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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2012

- Total turnover of the Group increased by 23.3% to HK\$2,965.3 million with sales growth in all operating markets.
- Total retail sales in Hong Kong increased by 17.0% to HK\$1,691.5 million at comparable store sales growth rate of +8.0%. Total retail sales in Mainland China increased by 44.1% to HK\$813.2 million at comparable store sales growth rate of +12.9%.
- Japan landed at total sales of HK\$266.1 million and achieved profit turnaround at HK\$18.8 million operating profit.
- Total retail sales in other region (namely Macau and Taiwan) increased by 37.5% to HK\$120.1 million with operating profits at HK\$25.1 million.
- Gross profit of the Group increased by 18.0% to HK\$1,766.8 million at gross profit margin of 59.6%.
- Net profit of the Group decreased by 20.2% to HK\$121.1 million.
- Basic earnings per share decreased by 22.2% to HK\$0.098.

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 2012, 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

	Note	Six months ended 31 August	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Turnover	2	2,965,306	2,404,596
Cost of sales	4	(1,198,523)	(906,800)
Gross profit		1,766,783	1,497,796
Other (losses)/gains	3	(9,372)	4,024
Operating expenses	4	(1,610,641)	(1,307,559)
Operating profit		146,770	194,261
Finance cost, net	5	(8,207)	(2,619)
Share of (loss)/profit of jointly controlled entities		(3,549)	3,394
Profit before income tax		135,014	195,036
Income tax expense	6	(13,946)	(43,276)
Profit for the period		121,068	151,760
Other comprehensive income:			
Currency translation differences		(8,339)	20,322
Total comprehensive income for the period		<u>112,729</u>	<u>172,082</u>
Profit/(loss) attributable to:			
– Equity holders of the Company		119,734	152,428
– Non-controlling interests		1,334	(668)
		<u>121,068</u>	<u>151,760</u>
Total comprehensive income/(loss) attributable to:			
– Equity holders of the Company		111,182	173,090
– Non-controlling interests		1,547	(1,008)
		<u>112,729</u>	<u>172,082</u>
Earnings per share for the period (expressed in HK\$ per share)			
– basic	7	0.098	0.126
– diluted	7	0.095	0.119
Dividend	8	–	30,515

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 August 2012 (Unaudited) HK\$'000	As at 29 February 2012 (Audited) HK\$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, furniture and equipment		938,425	880,887
Intangible assets		370,954	373,018
Investments in and amounts due from jointly controlled entities		194,335	118,059
Rental deposits		306,317	277,738
Prepayments for furniture and equipment		15,072	4,437
Deferred income tax assets		108,814	77,782
		1,933,917	1,731,921
Current assets			
Inventories		1,324,389	1,237,808
Trade and other receivables	9	157,620	155,450
Amounts due from jointly controlled entities		23,150	23,648
Prepayments and other deposits		264,029	216,063
Derivative financial instruments		–	116
Cash and cash equivalents		914,795	626,944
		2,683,983	2,260,029
LIABILITIES			
Current liabilities			
Bank borrowings	11	(257,141)	(184,178)
Trade and bill payables	10	(495,074)	(487,948)
Accruals and other payables		(668,774)	(463,583)
Amounts due to jointly controlled entities		(50,786)	(50,064)
Current income tax liabilities		(45,658)	(48,754)
		(1,517,433)	(1,234,527)
Net current assets		1,166,550	1,025,502
Total assets less current liabilities		3,100,467	2,757,423
Non-current liabilities			
Bank borrowings	11	(762,723)	(437,126)
Accruals		(16,316)	(18,079)
Derivative financial instruments		(11,895)	(2,639)
Deferred income tax liabilities		(27,889)	(30,801)
		(818,823)	(488,645)
Net assets		2,281,644	2,268,778
EQUITY			
Capital and reserves			
Share capital		122,814	122,067
Reserves		2,158,830	2,148,649
Non-controlling interests		–	(1,938)
Total equity		2,281,644	2,268,778

NOTES

1 General information

I.T Limited (the “Company”) is an investment holding company and its subsidiaries (together with the Company are collectively referred to as the “Group”) are principally engaged in the sales of fashion wears and accessories.

The Company was incorporated in Bermuda on 18 October 2004 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company is listed on The Stock Exchange of Hong Kong Limited.

These condensed consolidated interim financial information are presented in Hong Kong Dollars (“HK\$”), unless otherwise stated.

This condensed consolidated interim financial information was approved for issue by Board of Directors on 30 October 2012.

This condensed consolidated interim financial information has not been audited.

2 Turnover and segment information

	Six months ended 31 August	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover		
– Sales of fashion wears and accessories	<u>2,965,306</u>	<u>2,404,596</u>

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.

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

	As at 31 August 2012 (Unaudited) HK\$'000	As at 29 February 2012 (Audited) HK\$'000
Segment assets for reportable segments	4,161,763	3,658,009
Other segments assets	129,838	114,452
	4,291,601	3,772,461
Unallocated:		
Deferred income tax assets	108,814	77,782
Investments in and amounts due from jointly controlled entities	217,485	141,707
	4,617,900	3,991,950
3 Other (losses)/gains		
	Six months ended 31 August 2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Fair value (loss)/gain from derivative financial instruments		
– forward foreign exchange contracts	(116)	4,024
– currency swap contract	(5,474)	–
– interest rate swap contract	(3,782)	–
	(9,372)	4,024

4 Expenses by nature

	Six months ended 31 August	
	2012	2011
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Cost of inventories sold	1,154,792	866,570
Write-down of inventories to net realisable value	20,263	14,926
Employment costs (including directors' emoluments)	492,365	403,519
Operating lease rentals of premises		
– minimum lease payments	523,212	409,525
– contingent rents	101,435	66,924
Advertising and promotion costs	36,604	43,797
Depreciation of furniture and equipment	122,817	104,876
Impairment for furniture and equipment	–	6,971
(Gain)/loss on disposals of furniture and equipment	(317)	1,701
Licence fees (included in operating expenses)		
– amortisation of licence rights	1,645	2,200
– contingent licence fees	6,623	6,820
Amortisation of intangible assets (included in operating expenses)	5,086	5,138
Provision for impairment of amount due from a jointly controlled entity	1,576	1,023
Net exchange gains	(2,070)	(1,199)
Other expenses	345,133	281,568
	<hr/>	<hr/>
Total	2,809,164	2,214,359
	<hr/> <hr/>	<hr/> <hr/>
Representing:		
Cost of sales	1,198,523	906,800
Operating expenses	1,610,641	1,307,559
	<hr/>	<hr/>
	2,809,164	2,214,359
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5 Finance cost, net

	Six months ended 31 August	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Interest income from		
– bank deposits	4,459	2,509
– amounts due from jointly controlled entities	228	284
– others ⁽ⁱ⁾	968	713
	<hr/>	<hr/>
Finance income	5,655	3,506
	<hr/>	<hr/>
Interest expense on		
– bank borrowings wholly repayable within five years	(13,862)	(6,125)
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Finance cost	(13,862)	(6,125)
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Net finance cost	(8,207)	(2,619)
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Note:

- ⁽ⁱ⁾ These represent the interests arising from the amortisation of financial assets and liabilities 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 2011: 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 Mainland China corporate income tax at rate of 25% (six months ended 31 August 2011: ranging from 24% to 25%).

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. 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 2011: 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 2011: 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	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	13,082	24,125
– Mainland China enterprise income tax	300	21,504
– Overseas income tax	6,867	2,588
Deferred income tax	(6,303)	(4,941)
	13,946	43,276

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 2012 is 18.2% (six months ended 31 August 2011: 17.9%).

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	
	2012	2011
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	119,734	152,428
Weighted average number of ordinary shares in issue ('000)	1,226,493	1,212,296
Basic earnings per share (HK\$)	0.098	0.126

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	
	2012	2011
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	119,734	152,428
Weighted average number of ordinary shares in issue ('000)	1,226,493	1,212,296
Adjustments for share options ('000)	40,316	69,628
Weighted average number of ordinary shares for diluted earnings per share ('000)	1,266,809	1,281,924
Diluted earnings per share (HK\$)	0.095	0.119

8 Dividends

A final dividend relating to the year ended 29 February 2012 amounted to HK\$158,430,000, which was fully paid in September 2012.

The board of directors does not declare the payment of an interim dividend for the six months ended 31 August 2012 (six months ended 31 August 2011: 2.5 HK cents per share).

9 Trade and other receivables

	As at	As at
	31 August	29 February
	2012	2012
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade receivables – gross	154,197	154,504
Less: provision for impairment of trade receivables	(1,761)	(3,471)
Trade receivables – net	152,436	151,033
Other receivables	5,184	4,417
Trade and other receivables	157,620	155,450

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 2012 (Unaudited) HK\$'000	As at 29 February 2012 (Audited) HK\$'000
0 to 30 days	147,367	145,664
31 to 60 days	2,035	3,640
61 to 90 days	2,130	1,296
Over 90 days	2,665	3,904
	<u>154,197</u>	<u>154,504</u>

10 Trade and bill payables

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

	As at 31 August 2012 (Unaudited) HK\$'000	As at 29 February 2012 (Audited) HK\$'000
0 to 30 days	316,957	237,940
31 to 60 days	122,335	104,318
61 to 90 days	27,095	64,889
91 to 180 days	17,341	73,355
181 to 365 days	9,113	6,067
Over 365 days	2,233	1,379
	<u>495,074</u>	<u>487,948</u>

11 Bank borrowings

	As at 31 August 2012 (Unaudited) HK\$'000	As at 29 February 2012 (Audited) HK\$'000
Current bank borrowings	257,141	184,178
Non-current bank borrowings	762,723	437,126
	<u>1,019,864</u>	<u>621,304</u>

Movements in bank borrowings are analysed as follows:

	(Unaudited) HK\$'000
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
	<u>1,019,864</u>
Six months ended 31 August 2011	
As at 1 March 2011	594,145
Proceeds from borrowings	274,085
Repayments of borrowings	(254,944)
Exchange differences	9,800
	<u>623,086</u>

The fair value of current borrowings approximates their carrying amount, as the impact of discounting is not significant. The effective borrowing cost was 2.1% (as at 29 February 2012: 1.9%) per annum.

Interest expense on borrowings for the six months ended 31 August 2012 is approximately HK\$13,862,000 (six months ended 31 August 2011: HK\$6,125,000).

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 2012 (six months ended 31 August 2011: 2.5 HK cents per share) so as to retain cash and working capital.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

(a) Group

Global retail markets have been weighed heavily by the threat of European sovereign debt uncertainties, slow recovery of the U.S. economy and deceleration of growth in Mainland China since the fourth quarter of 2011. The Asian consumer sector is no exception, with staff costs and rental hikes in both Hong Kong and Mainland China putting extra heat into the austere trading environment.

A clear sign of a rebound in spending momentum could hardly be seen during the period under review. Sales in Hong Kong and Mainland China markets remained volatile, mainly attributed to slower customer traffic and weaker consumption sentiment. As a result, our stock turnover and cost efficiencies have trended behind those achieved in the same period last year.

Amid the challenging macro environment, the Group achieved an increase in turnover to HK\$2,965.3 million (2011: HK\$2,404.6 million), representing a 23.3% increase. Positive comparable-store-sales growth was recorded in all of our key operating regions. Net profit decreased 20.2% to HK\$121.1 million (2011: HK\$151.8 million) mainly attributed to the rise in operating costs and margin dilution resulted from more proactive promotions and discount offers.

Turnover by Market

The Group has maintained its strength and leadership role in Hong Kong, which continued to serve as the largest revenue and profit contributor. Turnover in Hong Kong amounted to HK\$1,701.1 million for the six months ended 31 August 2012 (2011: HK\$1,455.8 million), representing a 16.9% growth. It contributed 57.4% to group turnover.

Mainland China remained the second largest contributor to the Group, accounting for 29.6% of Group turnover. Turnover of our Mainland China operation recorded HK\$878.0 million for the period under review (2011: HK\$614.0 million), representing a 43.0% increase.

Through strong brand management, our Japan business continued to perform well and had turned profitable. Turnover of our Japan operation reached HK\$266.1 million for the six months ended 31 August 2012 (2011: HK\$247.4 million), which represented 7.5% growth. Our Japan business accounted for 9.0% of our Group turnover.

Breakdown of turnover by region of operation:

	Turnover			Group Participation	
	Six months ended		Change	Six months ended	
	31 August			31 August	
	2012	2011		2012	2011
	HK\$ million	HK\$ million			
Hong Kong	1,701.1	1,455.8	+16.9%	57.4%	60.5%
<i>Retail sales only</i>	<i>1,691.5</i>	<i>1,445.9</i>	<i>+17.0%</i>		
Mainland China	878.0	614.0	+43.0%	29.6%	25.5%
<i>Retail sales only</i>	<i>813.2</i>	<i>564.5</i>	<i>+44.1%</i>		
Japan	266.1	247.4	+7.5%	9.0%	10.3%
Others	120.1	87.4	+37.5%	4.0%	3.7%
Total	2,965.3	2,404.6	+23.3%	100.0%	100.0%

Brand Mix

All product lines namely in-house, international and licensed brands continued to achieve noticeable sales growth. In-house brands remained the key sales driver; it represented 56.6% of Group sales (2011: 55.9%), while international brands contributed 40.0% to Group sales (2011: 40.8%).

Breakdown of retail sales by brand category:

	Retail Sales			Group Participation	
	Six months ended		Change	Six months ended	
	31 August			31 August	
	2012	2011		2012	2011
	HK\$ million	HK\$ million			
In-house brands	1,620.0	1,289.2	+25.7%	56.6%	55.9%
International brands	1,143.9	940.5	+21.6%	40.0%	40.8%
Licensed brands	98.1	78.1	+25.7%	3.4%	3.3%
Total	2,862.0	2,307.8	+24.0%	100.0%	100.0%

Dynamics in Margin and Cost

Proactive promotions alongside various marketing strategies and discount offers were employed during the first half of the financial year to accelerate volume growth, which resulted in margin dilution. Gross profit of the Group increased by 18.0% to HK\$1,766.8 million (2011: HK\$1,497.8 million) while the gross profit margin was trimmed down to 59.6% (2011: 62.3%).

Despite escalating cost pressure and a challenging trading environment, total operating cost ratio remained stable at 54.3% (2011: 54.4%). The rent (including rental charges, management fees, rates and government rent) ratio increased by 1.5 percentage points to 24.1% (2011: 22.6%); nonetheless, the increase was offset by the enhancement of other operating expenses efficiencies. The staff cost (excluding share option expenses) ratio maintained steadily at 16.3% (2011: 16.2%).

With the above-mentioned revenue, margin and cost analysis, the operating profit of the Group decreased by 24.4% to HK\$146.8 million (2011: HK\$194.3 million) at an operating profit margin of 4.9% (2011: 8.1%).

(b) Hong Kong

To further strengthen our market dominance and to create continuous shopping excitement for our customers, a net of 21 new retail shops were opened during the period from 1 March to 31 August 2012. Included are six new AAPE (a new subsidiary line of “The Bathing Ape” brand, targeting younger customers segment) shops in Silvercord Tsim Sha Tsui, Times Square Causeway Bay, Hollywood Plaza and Langham Place Mong Kok, APM Kwun Tong and Festival Walk Kowloon Tong. The total trading area in Hong Kong increased by 5.4% to 612,777 square feet (29 February 2012: 581,141 square feet). With Hong Kong turnover amounting to HK\$1,701.1 million for the six months ended 31 August 2012, retail sales in Hong Kong increased by 17.0% to HK\$1,691.5 million with a comparable store sales growth of 8.0%; despite the slower customer traffic and weaker spending pattern experienced during the period under review.

Gross profit margin shrank to 59.1% (2011: 62.1%), driven by more proactive discount offers and optimization of pricing strategies during the financial period. Operating profit, as a result, dropped 21.7% to HK\$ 92.4 million (2011: HK\$118.0 million) at 5.4% operating profit margin (2011: 8.1%), while the operating cost to sales ratio was flat at 53.1%.

(c) Mainland China

Notwithstanding that a hard expansion target has not been set for FY12/13, our long-term commitment to Mainland China market remains firm. During the financial period, some stores were refined to best fit the local demand and preferences. The total store count as at 31 August 2012 amounted to 213 (29 February 2012: 217) while the total trading area increased by 2.0%.

Consistent marketing efforts alongside tailor-made and focused brand building activities were deployed, to provide new shopping experiences and to further enhance our trend-setter image. Turnover increased by 43.0% to HK\$878.0 million. Total retail sales in Mainland China increased by 44.1% to HK\$813.2 million for the six months ended 31 August 2012, at a comparable store sales growth rate of 12.9%.

Gross profit margin narrowed to 58.1% (2011: 66.4%) mainly driven by increased discount offers and optimization of pricing strategies. The shrink in gross profit margin combined with hiking operating costs, caused operating profit to decrease by 81.6% to HK\$10.5 million, at an operating profit margin of 1.2% (2011: 9.3%). Operating cost ratio was recorded at 56.9% (2011: 55.8%).

(d) Japan

Our Nowhere Group business in Japan continued to perform well, with the operating efficiency program having started to generate a return. Total sales in our Japan operation amounted to HK\$266.1 million (2011: HK\$247.4 million) with a profit turnaround to HK\$18.8 million operating profit (2011: operating loss of HK\$3.2 million).

(e) Others

Total retail sales in other regions (namely Macau and Taiwan) increased by 37.5% to HK\$120.1 million and operating profits increased by 12.1% to HK\$25.1 million. Benefiting from Mainland China tourist traffic and strong local consumption demand, Macau business continued to grow steadily.

The Group also managed a franchised store network comprising 23 overseas franchised stores in countries such as the UK, France, Canada, Thailand, the Philippines, Singapore and South Korea.

Share of Results of Jointly Controlled Entities

Mainly attributed to the pre-operating expenses of a jointly controlled entity, Galeries Lafayette (China) Limited, a share of loss of jointly controlled entities amounted to HK\$3.5 million was recorded for the six months ended 31 August 2012 (2011: share of profit of HK\$3.4 million).

Inventory

The unfavorable trading environment witnessed during the financial period, with slower customer traffic and weaker spending momentum, impacted our stock turnover efficiency in a negative way. Inventory turnover days of the Group was 197 days for the six months ended 31 August 2012 (2011: 177 days), with a significant portion of the stock holdings being current season products and products prepared for the upcoming season.

Cash Flows & Financial Position

The Group has a total of cash and bank balances amounting to HK\$914.8 million as at 31 August 2012 (29 February 2012: HK\$626.9 million). An overall net debt position of HK\$105.1 million (net debt is defined as cash and cash equivalents of HK\$914.8 million less bank borrowings of HK\$1,019.9 million as shown in the consolidated balance sheet) was recorded as at 31 August 2012 (29 February 2012: a net cash position of HK\$5.6 million).

Cash inflow from operating activities for the period ended 31 August 2012 amounted to HK\$140.0 million (2011: HK\$109.1 million).

Liquidity and Banking Facilities

The Group has secured adequate bank lines to support continuous corporate growth and development. Aggregate banking facilities amounted to approximately HK\$1,868.0 million as at 31 August 2012 (29 February 2012: HK\$1,531.1 million), of which approximately HK\$855.0 million (29 February 2012: HK\$718.0 million) was unutilized. The Debt-to-Equity ratio (Debt-to-Equity ratio equals to bank borrowings divided by total equity at the end of the period) increased to 44.7% (29 February 2012: 27.4%).

Charges of Assets

As at 31 August 2012, bank borrowings are secured on land and building with carrying amounts of HK\$225.8 million (29 February 2012: HK\$229.1 million).

Contingent Liabilities

As at 31 August 2012, the Group did not have significant contingent liabilities (29 February 2012: Nil).

Foreign Exchange

The Group is exposed to foreign exchange risk arising from the exposure to Japanese Yen, Macau Pataca, Pound Sterling, Euro, United States Dollar, New Taiwan Dollar and Chinese Renminbi against the Hong Kong Dollar. Management regularly monitors the foreign exchange risks of the Group and enters into forward exchange contracts and foreign currency swap contracts with major and reputable financial institutions to hedge the foreign exchange risk.

Employment, Training and Development

The Group had a total of 6,476 employees as at 31 August 2012 (29 February 2012: 6,089) with quality staff added in the financial period to support the front-line operations of new stores as well as continuous corporate development. Training and development courses were regularly organized 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.

Future Outlook

Looking ahead, the current challenges we are facing in the Asian consumer sector can be expected to continue into the second half of the financial year. A quick solution to the existing macroeconomic issues is not imminent; we expect customer traffic to continue to be volatile, consumption sentiment to remain conscious and operating cost to remain high in the short-term. At this time, we remain of the view that we should be cautiously optimistic, and anticipate that sales in our key operating regions to maintain steady growth, as we will stay focused on stimulating volume growth through different promotional campaigns. In addition, we aim to increase our stock turnover efficiencies in the coming periods by adjusting stock ordering patterns with emphasis on the volume to best fit the current market conditions.

Our aggressive expansion strategy in Mainland China has yet to reap its initially anticipated benefits due primarily to the current sluggish business environment, but our commitment to this region remains firm. We are refining our strategy and store formats to ensure new shopping excitement can continuously be delivered to our customers.

We will continue to stay very focused on achieving the objectives and initiatives set forth for the year, which include enhancing store efficiency and staff productivity.

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 applied and complied with the code provisions of the Code on Corporate Governance Practices for the period from 1 March 2012 to 31 March 2012 and the Corporate Governance Code for the period from 1 April 2012 to 31 August 2012 (collectively 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 2012, 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 of 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 2012, 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 unaudited financial information of the Group and interim report for the six months ended 31 August 2012.

The interim financial report for the six months ended 31 August 2012 has also been reviewed by PricewaterhouseCoopers, the Company's independent auditor, whose review report will be included in the interim report to be sent to the shareholders.

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 2012.

By Order of the Board
Sham Kar Wai
Chairman

Hong Kong, 30 October 2012

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.