



I.T Limited

(Incorporated in Bermuda with limited liability)

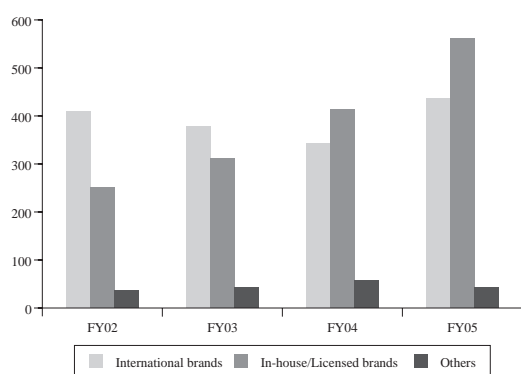
(Stock Code: 999)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2005

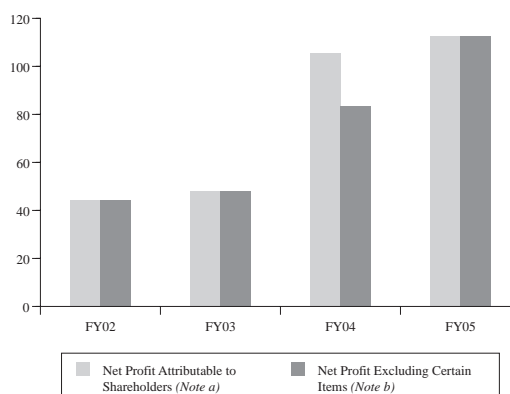
Driven by the multi-brand, multi-layer business model, I.T Limited achieved encouraging results in fiscal year 2005.

- Turnover reached HK\$1,041.0 million, up 28.2%
- Net profit attributable to shareholders (excluding certain items as explained below) grew from HK\$83.3 million in fiscal year 2004 to HK\$112.7 million in fiscal year 2005, up 35.3%
- Sales of apparels from international brands increased by 23.9%, accounted for 41.8% of turnover
- Sales of apparels from in-house/licensed brands increased by 33.6%, accounted for 54.0% of turnover
- Net sales footage (fcuk stores included) increased from 178,000 sq.ft. in fiscal year 2004 to 257,000 sq.ft. in fiscal year 2005, up 79,000 sq.ft. or 44.4%

Turnover by Type FY02-05 (HK\$ Million)



Net Profit Attributable to Shareholders FY02-05 (HK\$ Million)



Notes:

- (a) Net profit attributable to shareholders for fiscal year 2005 is based on audited accounts. Net profit attributable to shareholders for the fiscal years 2002 to 2004 were based on combined accounts as disclosed in the prospectus of the Company dated 22 February 2005.
- (b) Net profit as presented above does not take into account of a HK\$13.3 million write-back on provision of inventory and a gain of HK\$9 million on disposal of subsidiaries in fiscal year 2004.

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 28 February 2005, prepared on the basis set out in Note 1, together with the comparative figures for the year ended 29 February 2004, as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Note</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Turnover	5	1,041,017	812,168
Cost of sales		<u>(406,546)</u>	<u>(326,571)</u>
Gross profit		634,471	485,597
Other revenue	5	3,407	128
Operating expenses		<u>(487,304)</u>	<u>(361,684)</u>
Operating profit	6	150,574	124,041
Finance costs	7	(3,797)	(4,298)
Share of loss of jointly controlled entities		(8,863)	(1,792)
Gain on disposal of subsidiaries	8	<u>—</u>	<u>9,012</u>
Profit before taxation		137,914	126,963
Taxation	9	<u>(25,181)</u>	<u>(21,373)</u>
Profit attributable to shareholders		<u>112,733</u>	<u>105,590</u>
Dividends	10	<u>234,612</u>	<u>20,000</u>
Earnings per share			
— basic	11	<u>HK\$0.16</u>	<u>HK\$0.16</u>
— diluted	11	<u>HK\$0.15</u>	<u>HK\$0.15</u>

NOTES:

(1) Group reorganisation and basis of presentation

The Company was incorporated in Bermuda on 18 October 2004 as an exempted company with limited liability under the Companies Act 1981 of Bermuda.

On 5 February 2005, the Company acquired the entire issued share capital of ithk holdings limited, a company incorporated in the British Virgin Islands, through a share exchange (“the Reorganisation”) and consequently became the holding company of the subsidiaries now comprising the Group. The Reorganisation involved companies under common control, and the Company and its subsidiaries (collectively “the Group”) resulting from the Reorganisation are regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated accounts have been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the year ended 28 February 2005, rather than from the date on which the Reorganisation was completed. The comparative figures as at and for the year ended 29 February 2004 have been presented on the same basis.

(2) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They have been prepared under the historical cost convention.

(3) Recently issued accounting standards

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”), which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in its accounts for the year ended 28 February 2005. The Group has already commenced an assessment of the impact of these new HKFRSs, but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial positions.

(4) Segment information

No segment analysis for business segment is presented as the Group principally operates in one business segment, which is the sales of fashion wears and accessories.

No segment analysis for geographical segment is presented as substantially all of the Group’s turnover, operating results, assets and liabilities were located in Hong Kong.

(5) Turnover and revenue

Turnover and revenue consisted of:

	2005 <i>HK\$’000</i>	2004 <i>HK\$’000</i>
Turnover		
— Sales of fashion wears and accessories	1,039,926	810,456
— Sales of food and beverages (restaurant)	—	994
— Consignment fees	—	158
— Royalty fees	—	45
— Consultancy fees	<u>1,091</u>	<u>515</u>
Total turnover	1,041,017	812,168
Other revenue		
— Interest income	<u>3,407</u>	<u>128</u>
Total revenue	<u><u>1,044,424</u></u>	<u><u>812,296</u></u>

(6) Operating profit

Operating profit is determined after charging/(crediting) the following items:

	2005 <i>HK\$’000</i>	2004 <i>HK\$’000</i>
Employment costs (including directors’ emoluments)	169,407	126,870
Operating lease rentals of premises	179,040	136,453
Advertising and promotion costs	10,959	6,340
Depreciation of fixed assets	31,520	15,899
Provision/(Write-back on provision) for obsolete and slow-moving inventories	7,697	(13,281)
Net exchange gains	<u>(631)</u>	<u>(363)</u>

(7) Finance costs

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interest on		
— convertible note	1,250	1,902
— bank borrowings wholly repayable within five years	<u>2,547</u>	<u>2,396</u>
	<u><u>3,797</u></u>	<u><u>4,298</u></u>

(8) Gain on disposal of subsidiaries

During the year ended 29 February 2004, the Group disposed of its entire interest in certain wholly-owned subsidiaries to a 50% owned jointly controlled entity, and recorded a gain on disposal of approximately HK\$9,012,000.

(9) Taxation

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 International Business Companies Acts 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 17.5% (2004: 17.5%) on the estimated assessable profits of the Group's operations in Hong Kong for the year. Mainland China enterprise income tax has been provided at the applicable rates on the profits of the Group's operations in Mainland China, in accordance with the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises.

The amount of taxation charged to the consolidated profit and loss account represents:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Current taxation		
— Hong Kong profits tax	26,160	21,005
— Under/(Over) provision in prior years	12	(31)
Deferred taxation relating to the origination and reversal of temporary differences	(991)	504
Deferred taxation resulting from an increase in tax rate	<u>—</u>	<u>(105)</u>
Taxation charge	<u><u>25,181</u></u>	<u><u>21,373</u></u>

(10) Dividends

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interim, paid	190,000	20,000
Final, proposed, of HK4.3 cents (2004: Nil) per ordinary share	<u>44,612</u>	<u>—</u>
	<u><u>234,612</u></u>	<u><u>20,000</u></u>

During the year ended 28 February 2005, dividends of HK\$190,000,000 (2004: HK\$20,000,000) represented dividends paid by ithk holdings limited out of its retained profits to its then shareholders before the Reorganisation. Such dividends of approximately HK\$121,808,000 (2004: HK\$20,000,000) were settled by offsetting amounts due from a director of ithk holdings limited and certain related parties at the instructions of the relevant shareholders.

At a meeting held on 1 June 2005, the Board proposed a final dividend of HK4.3 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained profits for the year ending 28 February 2006. Such dividend amounted to HK\$43,000,000 for the 1,000,000,000 shares issued and outstanding as at 28 February

2005 and an additional amount of approximately HK\$1,612,000 for the shares issued in March 2005 under the over-allotment arrangement in connection with the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Listing").

(11) Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$112,733,000 (2004: HK\$105,590,000). The calculation of diluted earnings per share is based on the adjusted profit of HK\$113,983,000 (2004: HK\$107,492,000), which is the Group's profit attributable to shareholders plus the after-tax effect of expense that would result from the conversion of the dilutive potential ordinary shares, amounted to approximately HK\$1,250,000 (2004: HK\$1,902,000).

The basic earnings per share is based on the weighted average number of 703,929,932 (2004: 672,075,000) ordinary shares in issue during the year. The diluted earnings per share is based on 751,077,935 (2004: 732,009,567) ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average number of 47,148,003 (2004: 59,934,567) ordinary shares, which are (i) deemed to be issued if all outstanding convertible notes had been converted, and (ii) deemed to be issued at no consideration if all outstanding options had been exercised.

(12) Subsequent event

Subsequent to 28 February 2005, on 26 March 2005, the Company issued 37,500,000 ordinary shares of HK\$0.1 each at HK\$1.95 per share under an over-allotment arrangement in connection with the Listing and raised gross proceeds of approximately HK\$73,125,000.

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

As the fashion trend setter in Hong Kong and increasingly in Greater China, I.T carries over 200 international brands, 10 in-house and licensed brands. The Group opened 40 new stores to facilitate the newly acquired brands in fiscal year 2005. As at 28 February 2005, the Group had a total of 129 stores (including 5 stores owned by a jointly controlled entity formed with French Connection UK) in Hong Kong, 93 stores in China and 12 stores in Taiwan through G.S-i.t (a joint venture with Glorious Sun of which the Group has 50% interest) and 4 stores in Malaysia (through franchisees).

The Group's gross profit margin maintained at around 60% for fiscal year 2004 and 2005.

The number of stores increased from 88 in fiscal year 2004 to 124 in fiscal year 2005. Despite increase in an absolute amount, our operating expenses still maintained at a range of 45% to 47% of the turnover. The Group's rental costs (comprising rental expenses, building management fees and rates) and employment costs to total turnover remained at a stable level of approximately 20% and 16% respectively.

The Group had substantial investments in fashion apparel and accessories inventories. Changes in fashion trends and customer tastes for fashion may cause the value of these inventories to change. Inventory was reported at HK\$66.2 million as at 29 February 2004 and HK\$101.2 million as at 28 February 2005. The increase was primarily due to the increase in the number of stores and the preparation for new stores opened in March and April 2005.

Liquidity and financial resources

As at 28 February 2005, net cash balance (cash and bank deposits and pledged bank deposits net of bank borrowings and convertible note) of the Group increased to HK\$397.6 million from HK\$1.5 million as at 29 February 2004. Net cash inflow from operating activities increased by 200.2% to HK\$140.2 million in

fiscal year 2005 (2004: HK\$46.7 million). The Group spent HK\$60.5 million in fiscal year 2005 (2004: HK\$29.1 million) on capital expenditure for new shops opening, upgrading existing shops and enhancing its information technology system.

Normal operations are well supported as the Group had aggregate banking facilities of approximately HK\$369.1 million for overdrafts, bank loans and trade financing, of which approximately HK\$122.2 million was unutilised as at 28 February 2005.

As at 28 February 2005, charges on assets amounted to HK\$54.9 million (comprising bank deposits of HK\$17.8 million and inventories of HK\$37.1 million held under trust receipts bank loan arrangements) to cover banking facilities in the ordinary course of business.

As at 28 February 2005, the Group had long-term bank loans amounted to HK\$145 million, of which HK\$93 million will be repaid within one year and the remaining HK\$52 million will be repaid in the second to fifth year. The Group repaid HK\$26.0 million long-term bank loans in fiscal year 2005. These long-term bank loans bore interest at the best lending rate offered by the bank less 2.5% per annum or HIBOR plus 2.5% per annum. All banking facilities and bank loans are denominated in Hong Kong dollars.

As at 28 February 2005, gearing ratio (expressed as a percentage of interest bearing external borrowings over shareholders' funds) of the Group was 30.4% (2004: 27.5%), while the current ratio (current assets divided by current liabilities) was 3.1 (2004: 1.9).

Foreign exchange risk management

The Group entered into foreign exchange forward contracts with reputable financial institutions to hedge against currency fluctuation arising from firm purchase orders of fashion apparels and accessories and certain outstanding payables denominated in foreign currencies. As at 28 February 2005, the Group had commitment in respect of outstanding forward foreign currency exchange contracts to buy Japanese Yen and Euros amounted HK\$57.3 million (2004: Nil).

Apart from the above, most of the Group's assets, liabilities, revenues and payments are in Hong Kong dollars. Therefore, we consider our risk to foreign exchange rate fluctuations is low.

Contingent Liabilities

Other than letter of guarantee issued by banks in lieu of cash rental deposits amounted to HK\$12.2 million in the ordinary course of business and corporate guarantees in respect of bank loans granted by banks to certain related companies amounted HK\$31.2 million which were released subsequent to 28 February 2005, the Group had no material contingent liabilities or off balance sheet obligations as at 28 February 2005.

Employment, Training and Development

The Group had a total of 1,279 employees as at 28 February 2005 (2004: 831). Training courses were organised regularly for employees to enhance technical and product knowledge as well as the industry quality standards. The Group offers competitive remuneration packages to its employees, including basic salaries, allowances, insurance and bonuses. In addition, share options are granted based on the individual's performance.

Future Outlook

The Board believes that the overall retail environment in Hong Kong has been improving. The grand opening of Disneyland in September 2005 would definitely attract more tourists and further stimulate the entire Hong Kong economy.

We would continue to expand our retail network by adding more sales footage, both in Hong Kong and China. During the first quarter of fiscal year 2006, we have already added 14,000 sq.ft. in Hong Kong and 6,300 sq.ft. in China.

To strengthen ourselves as a trend setter, we are actively bringing in well established international brands such as Alexander McQueen, Anna Sui, Balenciaga, Beams Boy, Cacharel, D&G, Earth Music & Ecology and Jil Sander. We would also expedite our licensed brand expansion by adding Baby Jane and etc.. Meanwhile, our in-house brands are well recognized and are key drivers in the China and Taiwan market expansion.

Our store concept is to establish mega stores and multi-brand stores. This enables us to 'cluster' the stores to form an attractive shopping environment. This cluster effect allows us to better position our network in controlling rental costs. As a result, we are able to maintain our rental costs at around 20% of turnover.

The performance of G.S-i.t in China is promising. Our i.t flagship store was opened in Oriental Plaza, Beijing, in December 2004 occupying 21,000 sq.ft. and is well received. Same concept would be applied in Shanghai and other major cities in China. A new mega store will be opened in Shanghai Plaza 66 in early June, occupying 23,000 sq.ft..

In respect of the above, the Group expects its turnover and net profit would reach another new height in fiscal year 2006.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK4.3 cents (2004: Nil) per share for the year ended 28 February 2005. The final dividend amounting to approximately HK\$44,612,000, if approved by the shareholders at the forthcoming annual general meeting to be held on 11 August 2005, is expected to be paid on or around 18 August 2005 to those shareholders whose names appear on the Register of Members on 11 August 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Group will be closed from Monday, 8 August 2005 to Thursday, 11 August 2005, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and for attending the forthcoming annual general meeting of the Group, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Group's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Room 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 pm on Friday, 5 August 2005.

AUDIT COMMITTEE

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 audited accounts for the year ended 28 February 2005.

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

No shares of the Company has been repurchased or redeemed since its listing on 4 March 2005. The Company is committed to implement good corporate governance practices and has established an Audit Committee, a Remuneration Committee and a Nomination Committee. The Company intends to comply with all the Code Provisions in the Corporate Governance Code and is actively considering how the Code Provisions should be implemented, but the roles of CEO and Chairman will not be segregated.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

The Annual Report of the Company containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 will be published on the website of the Stock Exchange in due course.

As at the date of this announcement, the Board comprises **Mr. SHAM Kar Wai, Mr. SHAM Kin Wai and Mr. CHAN Wai Mo, Alva** as Executive Directors, **Dr. YEUNG Chun Kam, Charles S.B.S. J.P.** as Non-executive Director, and **Mr. CHAN Mo Po, Paul, Dr. LO Wing Yan, William, JP, and Mr. WONG Wai Ming** as Independent Non-executive Directors.

By Order of the Board
Sham Kar Wai
Chairman

Hong Kong, 1 June 2005

Please also refer to the published version of this announcement in the (South China Morning Post)