

[For Immediate Release]



## I.T Limited Announces Annual Results for FY2016/17

### Financial Highlights

(HK\$ million)	For the year ended		Change (%)
	28 February 2017	29 February 2016	
Turnover	<b>8,001.3</b>	7,541.1	<b>+6.1</b>
Gross profit	<b>4,928.1</b>	4,566.3	<b>+7.9</b>
Operating profit	<b>571.6</b>	421.3	<b>+35.7</b>
Net profit	<b>315.0</b>	209.7	<b>+50.2</b>
Net profit (Adjusted) <sup>1</sup>	<b>315.0</b>	274.8	<b>+14.6</b>

#### Note

<sup>1</sup> If the exceptional non-recurring foreign exchange loss of HK\$65.1 million as a result of the conversion of the Group's RMB fixed deposits, amounting to RMB1,187 million, into Hong Kong Dollar in FY15/16 is excluded.

(24 May 2017 - Hong Kong) I.T Limited ("I.T" or the "Group"; stock code: 999) announced annual results for the year ended 28 February 2017.

In financial year 2016/17, political instabilities in advanced economies, economic adjustment on the Mainland, and upward currency pressure on the Hong Kong Dollar have placed further suppressions on the fashion retail business across many of the Group's operating regions. Nevertheless, the Group was able to stand strong and managed to deliver another year of sustainable growth in turnover of 6.1% over last year to HK\$8,001.3 million, leveraging the strength of its multifaceted business model that is inherently adaptable and flexible. Gross profit also increased by 7.9% to HK\$4,928.1 million, along with an enhancement in gross margin of 1.0 percentage point to 61.6% which was principally attributed to a reduction in discounting campaigns during the period.

Cost-to-sales measure in the Group's Hong Kong segment was adversely affected by the decline in sales and the increase in the costs of running retail channels but it was largely offset by the cost-to-sales efficiency enhancements achieved in many of the Group's other key markets, such as Mainland China and Japan. As a consequence, total operating cost ratio of the Group remained stable at 54.6% (FY15/16: 54.5%). Rent-to-sales ratio (including rental charges and building management fees) decreased by 0.3 percentage point to 24.7% whereas staff costs-to-sales ratio (excluding share option expenses) increased from 15.4% to 16.2%.

Operating profit increased by 35.7% to HK\$571.6 million whereas net profit increased by

50.2% to HK\$315.0 million. Basic earnings per share increased by 52.9% to 26.0 HK cents. A final dividend of 13.0 HK cents per ordinary share (FY2015/16: 8.4 HK cents per ordinary share) was proposed.

The Group's core market in Hong Kong has been affected by falling inbound tourist flows as a result of the strength of the Hong Kong Dollar alongside weakening local consumption patterns, and the warmer than usual winter in 2016. As a result, retail sales in Hong Kong declined by 6.3% to HK\$3,242.9 million with comparable store sales growth registered at -4.2%. It is worth highlighting that this set of results was achieved on the heels of a net decrease in trading area of 7.7% over last year. Gross margin increased to 58.8% (FY15/16: 57.2%), which was predominately attributed to the fewer discounting campaigns offered during the period. However, such enhancement in gross margin was not sufficient to completely offset a decline in efficiency measured by operating cost on sales. As a result, an operating loss of HK\$184.9 million was recorded for the year compared to an operating loss of HK\$72.7 million from the previous year.

As for Mainland China, the Group's total trading area increased by 18.2% over last year owing to the Group's positive view to the growth of the consumer discretionary segment in this region. The Group is now present in 28 cities including new cities such as Changzhou, Guiyang, Kunming, Jinan, Taiyuan, Nanning and Changchun. Total retail sales increased by 16.0% to HK\$3,461.3 million with comparable store sales growth registered at 7.1% (FY15/16: 3.9%). Gross margin decreased by 0.5 percentage point to 60.9%, owing predominately to the negative translation effect from the devaluation of Chinese Renminbi over the previous year. Operating profit increased by 31.5% to HK\$344.9 million.

The Group's Japan segment has continued to fare well in this highly competitive and fashion-enthusiastic market, benefitting from reinforcement in customer loyalty and brand awareness, coupled with the Group's initiatives in further boosting brand equity of its brands within the A Bathing Ape group. Sales of Japan business increased by 26.7% to JPY11,012.1 million, whereas sales in Hong Kong Dollar terms grew by 40.9% to HK\$787.6 million. Gross margin landed at 71.1% (FY15/16: 67.8%). Operating profit also increased by 48.0% to HK\$315.5 million.

The Group maintained a solid balance sheet, with cash and bank balances amounting to HK\$1,817.8 million and a net cash position of HK\$509.1 million as at 28 February 2017.

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For further information, please contact:

**iPR Ogilvy & Mather**

Callis Lau / Molisa Lau / Maggie Chui / Caroline Zhang

Tel: (852) 2136 6952 / 2136 6953 / 2136 8059 / 3920 7684

Fax: (852) 3170 6606

E-mail: [callis.lau@iprogilvy.com](mailto:callis.lau@iprogilvy.com)/[molisa.lau@iprogilvy.com](mailto:molisa.lau@iprogilvy.com)/[maggie.chui@iprogilvy.com](mailto:maggie.chui@iprogilvy.com)/[caroline.zhang@iprogilvy.com](mailto:caroline.zhang@iprogilvy.com)