

REPORT OF THE DIRECTORS

The Directors of I.T Limited (the "Company") have pleasure in submitting their annual report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 28 February 2006.

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 17 to the financial statements.

The analysis of the Group's performance for the year by business and geographical segments is set out in note 5 of the financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries as at 28 February 2006 are set out in note 17 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated income statement on page 55.

The Board recommended the payment of a final dividend of HK4.8 cents (2005: HK4.3 cents) per ordinary share, totaling HK\$49,867,000 (2005: HK\$44,612,000), for the year ended 28 February 2006.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$200,000 (2005: HK\$880,000).

FURNITURE AND EQUIPMENT

Details of the movements in furniture and equipment of the Group are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 29 to the financial statements.

RESERVES

Details of the movements in reserves of the Company during the year are set out in note 30 to the financial statements.

DISTRIBUTABLE RESERVES

As at 28 February 2006, the Company's reserves available for cash distribution, as computed in accordance with The Companies Act 1981 of Bermuda (as amended), amounted to HK\$196,385,000, of which HK\$49,867,000 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 five financial years is set out on pages 89 and 90.

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.

REPORT OF THE DIRECTORS (Continued)

DIRECTORS

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

Executive

Mr. Sham Kar Wai
Dr. Lo Wing Yan, William, J.P. (appointed as Executive Director on 24 May 2006)
Mr. Sham Kin Wai
Mr. Chan Wai Mo, Alva

Non-executive

Dr. Yeung Chun Kam, Charles, S.B.S. J.P.

Independent Non-executive

Mr. Chan Mo Po, Paul
Mr. Wong Wai Ming

In accordance with Clauses 87 of the Company's Bye-laws, Mr. Sham Kar Wai and Mr. Wong Wai Ming will retire by rotation at the forthcoming annual general meeting of the Company and, all 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 2006. The Company has received from each of its Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers the Independent Non-executive Directors are independent.

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.

DIRECTORS' EMOLUMENTS

Details of the remuneration of the Directors on a named basis during the year are set out in note 9 to the financial statements.

REMUNERATION POLICY

Remuneration policy of the Company is reviewed regularly, making reference to market condition and performance of the Company and individual staff (including the Directors). The remuneration policy and remuneration packages of the Executive Directors and senior management are reviewed by the Remuneration Committee which are detailed in the paragraph headed "Remuneration Committee" under the Corporate Governance Report on page 42.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management as at the date of this report are set out on pages 33 to 35.

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 2006, 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 Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") 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	64.69%
Sham Kin Wai	Interest in controlled company and beneficiary of trust (Notes 2 and 3)	672,075,000	64.69%

Notes:

- (1) Mr. Sham Kar Wai holds 25% of the issued share capital of 3WH Limited. Miss 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 is 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.

REPORT OF THE DIRECTORS (Continued)

(b) Long positions in the share options of the company

The interest of the Directors and Chief Executives of the Company in the share options of the Company are detailed in "Share Options" below.

(c) Long positions in the shares of associated corporations of the company

Director	Name of associated corporations	Capacity	Approximate percentage of shareholding
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 or their associates had any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations as at 28 February 2006.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from the Pre-IPO Share Options and Share Option Scheme as disclosed in the section headed "Share Options" under this report on page 48, 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 Directors or their associates to acquire benefits by means of acquisition of shares in, or debenture of, the Company or any body corporate.

REPORT OF THE DIRECTORS (Continued)

SHARE OPTIONS

- (a) On 7 February 2005, the Company granted share options ("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.

	Date of grant	Exercise period	As at 1 March 2005	Number of Share Options Exercised during the year	Held as at 28 February 2006
Director					
Chan Wai Mo, Alva	7 February 2005	4 September 2005 to 7 February 2008	600,000	-	600,000
Continuous contract employees	7 February 2005	4 September 2005 to 7 February 2008	1,600,000	(1,400,000)	200,000
Consultant	7 February 2005	4 September 2005 to 7 February 2008	5,000,000	-	5,000,000
			<u>7,200,000</u>	<u>(1,400,000)</u>	<u>5,800,000</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 a 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.

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. The closing price of the Company's shares immediately before the date on which the options were granted was HK\$2.125.

	Date of grant	Exercise period	Granted during the period	Number of share options Forfeited during the period	Held as at 28 February 2006
Director					
Chan Wai Mo, Alva	28 April 2005	28 April 2005 to 27 April 2008	3,000,000	-	3,000,000
Continuous contract employees	28 April 2005	28 April 2005 to 27 April 2008	12,750,000	(800,000)	11,950,000
			<u>15,750,000</u>	<u>(800,000)</u>	<u>14,950,000</u>

- (c) For the determination of the fair value of the Pre-IPO Share Options and the share options granted under the Share Option Scheme, the Binomial Option Pricing Model was made reference to and taking into account a number of factors such as the exercise price and the life of the options, the market price and volatility of the underlying shares, and the risk-free interest rate for the life of the options. In addition, it requires input of assumptions that have significant sensitivity effects, including the approximation of the stock price at the grant date of the Pre-IPO Share Options, expected stock price volatility, expected dividend, etc. Any changes in the subjectivity input assumptions may materially affect the estimation of the fair value of an option.

The significant inputs into the Binomial Option Pricing Model were as follows:-

	Pre-IPO Share Options	Option under the Share Option Scheme
Share price at the grant dated	HK\$1.95	HK\$2.1
Exercise price per share	HK\$0.1	HK\$2.35
Standard deviation of expected share price returns	33%	33%
Expected dividend paid out rate	2.5%	2.5%
Annual risk free rate	<u>2.15%</u>	<u>2.79%</u>

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

As at 28 February 2006, 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 or underlying shares of the Company:

Name	Capacity	Number of shares held	Percentage of interests in the Company
3WH Limited	Beneficial owner	336,037,500	32.35%
Effective Convey Limited (Note 1)	Beneficial owner	336,037,500	32.35%
Dynamic Vitality Limited (Note 1)	Interest in corporation	336,037,500	32.35%
The ABS 2000 Trust (Notes 1 and 2)	Interest in corporation	336,037,500	32.35%
HSBC International Trustee Limited (Note 2)	Interest in corporation	338,187,500	32.55%

Notes:

- 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 held by Effective Convey Limited.
- 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.

REPORT OF THE DIRECTORS (Continued)

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 2006, which do not constitute connected transactions under the Listing Rules, are disclosed in note 34 to the financial statements.

CONTINUING DISCLOSURE REQUIREMENTS

The Company has made an announcement pursuant to Rule 13.16 of the Listing Rules on 2 August 2005 whereby a wholly-owned subsidiary of the Company by stages made advancements to GSIT, a jointly-controlled company owned as to 50% indirectly by the Company and 50% indirectly by Glorious Sun Enterprises Limited. Pursuant to the assets test under Rule 14.07 of the Listing Rules, the total sum advanced to GSIT exceeded 8% of the total assets of the Company as at 28 February 2005. The circumstances giving rise to such disclosure continued to exist at the year ended 28 February 2006. A summary of significant balance sheet classifications of GSIT is hereby presented.

G.S-i.t LIMITED

SUMMARY OF SIGNIFICANT BALANCE SHEET CLASSIFICATION

AS AT 28 FEBRUARY 2006

	As at 28 February 2006 (unaudited) HK\$'000
Non-current assets	85,080
Current assets	103,885
Current liabilities	(94,562)
Net current assets	9,323
Total assets less current liabilities	94,403
Non-current liabilities	
Deferred income tax liabilities	(578)
Amount due to shareholders	(98,217)
	(98,795)
Net liabilities	(4,392)
Capital and reserves attributable to the company's equity holders	(4,392)

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this report as required under the Listing Rules.

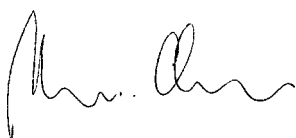
CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 40 to 43.

AUDITORS

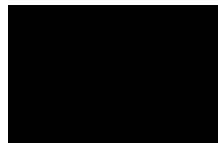
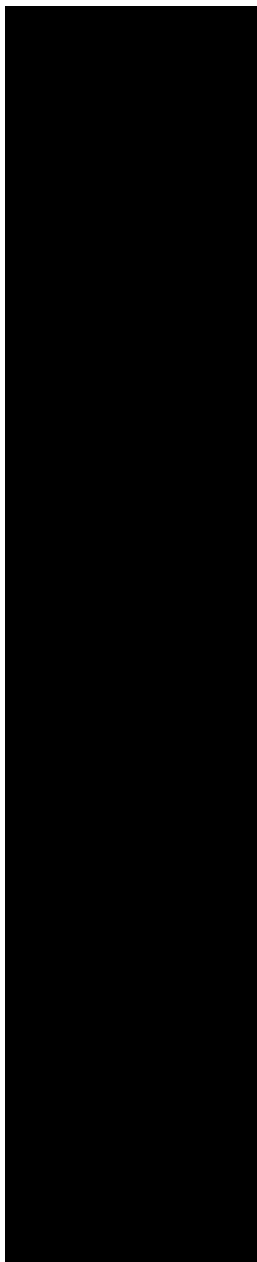
The financial statements have been audited by PricewaterhouseCoopers who will retire at the forthcoming Annual General Meeting of the Company, and being eligible, offer themselves for re-appointment.

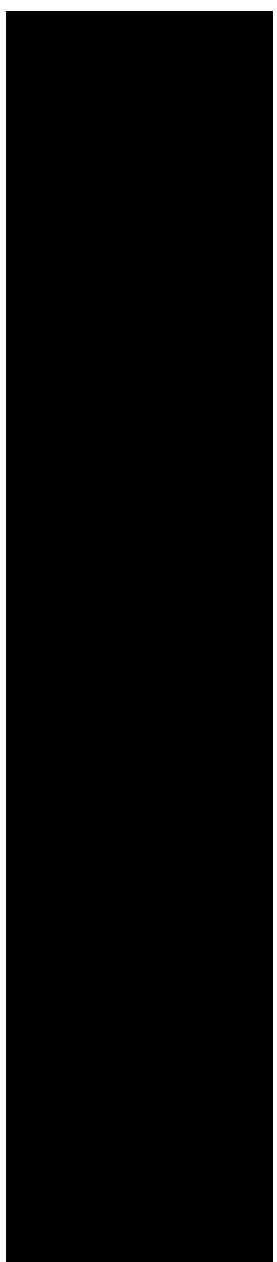
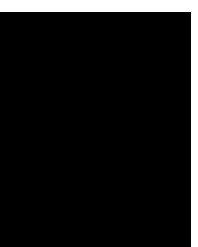
On behalf of the Board



Chan Wai Mo, Alva
Company Secretary

Hong Kong, 29 May 2006





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