

# REPORT OF THE DIRECTORS

The directors of I.T Limited (the "Company") have pleasure in submitting their annual report together with the audited accounts of the Company and its subsidiaries (the "Group") for the year ended 28 February 2005.

## GROUP REORGANISATION AND LISTING

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 Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 4 March 2005 (the "Listing").

## PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The Company's subsidiaries are engaged in retailing and trading of fashion wears and accessories. The activities of the subsidiaries are set out in note 14 to the accounts.

The analysis of the Group's performance for the year by business and geographical segments is set out in note 3 of the accounts.

## RESULTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated profit and loss account on page 57.

During the year ended 28 February 2005, dividends of HK\$190,000,000 (2004: HK\$20,000,000) were paid by ithk holdings limited out of its retained profits to its then shareholders before the Reorganisation.

The Board of Directors recommended the payment of a final dividend of HK4.3 cents per ordinary share, totalling HK\$44,612,000, for the year ended 28 February 2005. Such dividend represented 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.

## DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$880,000.

## FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 13 to the accounts.

## SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 25 to the accounts.

## RESERVES

Details of movements in reserves of the Company and the Group during the year are set out in note 27 to the accounts.

## DISTRIBUTABLE RESERVES

As at 28 February 2005, the Company's reserves available for cash distribution, as computed in accordance with The Companies Act 1981 of Bermuda (as amended), amounted to HK\$185,034,000, of which HK\$44,612,000 has been proposed as final dividend for the year.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws and there was no restriction against such rights under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on pages 85 and 86.

## REPORT OF THE DIRECTORS (Continued)

### PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

### DIRECTORS

The directors of the Company during the year and up to the date of this report were:

#### Executive

Mr. Sham Kar Wai	(appointed on 19 October 2004)
Mr. Sham Kin Wai	(appointed on 19 October 2004)
Mr. Chan Wai Mo, Alva	(appointed on 19 October 2004)

#### Non-executive

Dr. Yeung Chun Kam <i>S.B.S. J.P.</i>	(appointed on 19 October 2004)
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#### Independent non-executive

Mr. Chan Mo Po, Paul	(appointed on 19 October 2004)
Dr. Lo Wing Yan, William <i>J.P.</i>	(appointed on 19 October 2004)
Mr. Wong Wai Ming	(appointed on 19 October 2004)

In accordance with Clause 87 of the Company's bye-laws, Mr. Sham Kin Wai and Mr. Chan Wai Mo, Alva will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

The non-executive and independent non-executive directors were appointed for a one-year term expiring on 18 October 2005.

### DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

### DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## REPORT OF THE DIRECTORS (Continued)

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 28 February 2005, no register under Section 352 of the Securities and Futures Ordinance ("SFO") was maintained by the Company.

As at the date of this report, the interests or short positions of the directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

#### (a) Long positions in the shares of the Company

Director	Capacity	Number of shares held	Percentage of interest in the Company
Sham Kar Wai	Interest in controlled company and beneficiary of trust (Notes 1 and 2)	672,075,000	64.78%
Sham Kin Wai	Interest in controlled company and beneficiary of trust (Notes 2 and 3)	672,075,000	64.78%

Notes:

- (1) Mr. Sham Kar Wai holds 25% of the issued share capital of 3WH Limited. Ms. Yau Shuk Ching, Chingmy (spouse of Mr. Sham Kar Wai) also holds 25% of the issued share capital of 3WH Limited. As such, Mr. Sham Kar Wai is deemed to have a controlling interest in 3WH Limited and is therefore deemed to be interested in the interests of 3WH Limited in the Company.
- (2) Mr. Sham Kar Wai and Mr. Sham Kin Wai are both beneficiaries of The ABS 2000 Trust, which is an irrevocable discretionary trust. Effective Convey Limited is wholly-owned by Dynamic Vitality Limited, which in turn wholly-owned by The ABS 2000 Trust. Each of Mr. Sham Kar Wai and Mr. Sham Kin Wai is therefore deemed to be interested in the interests of Effective Convey Limited in the Company.
- (3) Mr. Sham Kin Wai holds 50% of the issued share capital of 3WH Limited. Mr. Sham Kin Wai is deemed to have a controlling interest in 3WH Limited and is therefore deemed to be interested in the interests of 3WH Limited in the Company.

Saved as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangements to enable the Company's directors or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

#### (b) Long positions in share options of the Company

The interests of the directors and chief executives of the Company in the share options of the Company are detailed in "Share Options" below.

## REPORT OF THE DIRECTORS (Continued)

### (c) Long positions in the shares of associated corporations of the Company

Director	Name of associated corporations	Capacity	Approximate percentage of interest in the Company
Sham Kar Wai	3WH Limited	Beneficial owner	50%
	Comfort Yield Limited	Interests in controlled company	100%
	GP (FE) Limited	Interests in controlled company	100%
	Income Team Limited	Interests in controlled company	100%
	izzue.com (Hong Kong) Limited	Interests in controlled company	100%
	Online Profit Limited	Interests in controlled company	100%
	Optimum Performance Limited	Interests in controlled company	100%
	Popbest Limited	Interests in controlled company	100%
	Profit Targets Limited	Interests in controlled company	100%
	Shine Team Development Limited	Interests in controlled company	100%
	Veston Limited	Interests in controlled company	100%
	Weskin Limited	Interests in controlled company	100%
	Yearful (Hong Kong) Limited	Interests in controlled company	100%
	Young Ranger Investment Limited	Interests in controlled company	100%
	Yueon Corporation Limited	Interests in controlled company	100%
	Effective Convey Limited	Beneficiary of trust	100%
	Dynamic Vitality Limited	Beneficiary of trust	100%
Sham Kin Wai	3WH Limited	Beneficial owner	50%
	Comfort Yield Limited	Interests in controlled company	100%
	GP (FE) Limited	Interests in controlled company	100%
	Income Team Limited	Interests in controlled company	100%
	izzue.com (Hong Kong) Limited	Interests in controlled company	100%
	Online Profit Limited	Interests in controlled company	100%
	Optimum Performance Limited	Interests in controlled company	100%
	Popbest Limited	Interests in controlled company	100%
	Profit Targets Limited	Interests in controlled company	100%
	Shine Team Development Limited	Interests in controlled company	100%
	Veston Limited	Interests in controlled company	100%
	Weskin Limited	Interests in controlled company	100%
	Yearful (Hong Kong) Limited	Interests in controlled company	100%
	Young Ranger Investment Limited	Interests in controlled company	100%
	Yueon Corporation Limited	Interests in controlled company	100%
	Effective Convey Limited	Beneficiary of trust	100%
	Dynamic Vitality Limited	Beneficiary of trust	100%

Save as disclosed above, none of the directors nor their associated corporations had any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations as at the date of this report.

## REPORT OF THE DIRECTORS (Continued)

### SHARE OPTIONS

- (a) On 7 February 2005, the Company granted Pre-IPO Share Options to a director, a consultant and certain employees of the Group to subscribe for an aggregate of 7,200,000 shares in the Company at a price of HK\$0.1 per share, exercisable during the period from 4 September 2005 to 7 February 2008.

Movements of the outstanding Pre-IPO Share Options during the year ended 28 February 2005 were:

	Date of grant	Exercise period	Number of share options		
			As at 1 March 2004	Granted during the year	Held as at 28 February 2005
<b>Director</b>					
Chan Wai Mo, Alva	7 February 2005	4 September 2005 to 7 February 2008	—	600,000	600,000
<b>Employees &amp; consultant</b>					
	7 February 2005	4 September 2005 to 7 February 2008	—	6,600,000	6,600,000
			<u>—</u>	<u>7,200,000</u>	<u>7,200,000</u>

- (b) The Company adopted a share option scheme ("Share Option Scheme") on 3 February 2005, pursuant to which it may grant options to eligible participants as defined in the Share Option Scheme to subscribe for shares in the Company at a price per share of not less than the highest of (i) the nominal value of a share; (ii) the closing price of one share as stated in the daily quotation sheets issued by the Stock Exchange on the date of the offer of the relevant option; and (iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer. A consideration of HK\$1 is payable on acceptance of the grant of options. The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other scheme adopted by the Group from time to time must not in aggregate exceed 30% of the share capital of the Company in issue from time to time. The Share Option Scheme will remain in force for a period of 10 years up to February 2015.

During the year ended 28 February 2005, no option was granted by the Company under the Share Option Scheme.

On 28 April 2005, the Company granted options under the Share Option Scheme to a director and certain employees of the Group to subscribe for an aggregate of 15,750,000 shares in the Company at a price of HK\$2.35 per share, exercisable during the period from 28 April 2005 to 27 April 2008.

	Date of grant	Exercise period	Number of share options held as at the date of this report
<b>Director</b>			
Chan Wai Mo, Alva	28 April 2005	28 April 2005 to 27 April 2008	3,000,000
<b>Employees</b>			
	28 April 2005	28 April 2005 to 27 April 2008	<u>12,750,000</u>
			<u>15,750,000</u>

## REPORT OF THE DIRECTORS (Continued)

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 28 February 2005, no register under Section 336 of the SFO was maintained by the Company.

As at the date of this report, the register kept by the Company under Section 336 of the SFO showed that the following shareholders (other than directors of the Company) had disclosed to the Company pursuant to Division 2 and 3 of Part XV of the SFO an interest or a short position in the shares, underlying shares and debentures of the Company:

Name	Capacity	Number of shares held	Percentage of interest in the Company
3WH Limited	Beneficial owner	336,037,500	32.39%
Effective Convey Limited (Note 1)	Beneficial owner	336,037,500	32.39%
Dynamic Vitality Limited (Note 1)	Interest in corporation	336,037,500	32.39%
The ABS 2000 Trust (Notes 1 and 2)	Interest in corporation	336,037,500	32.39%
HSBC International Trustee Limited (Note 2)	Interest in corporation	338,150,000	32.59%

Notes:

1. Effective Convey Limited is a wholly-owned subsidiary of Dynamic Vitality Limited, which is wholly owned by The ABS 2000 Trust. Each of Dynamic Vitality Limited and The ABS 2000 Trust is therefore deemed interested in the shares of the Company held by Effective Convey Limited.
2. The ABS 2000 Trust was established on 14 September 2000 as an irrevocable discretionary trust for the benefit of Mr. Sham Kar Wai and Mr. Sham Kin Wai, and their respective family members. HSBC International Trustee Limited is the trustee of The ABS 2000 Trust.

### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 30% of its goods and services from its five largest suppliers and sold less than 30% of its goods and services to its five largest customers.

### CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group during the year ended 28 February 2005, which do not constitute connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Main Board") ("Listing Rules"), are disclosed in note 32 to the accounts.

### 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.

### AUDITORS

The accounts have been audited by PricewaterhouseCoopers who will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-appointment.

On behalf of the Board  
**Chan Wai Mo, Alva**  
*Company Secretary*

Hong Kong, 1 June 2005

54

**IN-HOUSE/LICENSED BRANDS  
CONTRIBUTED 36.0% IN FY02 TO**

**36.0%**

**in FY05**



# Licensed brands

CONTRIBUTION FROM 0% IN FY02 TO

**10.6%**

**in FY05**

