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I.T LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 999)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2011

- Total revenue of the Group increased by 28.0% from HK$2,996.0 million to HK$3,834.4 million.

- Total retail sales in Hong Kong increased from HK$2,109.0 million to HK$2,596.9 million, representing an increase of 23.1% with a comparable store sales growth rate of 13.5%. Total retail sales in Mainland China increased by 32.9% from HK$706.4 million to HK$938.9 million, with a comparable store growth rate of 15.3%. Total retail sales in other areas primarily include Macau, Taiwan and one month operation of February 2011 in Japan, which in aggregate amounted to HK$187.7 million and increased by 78.8%.

- Gross profit increased by 33.5% to HK$2,428.9 million and gross profit margin increased by 2.6 percentage points for the year to 63.3%. EBITDA increased by 34.2% to HK$596.9 million and profit for the year increased by 47.8% to HK$388.1 million.

- The achievements of the above results were mainly due to the continued improvement of the retail market, accompanied by our intensified marketing strategies and retail network strengthening. Our basic earnings per share increased by 43.5% to HK33 cents.

- Final Dividend of HK10.4 cents per share is proposed representing a total payout of HK$124.5 million. Together with the interim dividend of HK4.2 cents per share, the payout ratio is approximately 45% 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 28 February 2011, prepared on the basis set out in Note 1, together with the comparative figures for the year ended 28 February 2010, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**2011 HK$'000**	2010 HK$'000
Turnover	2	**3,834,422**	2,995,952
Cost of sales	4	**(1,405,482)**	(1,176,707)
Gross profit		**2,428,940**	1,819,245
Other income – incentive income		**–**	13,200
Other (loss)/gain	3	**(7,544)**	3,791
Impairment of goodwill		**–**	(4,217)
Operating expenses	4	**(1,958,255)**	(1,524,760)
Operating profit		**463,141**	307,259
Finance income	5	**5,100**	5,250
Finance costs	5	**(2,900)**	(2,567)
Share of profit of jointly controlled entities		**15,923**	5,432
Profit before income tax		**481,264**	315,374
Income tax expense	6	**(93,118)**	(52,686)
Profit for the year		**388,146**	262,688
Other comprehensive income/(loss):			
Currency translation differences		**28,808**	(4,077)
Total comprehensive income for the year		**416,954**	258,611
Profit attributable to:			
– Equity holders of the Company		**387,948**	262,688
– Non-controlling interests		**198**	–
		388,146	262,688

	Note	**2011**	2010
		HK$'000	HK$'000
Total comprehensive income attributable to:			
– Equity holders of the Company		**416,756**	258,611
– Non-controlling interests		**198**	–
		416,954	258,611
Earnings per share for profit for the year (expressed in HK$ per share)			
– basic	7	**HK$0.33**	HK$0.23
– diluted	7	**HK$0.32**	HK$0.23
Dividend	8	**174,737**	121,279

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at 28 February 2011 HK$'000**	As at 28 February 2010 HK$'000
ASSETS			
Non-current assets			
Property, furniture and equipment		**727,022**	233,395
Intangible assets		**370,722**	259,823
Investments in and amounts due from jointly controlled entities		**63,730**	39,338
Rental deposits		**199,414**	121,711
Deferred income tax assets		**51,389**	31,282
		1,412,277	685,549
Current assets			
Inventories		**736,717**	394,520
Trade and other receivables	9	**121,371**	120,080
Amounts due from jointly controlled entities		**21,995**	27,045
Prepayments and other deposits		**217,358**	122,747
Cash and cash equivalents		**775,841**	622,238
		1,873,282	1,286,630
LIABILITIES			
Current liabilities			
Bank borrowings	11	**(214,911)**	(47,400)
Trade and bill payables	10	**(360,545)**	(149,488)
Accruals and other payables		**(349,524)**	(178,245)
Amounts due to jointly controlled entities		**(45,055)**	(22,699)
Derivative financial instruments		**–**	(1,001)
Current income tax liabilities		**(42,460)**	(29,811)
		(1,012,495)	(428,644)
Net current assets		**860,787**	857,986
Total assets less current liabilities		**2,273,064**	1,543,535

	Note	As at 28 February 2011 HK$'000	As at 28 February 2010 HK$'000
Non-current liabilities			
Bank borrowings	11	**(379,234)**	(35,200)
Accruals		**(21,935)**	(26,030)
Deferred income tax liabilities		**(28,683)**	(4,582)
		(429,852)	(65,812)
Net assets		**1,843,212**	1,477,723
EQUITY			
Capital and reserves			
Share capital		**119,725**	115,504
Reserves		**1,727,236**	1,362,219
Non-controlling interests		**(3,749)**	–
Total equity		**1,843,212**	1,477,723

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 accounting periods beginning on or after 1 March 2010:

HKFRS 3 (Revised), 'Business Combinations. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. When a business combination achieved in stages, the acquirer should remeasure its previously held interest in the acquiree at its fair value at the date of control is obtained, recognising a gain/loss in the income statement. All acquisition-related costs should be expensed. The Group has applied HKFRS 3 (Revised) from 1 March 2010.

HK Int-5, 'Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause'. The interpretation clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK-Int 5 and there is no significant impact on the Group.

(b) The following new standards, amendments and interpretations to existing standards are mandatory for the annual period beginning on or after 1 March 2009, but are currently not relevant to the Group:

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of right issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRS
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HK(IFRIC)-Int 16	Hedges of a net investment in a foreign operation
HK(IFRIC)-Int 17	Distributions of non-cash assets to owners
HK(IFRIC)-Int 18	Transfer of assets from customers

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

HKAS 12 (Amendment)	Deferred Tax – Recovery of Underlying Assets (effective for annual period beginning on or after 1 January 2012)
HKAS 24 (Amendment)	Related Party Disclosures (effective for annual period beginning on or after 1 January 2011)
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosure for First-Time Adopters (effective for annual period beginning on or after 1 July 2010)
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 9	Financial Instruments (effective for annual period beginning on or after 1 January 2013)
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement (effective for annual period beginning on or after 1 January 2011)
HK(IFRIC)-Int 19	Extinguish Financial Liabilities with Equity Instruments (effective for annual period beginning on or after 1 July 2010)

The Group has not early adopted these new standards, amendments and interpretations to existing standards in the financial statements for the year ended 28 February 2011. 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

	2011	2010
	HK$'000	HK$'000
Turnover		
– Sales of fashion wears and accessories	**3,834,422**	2,995,952

(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, amortisation and write-off of intangible assets ("EBITDA"). 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 28 February 2011 and 2010 is as follows:

	Hong Kong		Mainland China		Japan		Others		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Turnover	**2,612,364**	2,127,385	**1,024,818**	763,610	**43,500**	–	**153,740**	104,957	**3,834,422**	2,995,952
EBITDA	**369,849**	334,413	**185,843**	82,081	**(4,090)**	–	**45,278**	28,435	**596,880**	444,929
Depreciation and amortisation	**(77,207)**	(71,163)	**(42,342)**	(48,354)	**(3,045)**	–	**(11,145)**	(7,647)	**(133,739)**	(127,164)
Impairment of property, furniture and equipment	**–**	(2,053)	**–**	(4,236)	**–**	–	**–**	–	**–**	(6,289)
Goodwill impairment	**–**	–	**–**	–	**–**	–	**–**	(4,217)	**–**	(4,217)
Share of profit/(loss) from jointly controlled entities	**7,915**	5,721	**7,160**	(967)	**–**	–	**848**	678	**15,923**	5,432
Finance income	**2,449**	2,807	**2,532**	2,343	**20**	–	**99**	100	**5,100**	5,250
Finance cost	**(2,379)**	(2,531)	**(101)**	(36)	**(420)**	–	**–**	–	**(2,900)**	(2,567)
Profit/(loss) before income tax	**300,627**	267,194	**153,092**	30,831	**(7,535)**	–	**35,080**	17,349	**481,264**	315,374
Income tax (expense)/ credit	**(51,812)**	(45,650)	**(39,613)**	(4,388)	**2,934**	–	**(4,627)**	(2,648)	**(93,118)**	(52,686)
Total segment assets	**1,690,248**	1,031,497	**923,986**	749,840	**413,522**	–	**120,689**	93,177	**3,148,445**	1,874,514

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

	2011	2010
	HK$'000	HK$'000
Segment assets for reportable segments	**3,027,756**	1,781,337
Other segments assets	**120,689**	93,177
	3,148,445	1,874,514
Unallocated:		
Deferred income tax assets	**51,389**	31,282
Investments in and amounts due from jointly controlled entities	**85,725**	66,383
	3,285,559	1,972,179

3. Other (loss)/gain

	2011 HK$'000	2010 HK$'000
Fair value (loss)/gain from derivative financial instruments		
– forward foreign exchange contracts	**(7,544)**	3,791

4. Expenses by nature

	2011 HK$'000	2010 HK$'000
Cost of inventories sold	**1,374,991**	1,147,839
Write-downs of inventories to net realisable value	**15,944**	15,206
Employment costs (including directors' emoluments)	**657,633**	502,053
Operating lease rentals of premises		
– minimum lease payments	**645,763**	502,814
– contingent rents	**122,206**	98,523
Advertising and promotion costs	**67,558**	34,208
Depreciation of property, furniture and equipment	**127,387**	122,341
Impairment of property, furniture and equipment	**–**	6,289
Loss on disposals of property, furniture and equipment	**1,870**	1,988
Licence fees (included in operating expenses)		
– amortisation of licence rights	**4,213**	3,095
– contingent licence fees	**7,026**	5,107
Amortisation of intangible assets (excluding licence fees)	**2,139**	1,728
Provision for impairment of other receivables	**–**	73
Provision for impairment of amount due from a jointly controlled entity	**322**	1,206
Auditor's remuneration	**5,109**	2,450
Net exchange gains	**(13,930)**	(3,953)
Other expenses	**345,506**	260,500
Total	**3,363,737**	2,701,467
Representing:		
Cost of sales	**1,405,482**	1,176,707
Operating expenses	**1,958,255**	1,524,760
	3,363,737	2,701,467

5. Finance income and costs

	2011 HK$'000	2010 HK$'000
Interest income from		
– bank deposits	**1,814**	1,274
– amounts due from jointly controlled entities (i)	**610**	569
– others (i)	**2,676**	3,407
Finance income	**5,100**	5,250
Interest expense on bank borrowings		
– wholly repayable within five years	**(2,351)**	(2,567)
– not wholly repayable within five years	**(549)**	–
Finance costs	**(2,900)**	(2,567)
Net finance income	**2,200**	2,683

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 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 16.5% (2010: 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 22% to 25% (2010: ranging from 20% to 25%) on the profits of the Group's operations in Mainland China.

Taiwan profits tax has been provided at the rate of 17% (2010: 20%) 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% (2010: 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.

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

	2011	2010
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax	**46,570**	41,424
– Mainland China enterprise income tax	**32,929**	7,916
– Overseas income tax	**3,620**	1,600
– Under-provision in prior year	**510**	78
	83,629	51,018
Deferred income tax	**9,489**	1,668
	93,118	52,686

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.

	2011	2010
Profit attributable to equity holders of the Company (HK$'000)	**387,948**	262,688
Weighted average number of ordinary shares in issue ('000)	**1,176,027**	1,155,037
Basic earnings per share (HK$)	**0.33**	0.23

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.

	2011	2010
Profit attributable to equity holders of the Company (HK$'000)	**387,948**	262,688
Weighted average number of ordinary shares in issue ('000)	**1,176,027**	1,155,037
Adjustments for share options ('000)	**52,604**	–
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,228,631**	1,155,037
Diluted earnings per share (HK$)	**0.32**	0.23

There was dilutive effect for the year ended 28 February 2010 since all the share options were anti-dilutive.

8. Dividends

	2011 **HK$'000**	2010 HK$'000
Interim dividend, paid, of HK4.2 cents (2010: Nil) per ordinary share, with options of scrip share	**50,223**	–
Final dividend, proposed, HK10.4 cents (2010: HK10.5 cents with options of scrip share) per ordinary share	**124,514**	121,279
	174,737	121,279

A final dividend relating to the year ended 28 February 2010 amounted to HK$121,369,000, of which HK$40,551,000 was paid in August 2010 and 769,699,469 out of the total shares of 1,155,897,473 elected to receive scrip shares in lieu of cash dividends of HK$80,818,000.

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 61,713,317 out of the total 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 HK$0.104 per ordinary share for the year ended 28 February 2011 on 30 May 2011 (2010: HK$0.105 per ordinary share). This proposed final dividend is not reflected as a dividend payable as of 28 February 2011, but will be recorded as a distribution of retained earnings for the year ending 29 February 2012.

9. Trade and other receivables

	2011	2010
	HK$'000	HK$'000
Trade receivables	**121,364**	77,611
Other receivables	**7**	42,469
Trade and other receivables	**121,371**	120,080

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

	2011	2010
	HK$'000	HK$'000
Beginning of the year	**–**	361
Written off against trade receivables	**–**	(360)
Exchange differences	**–**	(1)
End of the year	**–**	–

As at 28 February 2011 and 2010, none of trade receivables were impaired.

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

	2011	2010
	HK$'000	HK$'000
0 to 30 days	**3,600**	198
31 to 60 days	**32**	366
61 to 90 days	**–**	1
Over 90 days	**333**	46
	3,965	611

10. Trade and bill payables

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

	2011	2010
	HK$'000	HK$'000
0 to 30 days	**240,347**	112,683
31 to 60 days	**71,184**	18,766
61 to 90 days	**22,039**	7,292
91 to 180 days	**20,416**	6,499
181 to 365 days	**4,218**	3,771
Over 365 days	**2,341**	477
	360,545	149,488

11. Borrowings

	2011	2010
	HK$'000	HK$'000
Non-current bank borrowings	**379,234**	35,200
Current bank borrowings	**214,911**	47,400
	594,145	82,600

The maturity of bank borrowings is as follows:

	2011	2010
	HK$'000	HK$'000
Within 1 year	**214,911**	47,400
Between 1 and 2 years	**84,857**	35,200
Between 2 and 5 years	**190,027**	–
Wholly repayable within 5 years	**489,795**	82,600
Over 5 years	**104,350**	–
	594,145	82,600

The effective interest rates of the borrowings was 1.4% (2010: 2%) per annum.

The carrying amounts of bank borrowings approximate their fair values.

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

	2011	2010
	HK$'000	HK$'000
Hong Kong Dollar	**392,550**	82,600
Japanese Yen	**167,113**	–
Euro	**34,482**	–
	594,145	82,600

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK10.4 cents (year ended 28 February 2010: HK10.5 cents) per share for the year ended 28 February 2011. The final dividend amounting to approximately HK$124.5 million, if approved by the shareholders at the forthcoming annual general meeting to be held on 22 July 2011.

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

(a) Group

The retail market continued to improve during this financial year and consumer sentiment remained to be strong in the second half of the financial year. As such, we intensified our marketing strategies by expanding our retail networks in Hong Kong and Mainland China from an aggregate of 297 stores as at 28 February 2010 to 392 stores as at 28 February 2011 so as to capture the market potentials. Our turnover increased by 28.0% to HK$3,834.4 million (2010: HK$2,996.0 million).

Turnover from Hong Kong market increased by 22.8% and contributed about 68.1% of the total turnover. Nevertheless, the Mainland China market became the key growth driver, with the turnover increased by 34.2% while contributing to about 26.7% of the Group's turnover. Turnover from other regions represents primarily the operations in Macau and Taiwan markets and February 2011 operation in Japan of Nowhere Group which was acquired by the Company on 31 January 2011. During this financial year, turnover in Macau and Taiwan increased by 39.6% and 63.5% respectively, which explained the significant rise in turnover from other regions.

Breakdown of turnover by region of operation:

	Year ended 28 February			**Year ended 28 February**	
	2011	2010	**Change**	**2011**	2010
	HK$ million	HK$ million			
Hong Kong	**2,612.4**	2,127.4	**+22.8%**	**68.1%**	71.0%
Mainland China	**1,024.8**	763.6	**+34.2%**	**26.7%**	25.5%
Others	**197.2**	105.0	**+87.8%**	**5.2%**	3.5%
	3,834.4	2,996.0	**+28.0%**	**100.0%**	100.0%

With proactive expansion of retail networks during this financial year, retail sales in Mainland China increased significantly by 32.9%. The retail sales contribution from this region also increased further from about 24.2% to about 25.2% of the total retail sales of the Group. Benefitted from the continual improvement of the economy, together with our intensive openings of 78 new shops in the financial year ended 28 February 2011, our retail sales in Hong Kong maintained its growth momentum and increased by 23.1% during this financial year.

Breakdown of retail sales by region:

	Year ended 28 February		**Retail sales growth**
	2011	2010	**(%)**
Hong Kong	**69.7%**	72.2%	**23.1%**
Mainland China	**25.2%**	24.2%	**32.9%**
Others	**5.1%**	3.6%	**78.8%**
	100.0%	100.0%	

In China, due to our promotion of in-house brands, retail sales from in-house brands increased faster than the international brands and accounted for 53.0% of the total retail sales (2010: 49.6%). In Hong Kong, with the launching of a number of quality international brands, this category continued to be a key retail sales contributor, accounting for 43.2% of the total retail sales (2010: 47%).

Breakdown of retail sales by brand category:

	Year ended 28 February	
	2011	2010
In-house brands	**53.0%**	49.6%
International brands	**43.2%**	47.0%
Licensed brands	**3.8%**	3.4%
	100.0%	100.0%

On account of the continuous expansion of retail areas in the Greater China region, accompanied by more intensified marketing strategies and expansion of product lines, gross profit increased by 33.5% to HK$2,428.9 million (2010: HK$1,819.2 million) and the overall gross profit margin was lifted by 2.6 percentage points, from 60.7% for the year ended 28 February 2010 to 63.3% for the year ended 28 February 2011.

Operating expenses consist mainly of the salaries and commissions, rentals, depreciation charges on retail outlets' decorations and advertising and promotional expenses. Compared to last financial year, total operating expenses increased by 28.4% to HK$1,958.3 million (2010: HK$1,524.8 million), which was mainly due to our increased scale of operation. Operating expenses as a percentage to total revenue increased slightly by 0.2 percentage point to about 51.1% for the year ended 28 February 2011 (2010: 50.9%). Rental expenses (including rental charges, management fee, rates and government rent) increased by 27.1% to about HK$878.6 million (2010: HK$691.3 million) mainly due to the expansion of retail networks with significant net increase in new gross shop areas of about 211,000 square feet in aggregate in Hong Kong and Mainland China during this financial year. Notwithstanding such significant increase, total rental expenses (including rental charges, management fee, rates and government rent) as a percentage to total turnover was decreased to 22.9% for the year ended 28 February 2011 (2010: 23.1%). Total staff cost (excluding share option expenses) increased by about 29.9% to HK$642.6 million during this financial year (2010: HK$494.6 million), which was mainly due to more employees, particularly front-line staff recruited to facilitate our retail business expansion. Total staff cost (excluding share option expenses) as a percentage to total turnover still maintained at 16.8% for the year ended 28 February 2011 (2010: 16.8%). Advertising and promotion expenses increased by 97.7% to HK$67.6 million (2010: HK$34.2 million), which was mainly due to more promotional activities (including fashion shows, media activities, outdoor advertising and television advertisement) during this financial year to keep in pace with our retail operation expansion and also to strengthen our fashion icon image. As such, the ratio of advertising and promotion expenses as a percentage to total turnover increased only by 0.7 percentage points to 1.8% (2010: 1.1%). Other operating expenses increased significantly by 32.6% during this financial year, such increase was partly due to the one-off legal and professional fees of HK$7.8 million incurred for acquisition of Nowhere Group and the inclusion of February 2011 operating overhead of Nowhere Group which amounted to HK$7.3 million. Excluding these expenses of Nowhere Group, other operating expenses increased by 24.9% which was in line with our increase in operating scale.

The combination of greater revenue and gross profit growth, coupled with positive operating leverage for our retail operations in Mainland China, operating profit increased by 50.7% to HK$463.1 million (2010: HK$307.3 million) and EBITDA (a measure of operating profit before impairment of goodwill and property, furniture and equipment, depreciation of property, furniture and equipment, amortisation and write-off of intangible assets) increased by 34.2% to HK$596.9 million (2010: HK$444.9 million). The operating margin for this financial year also improved by 1.7 percentage points to 12.0% (2010: 10.3%), which was mainly attributable to greater operating margin for our Mainland China operations.

(b) *Hong Kong*

Sales from retail operation increased by 23.1% to HK$2,596.9 million (2010: HK$2,109.0 million) at an overall comparable store sales growth rate of 13.5% (2010: 5.5%). The increase was contributed by the net increase of about 20.0% retail sales area during this financial year. By strengthening our fashion product portfolio (by launching new international brands, increasing the proportion of footwear products etc.), gross profit margin from retail operation increased by 1.5 percentage points from 61.8% for the year ended 28 February 2010 to 63.3% for the year ended 28 February 2011.

Retail sales from in-house brands increased by 26.8% whereas retail sales from international brands increased by 19.0%. The contribution from international brands was 46.0% (2010: 47.8%) of the total retail sales. In-house brands (including February 2011 sales contribution from the brand Bathing Ape which was reclassified as in-house brand after the acquisition of Nowhere Group) accounted for 49.2% of the total retail sales (2010: 47.8%) while licensed brands accounted for 4.8% of total retail sales (2010: 4.4%).

Notwithstanding the significant net increase in retail sales area, rental expenses (including rental charges, management fee, rates and government rent) as a percentage to total turnover was increased slightly by 0.4 percentage point to 22.4% (2010: 22.0%). Staff cost (excluding share option expenses) as a percentage of total turnover increased slightly from 18.5% for the year ended 28 February 2010 to 18.9% for the year ended 28 February 2011. With more advertising campaigns to promote our brands, advertising and promotion expenses as a percentage to total turnover increased by 0.6 percentage point to 1.7% (2010: 1.1%). Operating profit increased by about 12.0% to HK$292.6 million during this financial year (2010: HK$261.2 million), but due to the increase of operating expenses particularly rental expenses, staff costs, share option expenses and advertising and promotion expenses with higher percentage to turnover than last financial year, the operating margin decreased slightly from 11.7% for the year ended 28 February 2010 to 11.2% for the year ended 28 February 2011.

(c) *Mainland China*

Our retail network in Mainland China was expanded more intensively with a net increase of over 45% self-managed retail store sales areas as compared with last financial year end. As such, sales from retail operation in the Mainland China market increased by 32.9% to HK$938.9 million (2010: HK$706.4 million) at an overall comparable store growth rate of 15.3% (2010: 10.3%). Gross profit margin of retail operation increased significantly by 5.1 percentage points to 63.8% for the year ended 28 February 2011 (2010: 58.7%) and this was mainly due to the increase sales of in-house brands which, on average command better margin than international brands.

Since more in-house brand shops were opened in this financial year, turnover contributed by our in-house brands continued to increase to 56.1% of the total retail sales (2010: 49.7%). International brands accounted for 42.7% of the total retail sales for the year ended 28 February 2011 (2010: 49.7%), while sales of licensed brands accounted for 1.1% (2010: 0.6%) of total retail sales.

Despite significant increase in retail areas which increase our rental cost by about 26.4%, rental expenses (including rental charge and management fee) as a percentage to total turnover decreased by 1.5 percentage points to 24.9% for the year ended 28 February 2011 (2010: 26.4%). Coupled with the expansion of retail network, we recruited more frontline staff and our staff cost increased by 35.2% but staff cost as a percentage to total turnover was relatively stable at 12.3% for the year ended 28 February 2011 (2010: 12.2%). In the last financial year, our Mainland China operation was turned around and became profitable. During this financial year, the growth momentum in this market continued with positive operating leverage which increased the operating margin significantly by 10.1 percentage points to 14.0% (2010: 3.9%).

(d) Others

Due to the improving consumer sentiment and the launching of our in-house brand, 5cm, total net sales from Taiwan retail operation increased significantly by 63.4% for the year ended 28 February 2011 with a comparable store growth rate of 18.3% (2010: 6.0%). The Macau operation continued to record a remarkable overall sales growth of 39.1% (2010: 78.1%) with a comparable store growth of 34.1% (2010: 29.5%) due to the strong spending power of Mainland China tourists.

The retail sales of Nowhere Group in Japan were consolidated into the Group commencing from 1 February 2011. The earthquakes in eastern Japan on 11 March 2011 did not damage the retail stores of Nowhere Group in Japan and all operations resumed to normal in April 2011.

Outside Greater China, we had developed a franchised store network for our in-house brands with a view to build up our brand image overseas. Our franchised stores had been further expanded in Seoul, Taipei, Singapore, London and Paris after our acquisition of Nowhere Group. As at 28 February 2011, we had 25 franchised stores in Saudi Arabia, Thailand, Australia, the Philippines, Seoul, Taipei, Singapore, London, Paris and Frankfurt.

Share of Results of Jointly Controlled Entities

Share of profit of jointly controlled entities increased to HK$15.9 million for the year ended 28 February 2011 (2010: HK$5.4 million).

Cash Flows

As a result of the increase in revenue and gross profit, net cash inflow from operating activities increased from HK$366.0 million for the year ended 28 February 2010 to HK$450.4 million for the year ended 28 February 2011. Net cash used for investing activities for the year ended 28 February 2011 was HK$508.3 million (2010: HK$137.0 million) which mainly comprised purchase of furniture and equipment for retail operation, injection of capital to Galeries Lafayette (China) Limited, which is a jointly controlled entity and the acquisition of Nowhere Group. During the year ended 28 February 2011, net cash inflow from financing activities was HK$204.5 million, which was mainly due to bank loans raised for acquisitions of office premises in Hong Kong and new loans raised to refinance the debts of Nowhere Group (2010: net cash outflow of HK$47.4 million).

Inventory

With the intensive expansion of retail network in Mainland China and Hong Kong during this financial year as well as the acquisition of Nowhere Group on 31 January 2011, the level of inventories as at 28 February 2011 increased as compared with last financial year end. Inventory turnover days of the Group increased from 125.0 days for the year ended 28 February 2010 to 146.9 days for the ended 28 February 2011.

Liquidity and Capital Resources

As at 28 February 2011, total cash and bank balances amounted to HK$775.8 million (2010: HK$622.2 million) and total liabilities of HK$1,442.3 million (2010: HK$494.5 million). As at 28 February 2011, shareholders' equity was HK$1,843.2 million (2010: HK$1,477.7 million).

As at 28 February 2011, the Group had aggregate banking facilities of approximately HK$1,025.4 million (2010: HK$496.4 million) for overdrafts, bank loans and trade financing, of which approximately HK$254.4 million (2010: HK$310.1 million) was unutilised. These facilities are secured by corporate guarantees provided by the Company and certain subsidiaries. The Group had HK$594.1 million bank borrowings as at 28 February 2011, of which HK$214.9 million is repayable within one year, HK$274.9 million is repayable in 2 to 5 years and the remaining HK$104.3 million is repayable after 5 years (28 February 2010: HK$82.6 million). The increase in bank loans were mainly due to a mortgage loan of HK$157.4 million raised for acquisition of office premises for Hong Kong headquarter, the loans amounted to HK$160.9 million as at 28 February 2011 taken over from Nowhere Group after the acquisition and a loan of HK$200 million raised to refinance the debts of Nowhere Group. Notwithstanding such increase in loan balance while expanding our retail operation in the Greater China region, our financial position is still solid with a net cash position of HK$181.7 million as at 28 February 2011 (28 February 2010: HK$539.6 million). The current ratio as at 28 February 2011 was 1.9 (2010: 3.0) and the gearing was 32.2% (2010: 5.6%) based on shareholders' equity.

Charge of Assets

As at 28 February 2011, bank borrowings are secured on buildings and motor vehicles for values of HK$279,458,000 and HK$12,796,000 respectively.

Formation of joint venture

On 12 November 2010, the Group entered into an agreement with Galeries Lafayette to form a joint venture to establish and manage subsidiaries which will set up, operate and manage department stores under the trademark "Galeries Lafayette" in certain cities in China. The Group owns 50% of the joint venture and will contribute a maximum of about HK$150 million to the joint venture for the preparation of the opening of the first Galeries Lafayette department store in Beijing, which is expected to be opened in the financial year ending 2014. The contribution will be funded by internal resources and/or bank borrowings. The joint venture will be accounted for as a jointly controlled entity and equity method of accounting will be applied. Up to 28 February 2011, the Group injected HK$15,000,000 to the joint venture.

Business Acquisition

On 31 January 2011, the Group entered into agreements to acquire about 90.27% interest in Nowhere Co., Ltd. at an aggregate consideration of JPY230 million. Nowhere Co., Ltd. owns various fashion brand names, including "A Bathing Ape", "Bape", "baby milo", "BAPE STA", "URSUS BAPE", "Mr. BATHING APE" and certain other brands which are amongst the tops/popular and well known street wear fashion in Hong Kong, Japan and in various countries. Nowhere Co., Ltd. and its subsidiaries are consolidated into the Group's accounts since 1 February 2011.

Contingent Liabilities

As at 28 February 2011, the Group did not have significant contingent liabilities (28 February 2010: nil).

Foreign Exchange

To manage our foreign exchange exposure on sourcing for merchandise from Europe and Japan, the Group entered into forward exchange contracts with major and reputable financial institutions to hedge foreign exchange risk. There were no outstanding forward foreign exchange contracts as at 28 February 2011 (2010: HK$60.1 million).

Employment, Training and Development

The Group had a total of 4,771 employees as at 28 February 2011 (28 February 2010: 3,693). Training and development courses were regularly organised 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

Our “multi-brand, multi-layer” model has proven to be successful and this strategy will remain unchanged in the near and long term. We will continue to improve our model by enriching our collections, introducing fashionable designers’ brands and strengthening brand awareness with the objective to maintain our fashion icon image.

Looking forward, we are optimistic on the prospects of retail markets in the Greater China region, particularly the growth potential of the Mainland China. We have achieved critical mass for our Mainland China operation during the financial year ended 28 February 2011 and will continue to expand by around 30% new sales area in the financial year ending 29 February 2012. By maintaining at this pace of network expansion, we could continue to deliver sustainable growth while allowing us to enjoy better operating leverage. To grow our businesses in Mainland China, we will also introduce more brands to this market with a strong focus on the growth of in-house brands.

Evidenced by a net increase of 20.0% of the total retail floor area during the financial year ended 28 February 2011, Hong Kong is a very important market to us providing a major source of income and cashflow. To maintain our core competency in this market, we will continue to seek for opportunities to open new stores and will expand our fashion product mix such as including more high-value ladies footwears and accessories to stimulate further growth.

At retail level, we will strive to enhance our store productivity by strengthening our sales services quality. More resources will be put in to train our front-line staff so as to improve their product knowledge, interaction skills and manner. For marketing and promotion, we will continue to bring new concepts with more cross-branded fashion products and promotional events.

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 28 February 2011 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 28 February 2011, 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 28 February 2011.

The figures in respect of the preliminary announcement of the Group's results for the year ended 28 February 2011 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 28 February 2011.

By Order of the Board
Sham Kar Wai
Chairman

Hong Kong, 30 May 2011

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