000
Six months ended 31 August 2013	
As at 1 March 2013	1,034,123
Proceeds from borrowings	1,320,276
Repayments of borrowings	(248,229)
Exchange differences	(4,047)
As at 31 August 2013	2,102,123
Six months ended 31 August 2012	
As at 1 March 2012	621,304
Proceeds from borrowings	465,064
Repayments of borrowings	(67,226)
Exchange differences	722
As at 31 August 2012	1,019,864

The fair value of current borrowings approximates their carrying amount, as the impact of discounting is not significant. The effective borrowing cost was 4.72% (as at 28 February 2013: 2.3%) per annum.

Interest expense on borrowings for the six months ended 31 August 2013 is approximately HK$35,586,000 (six months ended 31 August 2012: HK$13,862,000).

On 15 May 2013, the Company issued senior notes, with an aggregate nominal value of RMB1,000,000,000 (equivalent to HK$1,264,500,000) at par value (the "Senior Notes"), which bear interest at 6.25% per annum and the interest is payable semi-annually in arrears. The net proceeds, after deducting the direct issuance costs, amounted to approximately RMB987,395,936 (equivalent to HK$1,248,606,276). The Senior Notes will mature on 15 May 2018 and are listed on The Stock Exchange of Hong Kong Limited.

INTERIM DIVIDEND

The business environment would likely continue to be a difficult one, the Board does not declare the payment of an interim dividend for the six months ended 31 August 2013 (six months ended 31 August 2012: Nil) so as to retain cash and working capital.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

(a) *Group*

The global economy remained weak throughout the financial period under review; the prospect of a slowdown in the face of long-term Treasury repurchases by the federal government of the U.S.A., the recession in Eurozone economies with unemployment rates remaining high, alongside the diminishing economic growth in Mainland China as a result of volatile domestic consumption demand and insufficient export demand from the rest of the World continued to weigh on the already dampened Asian consumer retailing markets. Fashion business in particular, which is comparatively sensitive to economic conditions and consumer confidence continued to be adversely impacted by the difficult economic climate.

A majority of apparel retailers have been discounting aggressively across the Group's key operating regions (namely Hong Kong and Mainland China) since last year. Meanwhile, the Group responded with avoidance of discounts and increasing focus in various brand-building activities to further enhance the brand equity of its product lines and company heritage. As a result, our sales were adversely impacted while gross margins were uplifted in the first quarter (excluding the end-of-season sale event in March) as compared to the same period last year. In the second quarter, we saw a lift in sales momentum mainly attributed to an adjustment in the selling strategy towards a larger scale of promotional campaigns and discount offers (as compared to the first quarter), on top of some strategic refinement of our store networks *(e.g. the revamp of* **izzue** store *in Festival Walk Hong Kong and the relocation of* ***ETE*** *and* ***b+ab*** *stores in Landmark North, Hong Kong, etc.).*

Amidst weakening Asian economies dragged down by a number of external factors as discussed above, consumer sentiment across the Group's key operating regions remained weak during the period under review. As a result, turnover of the Group for the six months ended 31 August 2013 dropped slightly by 0.9% over last year, landing at HK$2,939.6 million. The dual pressures of slower sales growth and shrinking margins as a result of more proactive markdowns in the second quarter, alongside the downward pressure on profitability driven by surging operating costs, led to a decline in the Group's net profit growth over last year.

Turnover by Markets

Hong Kong continued to represent the Group's major source of revenue. Total turnover in Hong Kong amounted to HK$1,594.3 million as at 31 August 2013, representing a 6.3% decrease over last year, accounting for 54.2% of total Group turnover.

Total turnover of Mainland China businesses achieved another year of double-digit growth to HK$1,018.9 million, representing a 16.1% increase compared to the same period last year. It contributed 34.7% to total Group turnover. Notwithstanding that the retail markets in both Hong Kong and Mainland China suffered from the declining confidence of consumers, the Group continued to grow steadily in terms of retail network in both regions.

Turnover of our Japan businesses grew in a diminishing manner mainly due to the negative currency translation effect, landing at HK$204.2 million, representing a 23.2% decline compared to last year, contributing 6.9% of total turnover.

Breakdown of turnover by region of operation:

	Six months ended 31 August			**Six months ended 31 August**	
	2013	2012	**Change**	**2013**	2012
	HK$ million	HK$ million			
Hong Kong	**1,594.3**	1,701.1	**-6.3%**	**54.2%**	57.4%
Retail sales only	***1,570.7***	*1,691.5*	***-7.1%***		
Mainland China	**1,018.9**	878.0	**+16.1%**	**34.7%**	29.6%
Retail sales only	***933.4***	*813.5*	***+14.8%***		
Japan	**204.2**	266.1	**-23.2%**	**6.9%**	9.0%
Others	**122.2**	120.1	**+1.7%**	**4.2%**	4.0%
Total	**2,939.6**	2,965.3	**-0.9%**	**100.0%**	100.0%

Brand Mix

Despite having witnessed a slowdown in sales growth across the Group's key operating regions during the period under review, the Group has continued to strengthen its differentiated market position as a fashion leader across the regions. We continued to invest with an emphasis on enhancing our product assortments and consumers' awareness for each of our international, in-house and licensed brands portfolio through various marketing channels. Our in-house brand businesses continued to enjoy the highest Group sales participation rate, landing at 57.2%, an increase of 0.6 percentage points over last year.

Breakdown of retail sales by brand category:

	Retail Sales Six months ended 31 August			Group Participation Six months ended 31 August	
	2013	2012	**Change**	**2013**	2012
	HK$ million	HK$ million			
In-house brands	**1,615.7**	1,620.0	**-0.3%**	**57.2%**	56.6%
International brands	**1,169.7**	1,143.9	**+2.3%**	**41.4%**	40.0%
Licensed brands	**40.5**	98.1	**-58.7%**	**1.4%**	3.4%
	2,825.9	2,862.0	**-1.3%**	**100.0%**	100.0%

Dynamics in Margin and Cost

Following a slight decrease of 0.9% in turnover, gross profit of the Group also recorded a decline at 1.5% compared to that in the same period last year, with gross margin reducing by 0.4 percentage points to 59.2%. The margin erosion was a result of aggressive discounting campaigns offered during the second quarter to stimulate sales growth across the Group's key operating regions (namely Hong Kong and Mainland China).

There was a decline in sales efficiency resulting from the dual effect of diminished turnover growth due to the challenging retail environment and surging operating costs. As a result, the total operating cost ratio increased, landing at 57.3% (2012: 54.3%) for the period under review. Staff costs (excluding share option expenses) and rent (including rental charges, management fee, rates and government rent) continued to represent a considerably significant portion of total operating expenses, with out-of-sales ratios amounting to 16.8% (2012: 16.3%) and 26.6% (2012: 24.1%) respectively.

Under the downward pressure on turnover and margin, alongside the upward pressure on costs as discussed above, operating profit for the six months ended 31 August 2013 declined by 58.6% over last year, landing at HK$60.8 million, with operating margin dropping to 2.1% (2012: 4.9%).

(b) Hong Kong

Having experienced a slowdown in growth in the apparel retailing market and weaker consumer confidence in Hong Kong during the financial period which led to a retreat in the Group's business performance in the region over last year, we took a cautious approach in relation to store network expansion. Our total trading area in Hong Kong only increased slightly by 0.7% to 625,676 square foot compared to 621,147 square foot as at 28 February 2013. General consumers remained cautious with regard to spending in view of the unfavorable global economic environment which is expected, inevitably, to cause considerable challenges to the region in the short-term. As a result, our Hong Kong businesses were adversely impacted vis-à-vis both turnover growth and comparable-store-sales measure. Our Hong Kong businesses recorded a decline of 6.3% in turnover to HK$1,594.3 million and a 7.1% decline in retail sales to HK$1,570.7 million, with comparable-store-sales registered at -9.5% for the period under review.

The avoidance of discounting during the first quarter has uplifted gross margin and offset the decline in gross margin recorded in the second quarter when more proactive promotional campaigns were offered. As a result, gross margin remained at 59.1%. Operating profit decreased by 75.4% to HK$22.8 million at a 1.4% operating margin (2012: 5.4%) as a result of turnover shrinkage and an operating costs hike. Operating cost to sales ratio increased to 58.0% (2012: 53.1%) for the period under review.

(c) *Mainland China*

The apparel retailing market in Mainland China continued to struggle under the difficult macroeconomic climate and volatile domestic consumption during the financial period. The stagnant economy led to weaker consumer sentiment among the Group's retail customers. Despite this, the Group achieved 16.1% growth in revenue over last year, landing at HK$1,018.9 million. Total retail sales increased by 14.8% to HK$933.4 million. With respect to comparable store sales, we saw it turnaround positively in quarter two mainly attributed to the more proactive discounting activities offered, registered at -1.9% (2012: 12.9%). Gross margin narrowed to 55.8% (2012: 58.1%) as a result of extra discounts offered in second quarter to stimulate sales volume.

Sales efficiency has yet to reap its initial expectation during this market full of economic challenges and uncertainties, also due to the higher operating cost ratio recorded for the period under review at 57.2% (2012: 56.9%) primarily driven by the inflated operating costs of running existing stores and expanding our store network. The dual effect of gross margin shrinkage and operating costs escalation discussed above caused an operating loss of HK$14.0 million (2012: operating profit of HK$10.5 million) to the Group during the financial period under review.

Nevertheless, the Group believes that Mainland China remains a promising market in the medium to longer term due to the accelerating urbanization, the fast-growing middle income class and high net worth population, and hence growing demand for fashion and luxury products, etc. Therefore, the Group responded by increasing sales area further by 3.6% to 730,400 square foot compared to 704,819 square foot as at 28 February, 2013. The Group also expects the proportion of revenue generated from our Mainland China operations to increase in the long run.

(d) *Japan*

Sales in Japan dropped by 23.2% to HK$204.2 million for the six months ended 31 August 2013, mainly due to the negative currency translation effect. Operating efficiency enhancement was further achieved resulting in another year of operating profit of HK$33.7 million, representing 78.8% growth over last year.

(e) *Others*

Total retail sales in other regions (namely Macau and Taiwan) increased by 1.7% to HK$122.2 million while operating profit dropped by 26.7% to HK$18.4 million. Our Macau businesses continued to grow (though in a diminishing manner) mainly driven by the steady local economic growth and increasing in-bound tourist traffic from Mainland China in particular. While the Taiwan consumer market remained challenging, consumer confidence was generally weak and volatile during the period under review.

Share of Results of Joint Ventures

Mainly attributed to the pre-operating expenses of the joint venture, Galeries Lafayette (China) Limited, a share of loss of joint ventures amounting to HK$10.7 million was recorded for the six months ended 31 August 2013 (2012: a share of loss of joint ventures of HK$3.5 million).

Inventory

Multiple aggressive promotional activities alongside innovative marketing efforts including brand collaborations were employed to further leverage company equities and boost sales volume. As a result, inventory turnover days of the Group as at 31 August 2013, amounted to 181. It was 16 days lower than that in the same period last year. The Group is also confident about the quality of inventory as it comprises a significant proportion of current season and new Fall/Winter 2013 items.

Cash Flows & Financial Position

The Group's cash and bank balances as at 31 August 2013 were HK$2,100.6 million (28 February 2013: HK$961.2 million) and its net debt balance of HK$1.5 million (net debt is defined as cash and cash equivalents of HK$2,100.6 million less bank borrowings of HK$855.0 million and RMB Senior Notes of HK$1,247.1 million as shown in the consolidated statement of financial position) compared to the net debt balance of HK$73.0 million as at 28 February 2013.

Cash inflow from operating activities for the six months ended 31 August 2013 amounted to HK$244.4 million (2012: HK$140.0 million).

Liquidity and Banking Facilities

As at 31 August 2013, the Group had aggregate banking facilities of approximately HK$2,163.0 million (28 February 2013: approximately HK$2,061.0 million) for overdrafts, bank loans and trade financing, of which approximately HK$1,169.0 million (28 February 2013: approximately HK$937.0 million) was unutilised as at the same date. These facilities are secured by corporate guarantees provided by the Company and certain subsidiaries.

Charges of Assets

As at 31 August 2013, bank borrowings were secured on land and buildings with a carrying amount of HK$219.3 million (28 February 2013: HK$222.6 million).

Contingent Liabilities

As at 31 August 2013, 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 the Hong Kong Dollar. Management monitors the foreign exchange risks of the Group on a regular basis, and enters into forward exchange contracts and foreign currency swap contracts with major and reputable financial institutions for foreign exchange risk hedging.

Employment, Training, and Development

The Group had a total of 6,462 employees as at 31 August 2013 (2012: 6,476). 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.

Future Outlook

Inevitably, there remain some mounting uncertainties in global economies for the rest of the year 2013 and possibly 2014. Volatile consumer confidence seems to be persisting in the retailing markets in many of the countries around the world. Although the world economy has shown very modest signs of recovery recently, we remain cautious with respect to the growth of consumer demand in Asian markets in the short-term as the overall Asian consumer markets are still expected to be dogged by uncertainties. However, we are positive regarding the business development across the Group's key operating regions in the long-run, Mainland China in particular. As the population of middle and upper income classes continues to rise and account for a very significant part of the mid to higher end of fashion consumption, we will continue to stay focused on the business strategies set forth for the year while actively responding to market changes and opportunities. We are also confident that our sound and unique business model with strong understanding of consumers' preferences and fashion trends, alongside a solid and healthy financial position will enable us to forge through the current economic headwinds and strengthen our leadership role in the fashion and apparel industry around the regions.

A number of innovative marketing campaigns and celebrations have already been held in Hong Kong and Mainland China primarily during the first half of the financial year for our 25th anniversary. And we are expecting to roll out more exciting and inspiring celebration programs in the second half of the financial year including a fashion exhibition tour in Paris, London, Beijing, and Hong Kong, with the participation of a number of reputable fashion brands and units. More cross-border brand collaboration and crossovers have already been lined up on top of the grand opening of our joint venture business with Galeries Lafayette in October 2013. We are very delighted and looking forward to this new milestone in the history of I.T.

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 complied with the code provisions of the Corporate Governance Code (the "CG Code") 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 2013, 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 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.

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 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 2013, they have complied with the required standard set out in the Model Code regarding securities transactions by the Directors.

REVIEW OF FINANCIAL INFORMATION

The interim financial report for the six months ended 31 August 2013 has been reviewed by PricewaterhouseCoopers, the Company's independent auditor, whose review report will be included in the interim report to be sent to shareholders.

The Audit Committee has also 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 2013.

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 2013.

By Order of the Board
Sham Kar Wai
Chairman

Hong Kong, 25 October 2013

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.