I.T

ANNUAL REPORT

06/07

STOCK CODE: 999

I.T LIMITED ANNUAL REPORT 06/07

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TREND

I.T is well established as a

SETTER

in fashion apparel retail market in Hong Kong with stores in the PRC, Taiwan, Macau, Thailand and Saudi Arabia. The Group has an extensive retail network extending to over 300 stores across Greater China with staff around 1,600.

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I.T is not just a ashion icon

WE ACTUALLY LIV

Through the multi-brand and multi-layer business model, we offer a wide range of fashion apparel with

VE FOR FASHION

different fashion concepts, sold at varying retail price points and targeted at different customer groups.

I.T carries apparel from established and up-and-coming internatio

Alex

nal designer's brands, in-house brands and licensed brands. International brands include

Balenciaga
Comme des Garcons
A Bathing Ape
Maison Martin Margiela
Miu Miu
Jil Sander
xander McQueen
Tsumori Chisato
Ann Demeulemeester
D & G
Dior Homme
VISVIM

In-house brands include http://www
Chocoolate and Venilla Suite. Licens
Arnold Palmer, MLB, Underground, H
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Hong Kong and the PRC through join
The Group formed a joint venture, G.
Glorious Sun Enterprises Limited to s
licensed brands in the PRC. Furtherm
joint venture to expand the operatio

I.T leverages some of its in-house ar
franchisees in new markets. The Bra
More http://www.izzue.com shops w
Middle East countries in the coming

v.izzue.com, b+ab, 5cm, fingercroxx,
ed brands include i.t loves mickey,
yoma and Baby Jane. In addition
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S-i.t Limited (“GSIT”), with
sell international, in-house and
more, GSIT entered into another
n to cover Taiwan as well.

nd licensed brands through
ands are well accepted in Thailand.
will be opened in Saudi Arabia and
years.

Executive Directors
Mr. SHAM Kar Wai
Dr. LO Wing Yan, William, J.P.
Mr. SHAM Kin Wai

DIRECTORS

Independent Non-executive Directors
Mr. CHAN Mo Po, Paul
Mr. WONG Wai Ming
Mr. Francis GOUTENMACHER

Company Secretary
Miss HO Suk Han, Sophia

Qualified Accountant
Mr. KWONG Kwok Yu, Gary

Registered Office
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business in Hong Kong
31/F Tower A Southmark
11 Yip Hing Street
Wong Chuk Hang
Hong Kong

Auditor
PricewaterhouseCoopers,
Certified Public Accountants

Principal Bankers
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

Principal Share Registrar
The Bank of Bermuda Limited

Hong Kong Branch Share Registrar
Computershare Hong Kong Investor Services Limited
1715-16, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong
Tel: 2862-8628

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Corporate Website
www.ithk.com

I.T POSITI

Store Coverage as at 28 February

	A. No. of stores			
	Self-managed		Franchise	
Greater China:	**2007**	**2006**	**2007**	**2006**
Hong Kong				
I.T	156	152	–	–
FCUK IT[1]	7	5	–	–
China				
GSIT[1]	104	65	42	45
FCIT China[2]	14	7	5	3
Taiwan				
Top Alliance[3]	25	23	–	–
Macau				
GSIT	–	–	3	3
FCIT China	–	–	1	1
Total	306	252	51	52
Overseas:				
Thailand	–	–	8	–
Saudi Arabia	–	–	5	–
Malaysia	–	–	–	4

(1) a 50% owned joint venture of the Company
(2) a 50% owned joint venture of GSIT
(3) a 51% owned joint venture of GSIT

Brand Portfolio

Over 200 International Designer's Labels
Over 10 In-house and Licensed Brands

Diversified Clientele

Offering a wide range of fashion apparel at varying retail price points and targeted at different customer groups

Multi-Brand Mega Store Concept

Group several brands in a sizable retail location and this strategy applies to both Hong Kong and the PRC markets

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MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

I am pleased to present the performance for the fiscal year ended 28 February, 2007 in this annual report.

In Hong Kong, we achieved a robust growth of 16.5% in total revenue, from HK$1,314.4 million to HK$1,530.8 million. More significantly, we achieved an increase of 7.7% in comparable store sales, a reversal from a drop of 2.6% last year. At the end of last year, we launched 2 new in-house brands, "CHOCOOLATE" and "Venilla Suite", targeting the "masstige" (mass + prestige) segment utilising the novel proposition of "affordable luxury". "Chocoolate" is a collection of everyday wear with superior fit and great looks. Currently we only offer men's collection (Black Chocoolate) while the Women's line (White Chocoolate) is set to be introduced over the next 2-3 seasons. "Venilla Suite" provides a sophisticated collection of ladies' footwear that suits a variety of occasions – from work to casual weekend and going-out. I am pleased to inform you that both of the brands are well-received by the market.

For existing in-house brands, http://www.izzue.com, 5cm and b+ab performed consistently with sustainable growth. We are in the process of revamping and renovating some of the stores of these brands this year as well as further developing premium lines such as Izzue Collection to strengthen the product offerings. More advertising and promotion resources will be spent on strengthening the brand equity of various in-house labels.

International brands sold under "I.T", "i.t" and "double-park" benefited from the general positive economic sentiment. The "A Bathing Ape" brand was introduced by us to Hong Kong and products are sold in the Bape store in Central since April last year. This new brand did exceptionally well. We also opened new stores for various high fashion and street brands such as Ann Demeulemeester, Comme des Garcons, Maison Martin Margiela, Visvim F.I.L., Isabel Marant, etc. and this once again reinforced ourselves as the fashion icon and trend-setter in the industry.

The China market is still growing very fast. Revenue grew by 57.8% and overall comparable store sales grew by 40.0%. As I mentioned in the last annual report, there is huge demand for high-end luxury products. Riding on this trend, I.T will directly open and manage some stores for top-notched international brands, like Chloe in Shenyang and Suzhou. We would continue to partner with the international brands and build up our prestigious and trend-setter image in China.

GSIT, our joint venture in China opened 46 self-managed stores net last year bringing our total self-managed stores in PRC to 118. Plan for 2007 is to focus on consolidating existing brands and business, while at the same time to pursue growth opportunistically.

Our expansion is not limited to Greater China. Overseas franchise and wholesale businesses have also expanded to in total 5 stores in Saudi Arabia and 8 stores in Thailand. While the expansion in the Middle East and Thailand will continue, negotiations are underway to open the Singapore, Malaysia, Philippines, Indonesia, Australia, Korea, Canada and Europe markets.

In line with the growth in business volume and revenue as well as the launch of 2 new in-house brands, operating cost has also increased. Thus, we have initiated a strategic planning process and set up a couple of task forces to review the overall cost structure and suggest ways to improve the Group overall operational leverage.

We believe that the coming year would be a key foundation year. We will further strengthen our brand and corporate image using various brand awareness campaigns across Greater China under the "I.T is Inspiration" slogan. We believe this will give further boost to our current business and bring us more potential opportunities to open new markets elsewhere.

Finally, I would like to take this opportunity to thank our shareholders and customers for their continuous support in I.T. Special gratitude is offered here to our staff, management team, business partners and suppliers for their hard work and assistance throughout the years. We will strive to achieve our newly established 5 years target of increasing the market value of the Group 3-folds as well as fulfilling our mission of innovating and shaping the fashion scene in Greater China.

Sham Kar Wai
Chairman

25 May 2007

Hong Kong

- Total revenue increased by 16.5% to HK$1,530.8 million.
- Comparable store sales increased by 7.7%.
- Gross profit increased by 15.0% at a margin of 58.2%.
- EBITDA (excluding share of profit/loss of jointly controlled entities and write-off of expenses related to the Saks project and including share based payment) increased by 7.3% to HK$196.3 million.
- Net profit was stable at HK$122.4 million (2006: HK$122.3 million) or HK$0.12 EPS.
- If share of profit/loss of jointly controlled entities and write-off of expenses related to the Saks project are excluded, net profit increased by 10.7% to HK$130.6 million or HK$0.13 EPS.
- Total rental expenses (including rental charge, management fee, rates and government rent) maintained at 21.2% (2006: 21.5%) of total revenue.
- Total staff cost maintained at 17.7% (2006: 17.6%) of total revenue.
- Proposed final dividend per share was HK5.0 cents, representing an increase of 4.2% from HK4.8 cents last year.
- Total sales area (excluding French Connection stores) increased by 0.9% to 296,196 sq. ft. as at 28 February 2007.

China (operated by a 50% owned joint venture of the Company)

- Total revenue increased by 57.8% to HK$331.6 million.
- Comparable store sales increased by 40.0%.
- Gross profit margin was 53.4%.
- Total sales area of self-managed stores (excluding French Connection stores) increased by 51.4% to 189,800 sq. ft. as at 28 February 2007.

Financial position (HK$'000)	FY07	FY06	Change
Net cash (note 1)	365,570	425,631	-14.1%
Net current assets	579,151	546,706	+5.9%
Shareholders' equity	826,753	747,266	+10.6%

Per share data	FY07	FY06	Change
EPS-basic (HK$)	0.12	0.12	+0.0
EPS-diluted (HK$)	0.12	0.12	+0.0
Dividend (HK cents)	5.0	4.8	+4.2%
Book value (HK$)	0.80	0.72	+10.6%

Key statistics	FY07	FY06	Change
Current ratio (note 2)	4.7	5.4	N/A
Return on equity (%) (note 3)	15.6	18.2	-2.6
Inventory turnover (days) (note 4)	97.5	84	+13.5
Capital expenditure (note 5) (HK$'million)	46.4	91.5	-45.1

Notes:

1. Cash and bank deposits and pledged bank deposits less bank borrowings/loans.
2. Current assets divided by current liabilities.
3. Net profit for the year divided by average of the shareholders' equity of the beginning of the year and the end of the year.
4. Average of the inventory of the beginning of the year and the end of the year divided by cost of sales times number of days of a year.
5. Additions to furniture and equipment, purchase of intangible assets and additional investment in a jointly controlled entity.

I.T IS

FASHION

shaping the fashion scene in Greater China

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

(a) Hong Kong

Total revenue increased by 16.5% to HK$1,530.8 million (2006: HK$1,314.4 million) and sales from retail operation increased by 15.3% to HK$1,435.7 million (2006: HK$1,245.4 million) for the year ended 28 February 2007. Due to higher average ticket size, overall comparable store sales increased by 7.7% as compared to the year ended 28 February 2006, and increased by 10.2% in the second half as compared to the same period last year. As at 28 February 2007, the Company had 156 stores (excluding French Connection stores operated by FCUK IT Company, our 50% owned joint venture) (2006: 152) with a total sales area of 296,196 sq. ft. (representing an increase of 0.9% to the total sales area of 293,611 sq. ft. as at 28 February 2006). Given that we did not substantially increase the total sales area, the impressive improvement in retail sales was attributable to our superior merchandising efforts, the introduction of new in-house (:Chocoolate and Venilla Suite) and international brands like A Bathing Ape, Maison Martin Margiela, Ann Demeulemeester and others. The generally positive economic sentiment and vibrant local consumer market also helped.

Retail sales of international product brands increased by 24.2% to HK$718.7 million (2006: HK$578.9 million), accounting for 47.0% (2006: 44.0%) of total revenue. Retail sales of in-house and licensed product brands increased by 6.5% to HK$709.9 million (2006: HK$666.5 million), accounting for 46.4% (2006: 50.7%) of total revenue. Though the shift in the retail sales of international brands against in-house and licensed brands remained for the full year, the trend had started to reverse in the second half after the launch of the 2 new in-house brands in November 2006.

FCUK IT Company opened 2 new stores in the year ended 28 February 2007, increasing the total number of stores to 7 (2006: 5), with a total sales area of 14,493 sq. ft. (representing an increase of 25.3% to the total sales area of 11,563 sq. ft. as at 28 February 2006).

(b) Greater China (excluding Hong Kong)

G.S-i.t Limited ("GSIT"), our 50% owned joint venture with Glorious Sun Enterprises Limited for the Greater China market (covering China, Taiwan and Macau), maintained a rapid growth momentum last year. Total revenue increased by 57.8% to HK$331.6 million (2006: HK$210.2 million) for the year ended 28 February 2007. With higher brand recognition in China, the joint venture reported a remarkable comparable store sales growth rate of 40.0% (2006: 27.1%). Due to the VAT effect, the gross margin was slightly lower than Hong Kong at 53.4%.

In order to occupy good locations and to capture the spending spree during the 2008 Beijing Olympics, a more aggressive expansion strategy was employed for the China market. 39 new stores were opened, increasing the total number of self-managed stores to 104 (2006: 65) (excluding French Connection stores operated by FCIT China Limited, a 50% owned joint venture of GSIT). Accordingly, total sales area of our self-managed stores increased from 125,300 sq. ft. as at 28 February 2006 to 189,800 sq. ft. as at 28 February 2007.

Taking into account our product branding and segmentation, we had adopted a more conservative approach towards our franchise business for the 2nd and 3rd tier cities in China. As at 28 February 2007, 45 stores (2006: 48) (including 3 in Macau and excluding French Connection stores) were managed by our franchisees, and total sales area was 41,500 sq. ft. (2006: 46,900 sq. ft.).

GSIT's 51% owned joint venture in Taiwan self-managed 25 points of sale (2006: 23) as at 28 February 2007, with a total sales area of 19,400 sq. ft. (2006: 20,300 sq. ft.). Given the relatively weak economy and political uncertainty, we are in the process of restructuring the Taiwan operation.

GSIT's 50% owned joint venture with French Connection Group Plc also had encouraging performance in the year ended 28 February 2007. 7 self-managed stores were opened during the year, increasing the total number of stores to 14 (2006: 7)and the total sales area to 20,700 sq. ft. (2006: 11,600 sq. ft.) as at 28 February 2007. Number of franchised stores increased to 6 (2006: 4), with a total sales area of 7,900 sq. ft. (2006: 6,200 sq. ft.).

(c) Overseas

Our franchisees in Saudi Arabia and Thailand were performing well during the year and planned to open more new stores this year. As at 28 February 2007, 5 stores in Saudi Arabia and 8 stores in Thailand were run by our franchisees overseas.

Gross Profit

Gross profit increased by 15.0% to HK$890.3 million for the year ended 28 February 2007 (2006: HK$774.2 million). Gross profit margin on retail sales for the year ended 28 February 2007 slightly declined to 60.8% (2005: 61.1%). The decrease in gross profit margin on retail sales was mainly due to the shift in product mix to international brands, which comparatively have a lower margin than in-house and licensed brands, and deeper discount was offered in the first half in order to maintain high sell-through rate and sustain sales growth. When compared to a drop of 2.1% in the first half, the gross profit margin has improved in the second half. This is as a result of not offering any mid-season sale in October and a shorter Christmas and New Year sale in order to strengthen our brand equity.

Operating Expenses

Total operating expenses increased by 16.7% to HK$749.9 million (2006: HK$642.6 million), similar to the rate of turnover growth. In terms of percentage of total revenue, these expenses maintained at 49.0% for the year ended 28 February 2007 (2006: 48.9%).

The 2 largest expense items are rental expenses and staff cost. Market pressure has driven the average rental per sq. ft. for retail shops up by 7.6% during the year. Total rental expenses (including management fee, rates and government rent) increased by 14.8% while, as a percentage of total revenue, maintained at 21.2% (2006: 21.5%) of total revenue. Because of competition from global players and recruitment of new staffs to manage 2 new in-house brands, total staff cost increased by 17.5% while, as a percentage of total revenue, maintained at 17.7% for the year ended 28 February 2007 (2006: 17.6%).

In order to further enhance our corporate and brand image and to promote the new brands, more marketing and public relations works were done this year. This has increased the advertising and promotion expenses by 100.1% and, as a percentage of total sales, increased to 1.3% (2006: 0.7%). It is still well below the industry average.

Other miscellaneous operating expenses (operating expenses other than rental expenses, staff cost, advertising and promotion expenses and depreciation) increased by 12.3%, and as a percentage to total revenue, were maintained at 5.7% (2006: 5.9%).

Operating Profit and Earnings Before Interest, Taxation, Depreciation and Amortisation Expenses and Excluding the Share of (Loss)/Profit of Jointly Controlled Entities (EBITDA)

EBITDA (including share based payment) increased by 4.9% from HK$182.9 million for the year ended 28 February 2006 to HK$191.9 million for the year ended 28 February 2007 at an operating margin of 10.0% (2006: 11.3%).

If the write-off of expenses related to the Saks project were excluded, EBITDA increased by 7.3% to HK$196.3 million for the year ended 28 February 2007.

Share of Results of Jointly Controlled Entities

FCUK IT Company was profitable and due to aggressive expansion, GSIT needed more time to achieve breakeven. Share of contribution from jointly controlled entities reversed from a profit of HK$4.2 million for the year ended 28 February 2006 to a loss of HK$3.9 million for the year ended 28 February 2007. As compared to a loss of HK$8.3 million for the first half, the performance of the jointly controlled entities have improved substantially in the second half.

Net Profit

Net profit was stable at HK$122.4 million, increasing marginally by 0.1% from HK$122.3 million for the year ended 28 February 2006.

If share of profit/loss from jointly controlled entities and the write-off of expenses related to the Saks project are excluded, net profit of our Hong Kong operations increased by 10.7% to HK$130.6 million (2006: HK$118.1 million) reflecting a robust performance in a very competitive market place.

Cash Flows

Net cash generated from operating activities was HK$91.6 million (2006: HK$118.1 million). Net cash used in investing activities was HK$101.8 million (2006: HK$114.9 million), which included HK$45.0 million additions to furniture and equipment. Net cash used in financing activities was HK$49.8 million (2006: HK$140.2 million), which included HK$49.9 million dividend payment to shareholders.

Inventory

Inventory turnover days increased from 84 days for the year ended 28 February 2006 to 97.5 days for the year ended 28 February 2007.

Liquidity and Capital Resources

As at 28 February 2007, total cash and bank balances amounted to HK$365.6 million (2006: HK$425.6 million) and the total liabilities were HK$166.4 million (2006: HK$135.8 million). As at 28 February 2007, shareholders' equity was HK$826.8 million (2006: HK$747.3 million).

As at 28 February 2007, the Group had aggregate banking facilities of approximately HK$339.5 million (2006: HK$312.5 million) for overdrafts, bank loans and trade financing, of which approximately HK$254.4 million (2006: HK$235.1 million) was unutilised. As at 28 February 2007, charges on assets amounted to HK$0.75 million (2006: HK$0.75 million), which was bank deposit pledged for letters of guarantee issued by banks in lieu of rental deposits. The Company had no bank borrowings as at 28 February 2007 (2006: nil). The current ratio as at 28 February 2007 was 4.7 (2006: 5.4).

Contingent Liabilities

As at 28 February 2007, letters of guarantee issued by banks in lieu of rental deposits amounted to HK$19.5 million (2006: HK$16.6 million).

Use of Proceeds

The proceeds from the issuance of new shares by the Company in March 2005, net of listing expenses, were approximately HK$514.9 million. For the year ended 28 February 2007, net proceeds were utilised in the following manners:

	Per Prospectus	**Amount Utilised**	**Balance as at 28 February 2007**
	HK$'000	HK$'000	HK$'000
Expansion of retail network in Hong Kong	320,000	131,539	188,461
Expansion of retail network in the PRC and Taiwan	90,000	35,000	55,000
Repayment of bank loans	95,000	95,000	–
Working capital	9,900	9,900	–
	514,900	271,439	243,461

The unutilised balance was placed as short-term bank deposits in commercial banks in Hong Kong.

Employment, Training and Development

The Company had a total of 1,428 employees as at 28 February 2007 (2006: 1,283). Training and development courses were regularly organised for employees to enhance both of their specialised technical and product knowledge as well as marketing and sales to general business management skills. The Company offered competitive remuneration packages to its employees, including basic salaries, allowances, insurance and commission/bonuses. In addition, share options were granted to selected employees based on their individual performances.

Future Outlook

The core Hong Kong market maintained the growth momentum through consolidation and improvement of efficiency of existing brands and stores. The launch of ":Chocoolate" and "Venilla Suite" has broadened the segment of our customer base. Up to the present, 7 :Chocoolate stores and 6 Venilla Suite stores have been opened. Building on our unique brand positioning, product design and shop decoration, the new brands are starkly differentiated from other competitors. The Company expects that they will provide significant sales contribution in the new full financial year and balance the proportion of sales of in-house brands against the international brands.

As in the past, more new international brands will be introduced to Hong Kong and the Company will open stand-alone stores for them, for example, Billionaire Boys' Club in Central. Together with our existing stores for Visvim F.I.L., Comme des Garcons, Ann Demeulemeester and Maison Martin Margiela, the Company has created a unique ambience for those fashion lovers in that area in Central.

The Company has planned a relatively moderate increase in total sales area this coming year. This increase will come from the opening of new international brand stand-alone shops and shops for :Chocoolate and Venilla Suite as well as the revamping of existing shops such as the I.T shop in Pacific Place and the b+ab and www.izzue.com shops in Festival Walk. We will also strive to maintain a healthy comparable store sales growth through productivity improvements and efficiency so as to continue to fuel our sales in Hong Kong.

In the past few years, operating expenses have been increasing faster than top line revenue, resulting in a squeeze in operating margin and relatively weak operational leverage. Though market pressure on rental expenses and staff costs will remain high, steps have been taken to control cost and to explore synergies across various product/function areas so that operating expenses will be in line with or better lower than the top line growth.

For China, the Company will continue with the strategy to expand in the luxury segment and will directly manage and operate stores for top-notched international brands. For example, the Company will open shops for Chloe in Shenyang and Suzhou.

The rapid growth in both the total sales and same store sales of GSIT is extremely encouraging. The Company will strive to achieve operating breakeven this year. The plan is to continue to look for and expand into good retail space while consolidating existing retail portfolio to improve the overall profitability of the venture.

The Company also believes that there are good potentials in the wholesale and franchise business with many untapped markets to sustain our long-term growth. Besides Saudi Arabia and Thailand, we are negotiating with potential partners to open up the Singapore, Malaysia, Philippines, Indonesia, Australia, Korea, Canada and Europe markets.

In the beginning of the year, we have announced a long-term 5-year plan for the Company with a vision to increase our market value three times by 2012. We believe that the past and current years will be an important period for us to lay down the foundation to achieve that eventual growth. Thus, the Company with a very strong balance sheet is determined to invest in areas such as staff, systems, and branding to maintain a strong organic growth momentum while continue to explore complementary business investment opportunities inorganically.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGE-MENT TEAM

Executive Directors

Mr. SHAM Kar Wai
Aged 40, is an Executive Director, the Chairman and the Chief Executive Officer of the Company. He founded the Group in November 1988 with his brother, Mr. Sham Kin Wai, and is responsible for the overall management and strategic development of the Group. Mr. Sham Kar Wai has nearly 20 years of experience in the fashion retail industry and has established an extensive network of contacts at international design houses during his time with the Group.

Dr. LO Wing Yan, William, J.P.
Aged 46, is an Executive Director, the Vice Chairman, Managing Director and the Chief Financial Officer of the Company since May 2006 and he is responsible for overseeing different management and operational aspects of the Group, including business strategy formulation, corporate development projects such as mergers and acquisitions, financial management and control, media and investor relations, corporate governance enforcement as well as assisting the Chief Executive Officer in various operational and organization development issues. Dr. Lo was an Independent Non-executive Director of the Company since October 2004. He is also an independent non-executive director of a number of publicly listed companies, including Nam Tai Electronics, Inc., and the Stock Exchange listed Softbank Investment International (Strategic) Ltd., South China Land Limited and Varitronix International Limited. He holds a Master's degree in Molecular Pharmacology and a Doctorate in Genetic Engineering, both of which are obtained from the University of Cambridge in England. He was also a Commonwealth Scholar, a Croucher Foundation Fellow (H.K.) and a Bye-fellow of Downing College, the University of Cambridge. In 1996, the renowned global organization World Economic Forum selected Dr. Lo as a "Global Leader for Tomorrow". In 1999, he was appointed as a Justice of the Peace (J.P.) by the Hong Kong SAR Government. In 2003, he was appointed as a Committee Member of Shantou People's Political Consultative Conference. Dr. Lo is an Adjunct Professor of The School of Business of Hong Kong Baptist University and the Faculty Business of Hong Kong Polytechnic University. Before acting as an Executive Director of the Company, Dr. Lo was an Executive Director of China Unicom Ltd., which is listed on the Stock Exchange of Hong Kong and New York, for four years.

Mr. SHAM Kin Wai
Aged 37, is an Executive Director. Since founding the Group with his brother, Mr. Sham Kar Wai, in November 1988, his principal focus has been on merchandising and product design for the Company. As the Chief Creative Officer of the Company, Mr. Sham Kin Wai has nearly 20 years of experience in the fashion retail industry and is responsible for the creative and aesthetic aspects of the Group's business. He has also been instrumental in creating the interior design concepts for the stores.

Independent Non-Executive Directors

Mr. CHAN Mo Po, Paul
Aged 52, was appointed an Independent Non-Executive Director of the Company in October 2004. He also serves as a member of the Company's Audit Committee. He is the managing director of PCP CPA Limited and is an independent non-executive director of publicly listed China Resources Land Limited, Kingmaker Footwear Holdings Limited, Hong Kong Economic Times Holdings Limited, China Communication Services Corporation Limited and The Wharf (Holdings) Limited. Mr. Chan is a graduate of The Chinese University of Hong Kong where he obtained both his Bachelor's and Master's degrees in Business Administration. Mr. Chan is a Practicing Certified Public Accountant in Hong Kong and a fellow member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the Association of Chartered Certified Accountants ("ACCA"), the Society of Chinese Accountants and Auditors, the Institute of Chartered Secretaries and Administrators, the Taxation Institute of Hong Kong and the Hong Kong Institute of Company Secretaries. Mr. Chan has over 29 years' experience in accounting and finance field and is a former president of the HKICPA. He is also a former president of the ACCA - Hong Kong.

Mr. WONG Wai Ming
Aged 49, was appointed an Independent Non-Executive Director in October 2004. He also serves as a member of the Company's Audit Committee, Remuneration Committee and Nomination Committee. Mr. Wong is an executive director and chief executive officer of Roly International Holdings Limited and an executive director of Linmark Group Ltd., a company listed on the Hong Kong Stock Exchange. The principal business of Roly Group is the provision of supply chain management services and distribution of consumer products in the PRC. Mr. Wong is also an independent non-executive director of China Unicom Limited, a company listed on the Hong Kong Stock Exchange. Mr. Wong is a chartered accountant and holds a Bachelor of Science degree (with Honours) in Management Sciences from the Victoria University of Manchester, the UK.

Mr. Francis GOUTENMACHER
Aged 66, was appointed an Independent Non-Executive Director in August 2006. He also serves as a member of the Company's Audit Committee and Remuneration Committee. Mr. Goutenmacher holds a Bachelor's degree from Ecole Nationale des Arts Decoratifs in Paris, France. Mr. Goutenmacher has been with Richemont Luxury Group, S.A. ("Richemont"), one of the world leading luxury goods groups, for over 30 years. He has been the Managing Director and Chief Executive Officer of several prestigious brands, like Cartier and Piaget, encompassed by Richemont. Mr. Goutenmacher has just retired as the Regional Chief Executive of Richemont Asia Pacific Limited. He is now running a marketing consultancy firm, Gouten-Consulting Limited, and is a director of this consultancy company. He was appointed as President of The Hong Kong Watch Importers' Association for two years till June 2006.

Senior Management Team

In order to make the business successful, we treat our staff as the assets of the Group. We also have a very strong senior management team to support the operation of the Group. It comprises the following members:

Miss NG Yuk Chau
Aged 39, is the Finance Director. Miss Ng holds a bachelor of Social Sciences degree from the University of Hong Kong and has 16 years of experience in accounting. She joined the Group in January 1994.

Mr. KWONG Kwok Yu
Aged 43, is the Financial Controller of the Group and the Qualified Accountant of the Company. Mr. Kwong holds a Master's degree in Business Administration from the Open University of Hong Kong and is a Fellow Member of the Association of Chartered Certified Accountants and an Associate Member of the Hong Kong Institute of Certified Public Accountants. He has 20 years of professional experience in accounting and auditing. He joined the Group in October 2000.

Miss YU, Michaeline
Aged 40, is the Retail Operation Director. She joined the Group in May 1998 and is responsible for the overall management of the Group's retail operations. Miss Yu holds a Bachelor of Arts degree from the University of California, Berkeley, majoring in Economics, and holds a Master's degree of Pacific International Affairs from the University of California, San Diego. Miss Yu was formerly the retail manager of a number of international fashion retailers and has over 15 years of experience in the fashion retailing industry.

Miss CHOW Hau Mui
Aged 38, is the Retail Administration Director. She joined the Group in March 1994 and is responsible for the formulation and review of policies and procedures relating to the Group's retail operations and inventory control. Miss Chow holds a Bachelor of Business degree from Monash University, Australia. She has over 10 years of experience in retail administration.

Miss LEE Shuk Kuen, Joe
Aged 36, is the Merchandising Director. She joined the Group in June 1998, and is responsible for buying strategy and the procurement of designer brands for the I.T, i.t and ETE multi-brand stores. Miss Lee has over 10 years of buying experience in the fashion retailing industry.

Miss LEE Yuen Pik
Aged 37, is the Brand Director. She joined the Group in May 1996 and is responsible for the design, manufacturing and management of the in-house brand, b+ab, and the licensed brand, Baby Jane. Miss Lee holds a Higher Diploma in Fashion and Clothing Technology from the Hong Kong Polytechnic University. Miss Lee has over 10 years of buying and manufacturing experience in the fashion retailing industry.

Miss CHENG, Deborah
Aged 36, is the Marketing and Communications Director. She joined the Group in December 1997 and is responsible for promotional and public relations events, advertising and media relationships. She has over 10 years of marketing and public relations experience.

Miss YU Lai Hung
Aged 41, is the MIS Director. She joined the Group in August 1997 and is responsible for the design, implementation, support and strategic development of the Group's information technology network. Miss Yu holds a Master's degree in Business Administration from the Open University of Hong Kong and has over 15 years of experience working in information technology.

Miss TAM Shuk Yi
Aged 40, is the Human Resources Director. She joined the Group in November 2000 and has overall responsibility for all personnel matters, human resources planning, training and development. Miss Tam holds a Bachelor of Business degree from La Trobe University, majoring in Human Resources Management, and a Master of Science degree with Honours from the National University of Ireland, majoring in Human Resources Management. She has over 10 years of experience in human resources management.

Miss HO Suk Han, Sophia
Aged 38, is the Company Secretary. She joined the Group in May 2005. Miss Ho holds a Master degree in Business Administration from the Open University of Hong Kong and a Bachelor's degree of Arts (Honour) in Accountancy from the City University of Hong Kong. She has over 15 years of relevant experience and is an associate member of The Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries and Administrators in Hong Kong Limited.

Mr. RAHMAN, Kermid
Aged 35, is the Business Development Director. He joined the Group in December 2005 and is responsible for franchising and licensing management, strategic business development. Mr. Rahman holds a Diploma in Business Administration from the Institute of Business Administration in United Kingdom. He has over 13 years Asia Pacific experience in apparel industry, encompassing sourcing, licensing, brand management and business development.

Miss LAM Tak Yee, Lysanda
Aged 31, is the Strategic and Corporate Development Director. She joined the Group in October 2006 and is responsible for strategic and financial planning, corporate development, e.g. mergers and acquisitions, joint ventures and partnerships and investor relations. Miss Lam holds a Bachelor's degree of Business Administration (Finance) from The Hong Kong University of Science and Technology. She has nearly 10 years corporate finance experience specialising in mergers and acquisitions as well as investment and restructuring works.

I.T HAS UNIQUE BRAND

A

E

O PORTFOLIO

MULTI-BRAND

ME

STORE CONCEPT:

Hong Kong	sq. ft.
Sino Plaza	5,000
apm shopping mall	7,000
Langham Place	18,000
"i.t" Cleverland Street	17,000
"I.T" and "i.t" Silvercord	19,000
"I.T" and "i.t" Festival Walk	27,000

The PRC (operated by GSIT)

Beijing	
Oriental Plaza	21,000
The Place	14,000
Seasons Place (to be opened)	11,000

Shanghai	
Cloud Nine	13,000
Plaza 66	23,000
Xin Tian Di	26,000

GA

CORPORATE GOVERNANCE REPORT

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 the principles and complied throughout the year ended 28 February 2007 the Code on Corporate Governance Practices as set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except for the deviations as mentioned below.

Board of Directors

Subsequent to the re-designation of Dr. Lo Wing Yan, William, J.P. to an Executive Director, the Board had only two Independent Non-Executive Directors from 24 May to 31 July 2006. On 1 August 2006, Mr. Francis Goutenmacher was appointed as Independent Non-Executive Director of the Company in compliance with Rules 3.10 and 3.11 of the Listing Rules. The Board currently comprises six members, three of them being Executive Directors and three Independent Non-Executive Directors. Biographical details of the Directors are set out in *"Biographies of Directors and Senior Management Team"* on pages 29 to 31.

The Independent Non-Executive Directors come from diverse business and professional backgrounds and provide expertise advice in an objective manner. The Company has received written confirmation of independence from each of the Independent Non-Executive Directors and considers that all Independent Non-Executive Directors meet the independence guidelines as set out in the Listing Rules.

Independent Non-Executive Directors are appointed for a one year specific term. Nomination Committee would review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board regarding the renewal of service term of the Independent Non-Executive Directors. The Independent Non-Executive Directors are subject to the re-election provisions laid down in the Company's Bye-laws.

An Independent Non-Executive Director, Mr. Chan Mo Po, Paul, due to personal reason, will retire and not offer himself for re-election at the forthcoming annual general meeting of the Company. The Nomination Committee is currently under discussion with potential candidates. It will nominate to the Board and the Board will appoint an appropriate candidate to replace Mr. Chan as the Independent Non-Executive Director and member of the Audit Committee.

The Company is fully aware that in order to reinforce their respective independence, accountability and responsibility, the role of the Chairman should be separated from that of the Chief Executive Officer. However, Mr. Sham Kar Wai currently holds both positions. The Board believes that vesting the roles of both Chairman 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.

Under the Company's existing Bye-laws, all Directors, including those appointed for a specific term, are subject to retirement by rotation at least once every three years.

The Board has reserved for its decision and consideration issues in relation to strategic developments, substantial acquisitions and disposals, annual and interim results, directors' appointments and significant operational and financial matters. Implementation and execution of Board policies and strategies and daily administrative matters are delegated to the Executive Committee and the senior management team of the Company.

The Board conducts at least four regular Board meetings a year and additional meetings are held as and when required to discuss significant issues. Any material transaction, which involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. Comprehensive information on matters to be discussed at the Board meeting is supplied to the Directors in a timely manner to facilitate discussion and decision-making.

The Board has established four committees, namely the Audit Committee, Remuneration Committee, Nomination Committee and Executive Committee to oversee particular aspects of the Company's affairs. Specific responsibilities of each Committee are described below. Save for the Executive Committee, all Committees are chaired by Independent Non-Executive Directors. Executive Committee comprises the Chief Executive Officer and one Executive Director from time to time. All committees have defined terms of reference which are of no less exacting terms than those set out in the Code on Corporate Governance Practices of the Listing Rules.

Appropriate liability insurance cover has been arranged to indemnify the Company's Directors for their liabilities arising out of corporate activities. The Company reviews the insurance coverage from time to time to ensure adequate coverage.

Audit Committee

The primary responsibility of the Audit Committee is to review the financial reporting process of the Group and its internal control system, and also to oversee the audit process and to perform other duties assigned by the Board. Save for the period from 24 May to 31 July 2006, the Audit Committee comprised three members, all Independent Non-Executive Directors, throughout the year ended 28 February 2007. Before Dr. Lo Wing Yan, William, J.P. re-designated as an Executive Director of the Company on 24 May 2006, he was a Committee member. Currently, Mr. Chan Mo Po, Paul acts as the Chairman, and Mr. Wong Wai Ming and Mr. Francis Goutenmacher are the Committee members. All Committee members and ex-member possess appropriate professional qualifications, accounting or related financial management expertise as required under the Listing Rules.

The Audit Committee met four times in the year ended 28 February 2007. The Committee has reviewed the quarterly results of the Company, the audit plans and findings of external auditor, external auditor's independence, the accounting principles and practices of the Group, Listing Rules and statutory compliance, internal controls, risk management and financial reporting matters and made recommendations to the Company to improve the quality of financial information to be disclosed. The Audit Committee has also reviewed the external auditor's remuneration. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of external auditor.

Mr. Chan Mo Po, Paul will retire and not offer himself for re-election at the forthcoming annual general meeting. Thereafter, Mr. Wong Wai Ming, being a chartered accountant, will act as Chairman of the Committee. The Nomination Committee is currently under discussion with potential candidates and will nominate a suitable candidate to the Board to replace Mr. Chan as a Committee member.

Remuneration Committee

The Remuneration Committee is responsible for reviewing the remuneration packages of Executive Directors and senior management, including bonuses and options granted under the Share Option Scheme, to ensure that such remuneration is reasonable and not excessive. Save for the period from 24 May to 31 July 2006, the Remuneration Committee comprised three members, majority of which are Independent Non-Executive Directors, throughout the year ended 28 February 2007. Before Dr. Lo Wing Yan, William, J.P. re-designated as an Executive Director of the Company on 24 May 2006, he was the Chairman of the Committee. Currently, the Remuneration Committee comprises three members, namely Mr. Francis Goutenmacher as Chairman, and Mr. Wong Wai Ming and Mr. Sham Kar Wai as the Committee members.

The Remuneration Committee met six times in the year ended 28 February 2007.

Remuneration policy of the Company is to enable the Company to retain and motivate employees (including Executive Directors) to meet corporate objectives. An Executive Director is not allowed to approve his own remuneration. The remuneration package of Executive Director includes basic salary, housing allowance, discretionary bonus and share option. The directors' fee of Independent Non-Executive Directors is subject to annual assessment. Remuneration surveys conducted by independent consultants on companies operating in similar businesses are referred to when the Remuneration Committee is considering the remuneration packages of the Directors.

Nomination Committee

The Nomination Committee is responsible for selecting Board members and ensuring transparency of the selection process. The Committee should identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships. The Nomination Committee met three times in the year ended 28 February 2007. There are three members in the Nomination Committee. Mr. Wong Wai Ming, being an Independent Non-Executive Director, acts as Chairman, and Mr. Sham Kar Wai as a Committee member. On 30 March 2007, Dr. Lo Wing Yan, William, J.P. replaced Mr. Chan Wai Mo, Alva as a Committee member after Mr. Chan's resignation.

Executive Committee

The Executive Committee was established to approve routine corporate administration matters from time to time delegated by the Board. The Executive Committee comprises the Chief Executive Officer and any one Executive Director from time to time. The Committee met six times in the year ended 28 February 2007.

Details of Directors' attendance of the Board and Committee meetings held during the year ended 28 February 2007 are set out as follows:–

	Meetings Attended					
	Board	Independent Non-executive Directors	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors						
Mr. Sham Kar Wai (Note 1)	7/7		6/6		6/6	3/3
Dr. Lo Wing Yan, William, J.P. (Note 2)	7/7		6/6	1/4	1/6	
Mr. Sham Kin Wai (Note 1)	7/7		5/6			
Mr. Chan Wai Mo, Alva (Note 3)	7/7		1/6			3/3
Non-Executive Director						
Dr. Yeung Chun Kam, Charles, S.B.S., J.P. (Note 4)	3/7					
Independent Non-Executive Directors						
Mr. Chan Mo Po, Paul (Note 5)	6/7	1/1		4/4		
Mr. Wong Wai Ming (Note 6)	7/7	1/1		4/4	6/6	3/3
Mr. Francis Goutenmacher (Note 7)	4/7	1/1		3/4	2/6	

Note 1: Mr. Sham Kar Wai and Mr. Sham Kin Wai are brothers

Note 2: Dr. Lo Wing Yan, William, J.P. was re-designated as an Executive Director on 24 May 2006. Before re-designation, he was an Independent Non-Executive Director, Chairman of Remuneration Committee and member of Audit Committee

Note 3: Mr. Chan Wai Mo, Alva resigned as an Executive Director effective from 30 March 2007

Note 4: Dr. Yeung Chun Kam, Charles resigned as an Non-Executive Director effective from 19 October 2006

Note 5: Chairman of Audit Committee

Note 6: Chairman of Nomination Committee

Note 7: Mr. Francis Goutenmacher was appointed as an Independent Non-Executive Director and Chairman of the Remuneration Committee effective from 1 August 2006

Accountability and Audit

The Directors acknowledge their responsibility for preparing the financial statements of the Company and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards.

The statements of the external auditor of the Company, PricewaterhouseCoopers, with regard to their reporting responsibilities on the Company's financial statements is set out in *"Independent Auditor's Report"* on page 52.

During the year ended 28 February 2007, the fees paid or payable to PricewaterhouseCoopers were approximately HK$1,400,000 and HK$287,000 for audit services and non-audit services rendered to the Group respectively.

Internal Control

The Company is committed to the identification, monitoring and management of risks associated with its business activities and has implemented control systems like clearly defined lines of responsibilities, cash management system, treasury and investment appraisal policies, budgeting and monitoring systems for performance measurement for business units, constant review of the Group's performance by the Board, etc. Financial, operational and compliance procedures are reviewed constantly to ensure effectiveness. Management meetings are held as and when required to address irregularities immediately. The Board communicates on a regular basis with the external auditor and the Audit Committee on risk exposure. During the year ended 28 February 2007, the Board has reviewed the effectiveness of the system of internal control of the Company and its subsidiaries.

Directors' Securities Transactions

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. Employees who are likely to possess unpublished price-sensitive information of the Company are also subject to compliance with the same terms as the Model Code. Having made specific enquiry, all Directors have confirmed that throughout the year under review they have fully complied with the required standard set out in the Model Code regarding securities transactions by the Directors.

Investor Relations

The Company adheres to practices that promote and maintain transparency and fair disclosure. Management team communicates with research analysts and institutional investors and attends major investors' conferences and international non-deal road-shows in an on-going manner to provide comprehensive information on the Company's business strategies and developments. Management team meets research analysts and the press after results announcements to ensure ample reporting of the Company's performance. Press releases are arranged for timely and non-selective dissemination of corporate news.

To enhance transparency and ease of retrieval of data, the Company has revamped its website to keep the shareholders and the public informed of the Company's latest announcements, publications and presentations.

Shareholders' Rights

The general meetings of the Company are mediums for shareholders to have direct dialogue with the Board. The Chairman of the Board as well as Committee Chairmen and members are available to answer questions at the shareholders' meetings. External auditor also attends annual general meetings to address shareholders' enquiries.

Under the Company's Bye-laws, shareholders have right to demand a poll on any resolution at shareholders' meetings. The Company is committed to follow all statutory procedures as required when poll is taken.

Shareholders can send in their enquiries in writing to the Company Secretary at the Company's business address in Hong Kong. The Board seriously considers shareholders' enquiries and address accordingly. No shareholders' enquiry was received during the year ended 28 February 2007.

http://www.izzue.com x Amnesty International HK "Make Some Noise for A Better World" Charity Tee Sales

http://www.izzue.com supported Amnesty International HK to organise "Make Some Noise for A Better World" t-shirt charity sale in October 2006. The event was in big success with the support from local celebrities by designing the "Make Some Noise" tee with their unique drawings or messages which aroused concerns of young generations about war and human rights.

To maximize the charity proceeds, t-shirts with pop stars' autographs and "Make Some Noise" limited edition John Lennon album was arranged for auction. All proceeds from the t-shirt charity sale and the auction came up to a total of HK$420,000, was donated to Amnesty International HK to support the local operations.

http://www.izzue.com x AIDS concern

http://www.izzue.com joint hands with AIDS concern to promote Stop AIDS by launching "PASSPORT TO SAFE SEX" condom package in December 2006. The package came with a camouflage case designed by http://www.izzue.com with a condom of different flavors and a usage description and tips booklet. "PASSPORT TO SAFE SEX" condom package was available at http://www.izzue.com shops, the proceeds of HK$41,963 were donated to AIDS concern.

Make a Donation to SPCA at CHOCOOLATE

In celebration of the 7th store opening on 28 January 2007, CHOCOOLATE raised public's concern on pets caring by offering a free dog gift pack for those who accompanied their dogs to the Lockhart Road new shop. More, CHOCOOLATE arranged a SPCA donation box at the shop and donated 50% of the sale on pet items on the event day to SPCA. While customers were buying gifts for their dogs, they were also helping other animals for a better life.

BEAMS T and <Milk> joint hands to help the young cancer patients

In celebration of a popular local magazine <Milk> 5th anniversary, Beams T and <Milk> co-designed a T-shirt for charity sale, aimed to support and show our care to the young cancer patients and their families. The T-shirts were autographed by a group of young singers and artistes, as to show their support to this meaningful act as well. The sale was taken place at i.t Silvercord BEAMS T corner in December 2006 and all T-shirts were sold out within days which at last came up with a total of HK$8,268. The proceeds were donated to Children's Cancer Foundation.

2006 "fingercroxx x Xlarge" limited Calendar Box-Sets x AIDS CONCERNS

In celebration of fingercroxx 3rd anniversary, double-park proudly presented the DREAMS come true Exhibition photo shot by renowned photographer Wing Sha@Shya-la-la in EXIT by double-park. Images of street fashion devotees including Jan Lamb, Eric Kot, Sam Lee, Josie Ho, Ah-Yue etc. were featured. 2006 "fingercroxx x Xlarge" Calendar Box-sets with these special styling photographs were available for sale and 50% of the sales proceeds were donated to AIDS CONCERN in support for their on-going HIV/AIDS prevention and support programs.

The Directors of I.T Limited (the "Company") have pleasure in submitting their annual report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 28 February 2007.

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 consolidated 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 consolidated financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries as at 28 February 2007 are set out in note 17 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated income statement on page 53.

The Board recommended the payment of a final dividend of HK5.0 cents (2006: HK4.8 cents) per ordinary share, totalling HK$51,985,000 (2006: HK$49,867,000), for the year ended 28 February 2007.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$470,000 (2006: HK$200,000).

FURNITURE AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 28 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Company during the year are set out in note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 28 February 2007, the Company's reserves available for cash distribution, as computed in accordance with The Companies Act 1981 of Bermuda (as amended), amounted to HK$232,550,000, of which HK$51,985,000 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 87 and 88.

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	
Dr. Lo Wing Yan, William, J.P.	(re-designated as Executive Director on 24 May 2006)
Mr. Sham Kin Wai	
Mr. Chan Wai Mo, Alva	(resigned on 30 March 2007)

Non-Executive

Dr. Yeung Chun Kam, Charles, S.B.S. J.P.	(resigned on 19 October 2006)

Independent Non-Executive

Mr. Chan Mo Po, Paul	(not offered himself for re-election at the forthcoming annual general meeting)
Mr. Wong Wai Ming	
Mr. Francis Goutenmacher	(appointed on 1 August 2006)

In accordance with Clauses 86(2) of the Company's Bye-laws, Mr. Francis Goutenmacher shall hold office until the forthcoming annual general meeting of the Company, being eligible, offers himself for re-election.

In accordance with Clauses 87 of the Company's Bye-laws, Dr. Lo Wing Yan, William will retire by rotation at the forthcoming annual general meeting of the Company, being eligible, offers himself for re-election.

Due to personal reason, Mr. Chan Mo Po, Paul will retire and not offer himself for re-election at forthcoming annual general meeting of the Company.

Independent Non-Executive Directors were appointed for a one-year term. The term of service of Mr. Chan Mo Po, Paul and Mr. Wong Wai Ming will expire on 18 October 2007 while Mr. Francis Goutenmacher's on 31 July 2007. The Company has received from each of its Independent Non-Executive Directors a 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 or its subsidiary 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 consolidated 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 38.

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 29 to 31.

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 2007, 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	64.65%
Sham Kin Wai	Interest in controlled company and beneficiary of trust (Notes 2 and 3)	672,075,000	64.65%

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 deemd 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.

(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%
	GP (FE) Limited	Interests in controlled company	100%
	Income Team 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%
	Shine Team Development Limited	Interests in controlled company	100%
	Veston Limited	Interests in controlled company	100%
	Young Ranger Investment 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%
	GP (FE) Limited	Interests in controlled company	100%
	Income Team 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%
	Shine Team Development Limited	Interests in controlled company	100%
	Veston Limited	Interests in controlled company	100%
	Young Ranger Investment 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 2007.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from those disclosed in the section headed "Share Options" under this report on page 44, 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.

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	Number of Share Options As at 1 March 2006	Exercised during the year	Held as at 28 February 2007
Director					
Chan Wai Mo, Alva (resigned on 30 March 2007)	7 February 2005	4 September 2005 to 7 February 2008	600,000	(600,000)	–
Continuous contract employee	7 February 2005	4 September 2005 to 7 February 2008	200,000	–	200,000
Consultant	7 February 2005	4 September 2005 to 7 February 2008	5,000,000	–	5,000,000
			5,800,000	(600,000)	5,200,000

(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$10 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.

On 16 February 2007, the Company granted options under the Share Option Scheme to a Director to subscribe for an aggregate of 6,000,000 shares in the Company at a price of HK$1.56 per share, exercisable during the period from 16 February 2007 to 15 February 2010. The closing price of the Company's shares immediately before the date on which the options were granted was HK$1.52.

	Date of grant	Exercise period	Exercise price per share HK$	Number of Share Options As at 1 March 2006	Granted during the year	Forfeited during the year	Held as at 28 February 2007
Director							
Chan Wai Mo, Alva (Note 1)	28 April 2005	28 April 2005 to 27 April 2008	2.35	3,000,000	–	–	3,000,000
Lo Wing Yan, William	16 February 2007	16 February 2007 to 15 February 2010	1.56	–	6,000,000	–	6,000,000
Continuous contract employees	28 April 2005	28 April 2005 to 27 April 2008	2.35	11,950,000	–	(800,000)	11,150,000
				14,950,000	6,000,000	(800,000)	20,150,000

Note:

(1) resigned on 30 March 2007

(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	Options granted on 28 April 2005 under the Share Option Scheme	Options granted on 16 February 2007 under the Share Option Scheme
Share price at the grant dated	HK$1.95	HK$2.1	HK$1.55
Exercise price per share	HK$0.1	HK$2.35	HK$1.56
Standard deviation of expected share price returns	33%	33%	36%
Expected life of options	3 years	1.6 years	3 years
Expected dividend paid out rate	2.5%	2.5%	3.5%
Annual risk free rate	2.15%	2.79%	4.11%

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

As at 28 February 2007, 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
Arisaig Greater China Fund Limited	Beneficial owner	83,444,000	8.03%
Arisaig Partners (Mauritius) Ltd (Note 1)	Interest in corporation	83,444,000	8.03%
Lindsay William Ernest Cooper (Note 2)	Interest in corporation	83,444,000	8.03%
3WH Limited	Beneficial owner	336,037,500	32.33%
Effective Convey Limited (Note 3)	Beneficial owner	336,037,500	32.33%
Dynamic Vitality Limited (Note 3)	Interest in corporation	336,037,500	32.33%
The ABS 2000 Trust (Notes 3 and 4)	Interest in corporation	336,037,500	32.33%
HSBC International Trustee Limited (Note 4)	Interest in corporation	338,187,500	32.53%

Notes:

1. Arisaig Partners (Mauritius) Ltd is the fund manager of Arisaig Greater China Fund Limited.

2. Mr. Lindsay William Ernest Cooper is deemed interested in the Shares held by Arisaig Greater China Fund Limited through his indirect 33.33% interest in Arisaig Partners (Mauritius) Ltd.

3. 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.

4. 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 2007, which do not constitute connected transactions under the Listing Rules, are disclosed in note 33 to the consolidated 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 2007. 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 2007 (unaudited) HK$'000
Non-current assets	135,132
Current assets	171,182
Current liabilities	(214,676)
Net current liabilities	(43,494)
Total assets less current liabilities	91,638
Non-current liabilities	
Deferred income tax liabilities	(2,685)
Amount due to shareholders	(100,704)
	(103,389)
Net liabilities	(11,751)
Capital and reserves attributable to the company's equity holders	(11,751)

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 36 to 39.

AUDITOR

The consolidated 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

Lo Wing Yan, William
Vice Chairman

Hong Kong, 25 May 2007

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PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF I.T LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of I.T Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 53 to 86, which comprise the consolidated and Company balance sheets as at 28 February 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 28 February 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 May 2007

CONSOLIDATED INCOME STATEMENT

For the year ended 28 February 2007

	Note	**2007** **HK$'000**	2006 HK$'000
Revenue	5	**1,530,763**	1,314,443
Cost of sales	7	**(640,442)**	(540,243)
Gross profit		**890,321**	774,200
Other losses, net	6	**(4,395)**	(273)
Operating expenses	7	**(749,898)**	(642,553)
Operating profit		**136,028**	131,374
Finance income, net	10	**16,010**	14,992
Share of (loss)/profit of jointly controlled entities	18	**(3,912)**	4,237
Profit before income tax		**148,126**	150,603
Income tax expense	11	**(25,723)**	(28,289)
Profit for the year, attributable to the equity holders of the Company		**122,403**	122,314
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK$ per share)			
– basic	13	**HK$0.12**	HK$0.12
– diluted	13	**HK$0.12**	HK$0.12
Dividends	14	**51,985**	49,867

The accompanying notes are an integral part of these consolidated financial statements.

BALANCE SHEETS

As at 28 February 2007

		Consolidated		Company	
		2007	2006	**2007**	2006
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS					
Non-current assets					
Furniture and equipment	15	**93,191**	97,237	**–**	–
Intangible assets	16	**14,819**	19,169	**–**	–
Investments in and amounts due from subsidiaries	17	**–**	–	**613,081**	522,050
Investments in and amounts due from jointly controlled entities	18	**83,233**	51,699	**–**	–
Rental deposits	19	**56,352**	43,418	**–**	–
Deferred income tax assets	27	**5,761**	576	**–**	–
Other assets		**2,330**	1,080	**–**	–
		255,686	213,179	**613,081**	522,050
Current assets					
Inventories	20	**196,299**	148,267	**–**	–
Trade receivables	21	**9,252**	6,638	**–**	–
Amount due from a jointly controlled entity	18	**82,437**	44,557	**–**	–
Prepayments, deposits and other receivables	22	**82,010**	44,833	**222**	538
Derivative financial instruments	26	**1,883**	–	**–**	–
Pledged bank deposits	23 & 31	**750**	750	**–**	–
Cash and cash equivalents	23	**364,820**	424,881	**161,268**	214,184
		737,451	669,926	**161,490**	214,722
LIABILITIES					
Current liabilities					
Trade and bills payables	24	**(66,805)**	(48,151)	**–**	–
Accruals and other payables	25	**(71,648)**	(62,739)	**(33)**	(38)
Derivative financial instruments	26	**(424)**	(2,430)	**–**	–
Current income tax liabilities		**(19,423)**	(9,900)	**–**	–
		(158,300)	(123,220)	**(33)**	(38)
Net current assets		**579,151**	546,706	**161,457**	214,684
Total assets less current liabilities		**834,837**	759,885	**774,538**	736,734
Non-current liabilities					
Other payables	25	**(7,585)**	(10,388)	**–**	–
Deferred income tax liabilities	27	**(499)**	(2,231)	**–**	–
		(8,084)	(12,619)	**–**	–
Net assets		**826,753**	747,266	**774,538**	736,734
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	28	**103,950**	103,890	**103,950**	103,890
Reserves	29	**722,803**	643,376	**670,588**	632,844
Total equity		**826,753**	747,266	**774,538**	736,734

SHAM KAR WAI
Chairman

LO WING YAN, WILLIAM
Vice Chairman

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 28 February 2007

	Note	Attributable to equity holders of the Company		
		Share capital	Reserves	Total
		HK$'000	HK$'000	HK$'000
Balance at 1 March 2006		103,890	643,376	747,266
Net income recognised directly in equity				
– cash flow hedges	29	–	2,555	2,555
– currency translation differences		–	2,612	2,612
Profit for the year		–	122,403	122,403
Total recognised income for the year		–	127,570	127,570
Proceeds from issue of shares under a share option scheme	28	60	–	60
Share option scheme				
– value of employment services	29	–	1,724	1,724
Dividend		–	(49,867)	(49,867)
		60	(48,143)	(48,083)
Balance at 28 February 2007		103,950	722,803	826,753
Balance at 1 March 2005		100,000	485,966	585,966
Net expense recognised directly in equity				
– cash flow hedges	29	–	(1,735)	(1,735)
Profit for the year		–	122,314	122,314
Total recognised income for the year		–	120,579	120,579
Proceeds from issue of shares in connection with the Listing	28 & 29	3,750	69,375	73,125
Proceeds from issue of shares under a share option scheme	28	140	–	140
Share issue costs	29	–	(1,836)	(1,836)
Share option schemes				
– value of employment services	29	–	13,904	13,904
Dividend		–	(44,612)	(44,612)
		3,890	36,831	40,721
Balance at 28 February 2006		103,890	643,376	747,266

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 28 February 2007

	Note	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Cash generated from operations	30(a)	**114,709**	143,458
Interest paid		**(3)**	(969)
Income tax paid		**(23,281)**	(24,400)
Income tax refunded		**164**	25
Net cash generated from operating activities		**91,589**	118,114
Cash flows from investing activities			
Purchase of furniture and equipment		**(45,039)**	(77,134)
Purchase of intangible assets		**(1,380)**	(10,354)
Proceeds from disposal of furniture and equipment	30(b)	**688**	–
Decrease/(Increase) in investment in a jointly controlled entity		**4,000**	(4,000)
Increase in amounts due from jointly controlled entities		**(72,880)**	(37,473)
Interest received		**12,768**	14,059
Net cash used in investing activities		**(101,843)**	(114,902)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**60**	73,265
Share issue costs		**–**	(3,866)
Repayments of long-term bank borrowings		**–**	(145,000)
Net decrease in trust receipts import bank loans		**–**	(37,075)
Dividends paid		**(49,867)**	(44,612)
Decrease in pledged bank deposits		**–**	17,000
Net cash used in financing activities		**(49,807)**	(140,288)
Net decrease in cash and cash equivalents		**(60,061)**	(137,076)
Cash and cash equivalents, beginning of the year		**424,881**	561,957
Cash and cash equivalents, end of the year	30(c)	**364,820**	424,881

The accompanying notes are an integral part of these consolidated financial statements.

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 has its listing on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong Dollars ("HK$"), unless otherwise stated.

These consolidated financial statements were approved for issue by the Company's Board of Directors on 25 May 2007.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements comprise the consolidated and Company balance sheets at 28 February 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and the explanatory notes.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

These consolidated 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 (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Although these estimates are based on management's best knowledge of events and actions, actual results ultimately may differ from those estimates.

(a) Amendments and interpretations to published standards effective from accounting periods beginning on 1 March 2006 and are relevant to the Group's operations

The following amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 and are relevant to the Group's operations:

- Amendment to HKAS 39 and HKFRS 4, Amendment "Financial Guarantee Contracts" (effective for annual periods beginning on or after 1 January 2006). This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (i) the unamortised balance of the related fees received and deferred, and (ii) the expenditure required to settle the commitment at the balance sheet date. The adoption of this amendment does not have a significant impact on these consolidated financial statements.

- HK(IFRIC)-Int 4 "Determining Whether an Arrangement Contains a Lease" (effective for annual periods beginning on or after 1 January 2006). It requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (i) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (ii) the arrangement conveys a right to use the asset. The adoption of this interpretation does not have a significant impact on these consolidated financial statements.

- HKAS 21 Amendment "Net Investment in a Foreign Operation" (effective for annual periods beginning on or after 1 January 2006). This amendment permits inter-company loans denominated in any currency to be part of a net investment in a foreign operation, and therefore any relating exchange difference to be treated as equity in the consolidated financial statements. Previously such loans had to be denominated in the functional currency of one of the parties to the transaction. The adoption of this amendment does not have a significant impact on these consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (continued)

(b) New standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following are the new standards and interpretations to existing standards that have been published and are mandatory for accounting periods beginning on or after 1 May 2006 or later periods that the Group has not early adopted:

- HKFRS 7 "Financial Instruments: Disclosures" (effective for annual periods beginning on or after 1 January 2007), HKAS 1 "Amendments to capital disclosures" (effective for annual periods beginning on or after 1 January 2007). HKFRS 7 introduces new disclosures relating to financial instruments. The Group has assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of HKAS 1. The Group will adopt HKFRS 7 and the amendment to HKAS 1 from annual periods beginning 1 March 2007.

- HKFRS 8 "Operating Segments" (effective for accounting periods beginning on or after 1 January 2009). HKFRS 8 supersedes HKAS 14, "Segment Reporting", which requires segments to be reported based on the Group's internal reporting pattern as they represent components of the Group regularly reviewed by management. Management considers the adoption of HKFRS 8 will have no significant impact on the segment disclosures of the Group. The Group will apply HKFRS 8 from 1 March 2009.

- HK(IFRIC)-Int 8 "Scope of HKFRS 2" (effective for annual periods beginning on or after 1 May 2006). HK(IFRIC)-Int 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of HKFRS 2. The Group will apply HK(IFRIC)-Int 8 from 1 March 2007, but it is not expected to have any significant impact on the Group's consolidated financial statements.

- HK(IFRIC)-Int 9 "Reassessment of Embedded Derivatives" (effective for annual periods beginning on or after 1 June 2006). Management believes that this interpretation should not have significant impact on the Group's accounting policies as the Group has already assessed whether embedded derivatives should be separated using principles consistent with HK(IFRIC)-Int 9. The Group will apply HK(IFRIC)-Int 9 from 1 March 2007.

- HK(IFRIC)-Int 10 "Interim Financial Reporting and Impairment" (effective for annual periods beginning on or after 1 November 2006). HK(IFRIC)-Int 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply HK(IFRIC)-Int 10 from 1 March 2007, but it is not expected to have any significant impact on the Group's consolidated financial statements.

- HK(IFRIC)-Int 11 "HKFRS 2 – Group and Treasury Share Transfer" (effective for annual periods beginning on or after 1 March 2007). This interpretation addresses how certain share-based payment arrangements between group companies should be accounted for in the financial statements. The Group will apply HK(IFRIC)-Int 11 from 1 March 2007 but it is not expected to have any significant impact on the Group's consolidated financial statements.

(c) Interpretations to existing standards that are not yet effective and not relevant to the Group's operations

The following interpretation to existing standard has been published that is mandatory for the accounting period beginning on or after 1 January 2008 and is not relevant for the Group's operations:

- HK(IFRIC)-Int 12, "Service Concession Arrangements", (effective for annual accounting periods beginning on or after 1 January 2008). This interpretation sets out general principles on recognising and measuring the obligation and related rights in service concession arrangements. The Group has no service concession arrangements and management considers the interpretation is not relevant to the Group.

(d) Standards, amendments and interpretations effective from accounting periods beginning on 1 March 2006 but not relevant to the Group's operations

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

- HKAS 19 Amendment – Employee Benefits;
- HKAS 39 Amendment – Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- HKAS 39 Amendment – The Fair Value Option;
- HKFRS 1 Amendment – First-time Adoption of Hong Kong Financial Reporting Standards;
- HK(IFRIC)-Int 5 – Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds;
- HK(IFRIC)-Int 6 – Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment; and
- HK(IFRIC)-Int 7 – Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 28 February.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Jointly controlled entities

Jointly controlled entities are entities where the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interests in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in jointly controlled entities are recognised in the income statement.

2.3 SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is the Company's functional and presentation currency.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 FOREIGN CURRENCY TRANSLATION (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

2.5 FURNITURE AND EQUIPMENT

Furniture and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

Depreciation of furniture and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	4 years or over the unexpired period of the lease, whichever is shorter
Furniture and equipment	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the income statement.

2.6 LICENCE RIGHTS

Licence rights (intangible assets) are stated at historical cost less accumulated amortisation and accumulated impairment losses, if any. They are initially measured as the fair value of the consideration given to acquire the licence at the time of the acquisition. The consideration given represents the capitalised present values of the fixed minimum periodic payments to be made in subsequent years in respect of the acquisition of the licence rights.

Licence rights are amortised over the licence period on a basis that reflects the pattern in which the licence's future economic benefits are expected to be consumed by the Group.

2.7 IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation, are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date and in this case they are classified as non-current assets.

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, if any. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method of costing and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of inventories.

2.10 TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, if any. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered as indicators that the receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating expenses. When a receivable is uncollectible, it is written off against the allowance for receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement.

2.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities on the balance sheet.

2.12 TRADE PAYABLES

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.13 LICENCE FEES PAYABLE

Licence fees payable in respect of the acquisition of licence rights are initially recognised at fair value of the consideration given to acquire the licence at the time of the acquisition, which represent the present values of the fixed minimum periodic payments to be made in subsequent years. They are subsequently stated at amortised cost using the effective interest method less amounts paid.

Interest is accrued on licence fees payable and charged to interest expense. Changes in estimates of the expected cash flows are recognised as "other gains/(losses), net" in the income statement. The revised expected cash flows are discounted using the original effective interest rate to arrive at the carrying amount of the liability.

2.14 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15 DEFERRED INCOME TAX

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 EMPLOYEE BENEFITS

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group has a defined contribution plan. The Group pays contributions to trustee-administered pension fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employment costs when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses. It recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) Share-based compensation

The Group operates two equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.17 PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 SHARE CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

2.19 REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group’s activities. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group’s activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 REVENUE RECOGNITION (continued)

(a) Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

Retail sales are usually paid in cash or by credit/debit cards. The recorded revenue is the gross amount of sale, including credit card fees payable for the transaction. Such fees are included in operating expenses.

(b) Royalty income

Royalty income is recognised on an accrual basis in accordance with the terms of the relevant agreements.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Sales of coupons is deferred and recognised as income upon utilisation of the related coupons.

2.20 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the income statement in the period in which they are incurred.

2.21 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

(i) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within "other gains/(losses), net".

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast purchase that is hedged takes place). The gain or loss relating to the effective portion of forward foreign exchange contracts hedging import purchases is recognised in the income statement within "cost of sales". However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. The deferred amounts are ultimately recognised in cost of sales in case of inventory.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within "other gains/(losses), net".

(ii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting and are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement within "other gains/(losses), net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 OPERATING LEASES (AS THE LESSEE)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.23 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.24 FINANCIAL GUARANTEES

A financial guarantee (a type of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantees at inception, but performs a liability adequacy test at each balance sheet date by comparing its net liability regarding the financial guarantee with the amount that would be required if the financial guarantee were to result in a present legal or constructive obligation. If the liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the income statement immediately.

2.25 DIVIDEND DISTRIBUTIONS

Dividend distributions to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest rate risk.

Management regularly monitors the financial risks of the Group and uses derivative financial instruments to hedge certain foreign exchange risk exposures. Because of the simplicity of the financial structure and the current operations of the Group, no other hedging activities are undertaken by management.

(a) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from the exposure in Japanese Yen, Pound Sterling, Euros and Chinese Renminbi against Hong Kong Dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in operations in Mainland China.

To manage their foreign exchange risk arising from certain future commercial transactions and recognised liabilities, entities in the Group use forward currency exchange contracts, transacted with external financial institutions. Foreign exchange risk arises when future commercial transactions or recognised liabilities are denominated in a currency that is not the entity's functional currency.

The Group's risk management policy is to hedge between 80% and 100% of anticipated transactions (mainly import purchases) in each major currency for the subsequent season. The projected purchases in each major currency qualify as 'highly probable' forecast transactions for hedge accounting purposes.

The Group has certain investments in Mainland China, whose net assets are denominated in Chinese Renminbi. Chinese Renminbi is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China.

(b) Credit risk

The Group has no significant concentrations of credit risk. Retail sales are usually paid in cash or by major credit/debit cards. Derivative counter parties and cash transactions are limited to high-credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 FINANCIAL RISK FACTORS (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group's management aims to maintain flexibility in funding by keeping committed credit lines available.

(d) Cash flow and fair value interest rate risk

Except for the short-term bank deposits as at 28 February 2007 of HK$216,924,000 held at effective interest rate of 3.9% per annum, the Group has no significant interest-bearing assets and liabilities. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

3.2 FAIR VALUE ESTIMATION

The fair values of forward currency contracts are determined using quoted forward exchange rates at the balance sheet date.

The nominal value less estimated credit adjustments of receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of investments in and amounts due from jointly controlled entities, furniture and equipment, and intangible assets

Investments in and amounts due from jointly controlled entities, furniture and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts are determined based on value-in-use calculations or market valuations. These calculations require use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the income statement.

(b) Useful lives and residual values of furniture and equipment

The Group's management determines the estimated useful lives, residual values and consequently related depreciation charges for its furniture and equipment. This estimate is based on the historical experience of the actual useful lives of furniture and equipment of similar nature and functions. It could change significantly as a result of any future management determination of shop relocation or renovation. Management will increase the depreciation charge where useful lives are less than previously estimated lives. Actual economic lives may differ from estimated useful lives; and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in future periods.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling prices in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in economic conditions in places where the Group operates and changes in customer taste and competitor actions in response to changes in market conditions. Management reassesses these estimates at each balance sheet date.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(d) Trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and current market conditions, and requires the use of judgements and estimates. Management reassesses the provision at each balance sheet date.

(e) Deferred taxation

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates are changed.

(f) Employee benefits – share-based payments

The determination of the fair value of the share options granted requires estimates in determining the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate for the life of the option and the number of share options that are expected to become exercisable. Where the outcome of the number of options that are exercisable is different, such difference will impact the income statement in the subsequent remaining vesting period of the relevant share options.

5 SEGMENT INFORMATION

(a) Analysis of revenue by category

	2007 **HK$'000**	2006 HK$'000
Sales of fashion wears and accessories	**1,525,676**	1,310,600
Royalty income	**5,087**	3,843
	1,530,763	1,314,443

(b) Segment information

No segment analysis for business segment is presented as the Group principally operates in one business segment, which was the sales of fashion wears and accessories.

No segment analysis for geographical segment is presented as substantially all of the Group's sales, operating results, assets (excluding investments in and amounts due from jointly controlled entities) and liabilities were located in Hong Kong. The Group's operations in Mainland China are carried out through its jointly controlled entities.

6 OTHER LOSSES, NET

	2007 **HK$'000**	2006 HK$'000
Derivative financial instruments: forward currency contracts, transactions not qualifying as hedge and ineffective portion of changes in fair values	**(60)**	(273)
Write-off of prepaid expenses (i)	**(4,335)**	–
	(4,395)	(273)

Note:

(i) During the year ended 28 February 2007, the Group decided to terminate a sub-licence agreement which enabled the Group to operate 'Saks Fifth Avenue' retail stores in Mainland China, and in this connection wrote off related costs of approximately HK$4,335,000.

7 EXPENSES BY NATURE

	2007 HK$'000	2006 HK$'000
Cost of inventories sold	**636,675**	532,802
Write-downs of inventories to net realisable value	**1,062**	3,177
Employment costs (including directors' emoluments) (Note 8)	**271,532**	231,130
Operating lease rentals of premises		
– minimum lease payments	**259,989**	223,550
– contingent rents	**13,376**	13,670
Advertising and promotion costs	**19,720**	9,853
Depreciation of furniture and equipment	**47,068**	41,452
Loss on disposal of furniture and equipment	**1,329**	488
Licence fees		
– amortisation of licence rights	**8,828**	10,355
– contingent licence fees	**3,906**	5,387
Auditor's remuneration	**1,400**	1,160
Net exchange gains	**(6,659)**	(4,643)
Other expenses	**132,114**	114,415
Total cost of sales and operating expenses	**1,390,340**	1,182,796

8 EMPLOYMENT COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	2007 HK$'000	2006 HK$'000
Salaries, commission and allowances	**256,281**	207,758
Bonus	**2,160**	–
Pension costs – employer's contributions to a defined contribution plan and provision for long service payment	**10,957**	9,090
Share options granted	**1,724**	13,904
Welfare and other benefits	**410**	378
	271,532	231,130

(a) Pension – defined contribution plan

The Group has arranged for its employees to join the Hong Kong Mandatory Provident Fund Scheme ("the MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employee are subject to a cap of HK$1,000 and thereafter contributions are voluntary. The Group has no further obligation for post-retirement benefits beyond the contributions.

During the year ended 28 February 2007, the amount of the Group's employer contributions to the MPF Scheme was approximately HK$10,708,000 (2006: HK$9,090,000).

9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of each director of the Company for the year ended 28 February 2007 is set out below:

Name of Director	Fees	Salaries	Bonus	Other benefits(i)	Employer's contributions to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors						
Mr. Sham Kar Wai	–	4,355	–	960	12	5,327
Mr. Sham Kin Wai	–	3,081	–	636	12	3,729
Dr. Lo Wing Yan, William (ii)	–	2,315	2,160	1,724	10	6,209
Mr. Chan Wai Mo, Alva (v)	203	1,260	–	–	12	1,475
Non-executive director						
Dr. Yeung Chun Kam, Charles (iv)	96	–	–	–	–	96
Independent non-executive directors						
Mr. Chan Mo Po, Paul	161	–	–	–	–	161
Dr. Lo Wing Yan, William (ii)	117	–	–	–	–	117
Mr. Wong Wai Ming	161	–	–	–	–	161
Mr. Francis Goutenmacher (iii)	98	–	–	–	–	98
	836	11,011	2,160	3,320	46	17,373

The remuneration of each director of the Company for the year ended 28 February 2006 is set out below:

Name of Director	Fees	Salaries	Other benefits(i)	Employer's contributions to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Mr. Sham Kar Wai	–	4,355	960	12	5,327
Mr. Sham Kin Wai	–	3,187	530	12	3,729
Mr. Chan Wai Mo, Alva	67	880	1,465	12	2,424
Non-executive director					
Dr. Yeung Chun Kam, Charles	67	–	–	–	67
Independent non-executive directors					
Mr. Chan Mo Po, Paul	67	–	–	–	67
Dr. Lo Wing Yan, William	67	–	–	–	67
Mr. Wong Wai Ming	67	–	–	–	67
	335	8,422	2,955	36	11,748

No directors waived any emoluments during the year ended 28 February 2007 (2006: Nil).

Notes:

(i) Other benefits include housing allowance and the amortisation to the income statement of the fair value of Pre-IPO Share Options and share options under the Share Option Scheme measured at the respective grant dates, regardless of whether the share options would be exercised or not.

(ii) Re-designated from an independent non-executive director to an executive director on 24 May 2006.

(iii) Appointed on 1 August 2006.

(iv) Resigned on 19 October 2006.

(v) Resigned on 30 March 2007.

9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include four (2006: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2006: two) individual are as follows:

	2007 HK$'000	2006 HK$'000
Salaries	**1,560**	1,632
Other benefits (i)	**–**	1,124
Employer's contributions to pension scheme	**12**	51
	1,572	2,807

Note:

(i) Other benefits include housing allowance and the amortisation to the income statement of the fair value of Pre-IPO Share Options and share options under the Share Option Scheme measured at the respective grant dates, regardless of whether the share options would be exercised or not.

The emoluments of the remaining one (2006: two) individual fell within the following bands:

	2007	2006
Nil – HK$1,000,000	**–**	–
HK$1,000,001 – HK$1,500,000	**–**	2
HK$1,500,001 – HK$2,000,000	**1**	–
	1	2

(c) During the year ended 28 February 2007, no emolument was paid by the Company to any of the directors or the five highest individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2006: Nil).

10 FINANCE INCOME, NET

	2007 HK$'000	2006 HK$'000
Interest income from		
– bank deposits	**9,800**	14,059
– amounts due from jointly controlled entities	**4,802**	1,353
– others	**2,028**	1,245
Finance income	**16,630**	16,657
Interest expense on		
– bank borrowings wholly repayable within five years	**(3)**	(969)
– licence fees payable	**(617)**	(696)
Finance costs	**(620)**	(1,665)
Net finance income	**16,010**	14,992

11 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 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 17.5% (2006: 17.5%) on the estimated assessable profits of the Group's operations in Hong Kong.

The amounts of taxation charged to the consolidated income statement represent:

	2007	2006
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax	**32,879**	24,917
– Overprovision in prior year	**(239)**	–
Deferred income tax (Note 27)	**(6,917)**	3,372
	25,723	28,289

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the profits tax rate in Hong Kong, where the Group principally operates in, as follows:

	2007	2006
	HK$'000	HK$'000
Profit before income tax, excluding share of profit/loss of jointly controlled entities	**152,038**	146,366
Tax calculated at a tax rate of 17.5% (2006: 17.5%)	**26,607**	25,614
Income not subject to tax	**(2,036)**	(2,843)
Expenses not deductible for tax purposes	**1,391**	5,518
Overprovision in prior year	**(239)**	–
Tax expense	**25,723**	28,289

12 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$85,887,000 (2006: HK$55,963,000).

13 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.

	2007	2006
Profit attributable to equity holders of the Company (HK$'000)	**122,403**	122,314
Weighted average number of ordinary shares in issue ('000)	**1,039,345**	1,035,466
Basic earnings per share (HK$)	**0.12**	0.12

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.

13 EARNINGS PER SHARE (continued)

	2007	2006
Profit attributable to equity holders of the Company (HK$'000)	**122,403**	122,314
Weighted average number of ordinary shares in issue ('000)	**1,039,345**	1,035,466
Adjustments for share options ('000)	**4,842**	5,362
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,044,187**	1,040,828
Diluted earnings per share (HK$)	**0.12**	0.12

14 DIVIDENDS

	2007 HK$'000	2006 HK$'000
Final, proposed, of HK5.0 cents (2006: HK4.8 cents) per ordinary share	**51,985**	49,867

A dividend in respect of the year ended 28 February 2007 of HK5.0 cents per share, amounting to a total dividend of HK$51,985,000, is to be proposed for approval at the upcoming Annual General Meeting. These consolidated financial statements do not reflect this dividend payable. Such dividend represents HK$51,975,000 for the 1,039,500,000 shares issued and outstanding as at 28 February 2007 and an additional amount of approximately HK$10,000 for the 200,000 shares issued in April 2007 upon exercise of Pre-IPO Share Options as disclosed in Note 34(b).

15 FURNITURE AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
At 1 March 2005			
Cost	132,120	18,816	150,936
Accumulated depreciation	(77,707)	(11,186)	(88,893)
Net book amount	54,413	7,630	62,043
Year ended 28 February 2006			
Opening net book amount	54,413	7,630	62,043
Additions	56,461	20,673	77,134
Disposals	(459)	(29)	(488)
Depreciation	(36,636)	(4,816)	(41,452)
Closing net book amount	73,779	23,458	97,237
At 28 February 2006			
Cost	178,727	38,819	217,546
Accumulated depreciation	(104,948)	(15,361)	(120,309)
Net book amount	73,779	23,458	97,237
Year ended 28 February 2007			
Opening net book amount	73,779	23,458	97,237
Additions	39,675	5,364	45,039
Disposals	(1,619)	(398)	(2,017)
Depreciation	(38,992)	(8,076)	(47,068)
Closing net book amount	72,843	20,348	93,191
At 28 February 2007			
Cost	201,318	42,128	243,446
Accumulated depreciation	(128,475)	(21,780)	(150,255)
Net book amount	72,843	20,348	93,191

Depreciation expense of HK$47,068,000 (2006: HK$41,452,000) has been included in operating expenses.

16 INTANGIBLE ASSETS

Intangible assets represent licence rights on branded products with contractual rights up to December 2009.

	HK$'000
At 1 March 2005	
Cost	–
Accumulated amortisation	–
Net book amount	–
Year ended 28 February 2006	
Opening net book amount	–
Additions	29,524
Amortisation	(10,355)
Closing net book amount	19,169
At 28 February 2006	
Cost	29,524
Accumulated amortisation	(10,355)
Net book amount	19,169
Year ended 28 February 2007	
Opening net book amount	19,169
Additions	4,478
Amortisation	(8,828)
Closing net book amount	14,819
At 28 February 2007	
Cost	34,002
Accumulated amortisation	(19,183)
Net book amount	14,819

Amortisation of licence rights of HK$8,828,000 (2006: HK$10,355,000) has been included in operating expenses.

17 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES – COMPANY

	2007 HK$'000	2006 HK$'000
Unlisted investments, at cost	**136,880**	136,880
Amounts due from subsidiaries	**476,201**	385,170
	613,081	522,050

(a) Details of the subsidiaries as at 28 February 2007 are as follows:

Name	Place of incorporation and operations	Issued and fully paid capital	Percentage of equity interest attributable to the Group (i)	Principal activities
Amwell Development Limited	Hong Kong	HK$300,000	100%	Holding leases
b+ab (bvi) limited	British Virgin Islands	US$1	100%	Investment holding
b&ab Limited	Hong Kong	HK$500,000	100%	Retail of fashion wears and accessories
Black Chocoolate Limited	Hong Kong	HK$1	100%	Holding leases
Blossom Glory Limited	Hong Kong	HK$500,000	100%	Retail of fashion wears and accessories
Century Team Corporation Limited	Hong Kong	HK$2	100%	Investment holding
Charm Source Limited	Hong Kong	HK$5,000,000	100%	Retail of fashion wears and accessories
Cheerful Joyce Limited	Hong Kong	HK$2	100%	Holding leases
Cheersway Development Limited	Hong Kong	HK$2	100%	Holding leases
Cheerwood Limited	Hong Kong	HK$2	100%	Retail of fashion wears and accessories
Double Park Limited	Hong Kong	HK$500,000	100%	Retail of fashion wears and accessories
Elegance Source Limited	Hong Kong	HK$2	100%	Holding leases
Elegant Century Enterprises Limited	Hong Kong	HK$500,000	100%	Retail of fashion wears and accessories
Enwell Limited	Hong Kong	HK$2	100%	Holding leases
Chocoolate Limited (formerly known as "Good Praise Limited")	Hong Kong	HK$500,000	100%	Retail of fashion wears and accessories
i.t apparels Limited	Hong Kong	HK$500,000	100%	Retail and trading of fashion wears and accessories
I.T. CHINA (B.V.I.) LIMITED	British Virgin Islands	US$1	100%	Investment holding
I.T Licensing Limited	Hong Kong	HK$1	100%	Inactive
I.T Distribution Limited	Hong Kong	HK$2	100%	Trading of fashion wears and accessories

17 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES – COMPANY (continued)

(a) Details of the subsidiaries as at 28 February 2007 are as follows: (continued)

Name	Place of incorporation and operations	Issued and fully paid capital	Percentage of equity interest attributable to the Group (i)	Principal activities
I.T (China) Limited (formerly known as "Glamour Profits Limited")	British Virgin Islands	US$1	100%	Investment holding
ithk associates limited	British Virgin Islands	US$1	100%	Investment holding
ithk investments limited	British Virgin Islands	US$1	100%	Investment holding
ithk holdings limited	British Virgin Islands	US$20,000	100%	Investment holding
ithk tm limited	British Virgin Islands	US$1	100%	Holding trademarks
Izzue Limited	Hong Kong	HK$500,000	100%	Retail of fashion wears and accessories
izzue (bvi) limited	British Virgin Islands	US$1	100%	Investment holding
Jandix Limited	Hong Kong	HK$500,000	100%	Retail of fashion wears and accessories
Janport Limited	Hong Kong	HK$1	100%	Holding leases
Jetchance Limited	Hong Kong	HK$2	100%	Retail of fashion wears and accessories
Joyful Fair Limited	Hong Kong	HK$500,000	100%	Investment holding and retail of fashion wears and accessories
Kenchart Investments Limited	Hong Kong	HK$300,000	100%	Retail of fashion wears and accessories
King Chart Limited	Hong Kong	HK$10,000	100%	Retail of fashion wears and accessories
Legend Grace International Limited	Hong Kong	HK$2	100%	Retail of fashion wears and accessories
Mega Charm Industrial Limited	Hong Kong	HK$1	100%	Holding leases
Promax Concept Limited	Hong Kong	HK$1	100%	Holding leases
Venilla Suite Limited (formerly known as "Rainbow Hope Investment Limited")	Hong Kong	HK$300,000	100%	Retail of fashion wears and accessories
Regent Cheer Limited	Hong Kong	HK$2	100%	Retail of fashion wears and accessories
Sanjose Limited	Hong Kong	HK$2	100%	Investment holding
Sunport Holdings Limited	Hong Kong	HK$2	100%	Investment holding
Top Honour Corporation Limited	Hong Kong	HK$4,000,000	100%	Retail of fashion wears and accessories
Turbo Corporation Limited	Hong Kong	HK$2	100%	Holding leases
White Chocoolate Limited	Hong Kong	HK$1	100%	Inactive

Note:

(i) The shares of ithk holdings limited are held directly by the Company. The shares of the other subsidiaries are held indirectly.

17 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES – COMPANY (continued)

(b) Amounts due from subsidiaries

Amounts due from subsidiaries represent equity funding by the Company to the respective subsidiaries and are measured in accordance with the Company's accounting policy for investments in subsidiaries.

18 INVESTMENTS IN AND AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

	2007 HK$'000	2006 HK$'000
Share of net assets	8,795	14,095
Amounts due from jointly controlled entities	156,875	82,161
	165,670	96,256
Less: current portion of amounts due from jointly controlled entities	(82,437)	(44,557)
	83,233	51,699

(a) Share of net assets of jointly controlled entities

	2007 HK$'000	2006 HK$'000
Beginning of the year	14,095	5,858
Share of results of jointly controlled entities		
– (loss)/profit before taxation	(4,740)	3,515
– taxation	828	722
– translation reserve	2,612	–
Capital (reduction)/injection	(4,000)	4,000
End of the year	8,795	14,095

The Group's aggregated share of the revenues, results, assets, liabilities and commitments of its jointly controlled entities are as follows:

	2007 HK$'000	2006 HK$'000
Revenues	203,579	140,692
(Loss)/Profit	(3,912)	4,237
Assets	170,712	113,707
Liabilities	(161,917)	(99,612)
Capital commitments	–	–

Details of the principal jointly controlled entities as at 28 February 2007 are as follows:

Name	Place of incorporation and operations	Issued and fully paid capital	Percentage of equity interest attributable to the Group indirectly	Principal activities
FCUK IT Company	Hong Kong	HK$32,000,000	50%	Retail of fashion wears and accessories
G.S – i.t Limited	Hong Kong	HK$2	50%	Investment holding

18 INVESTMENTS IN AND AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES (continued)

(b) Amounts due from jointly controlled entities

Amounts due from jointly controlled entities of HK$74,438,000 (2006: HK$37,604,000) are unsecured, non-interest bearing and not repayable within one year. These amounts are carried at amortised costs using the effective interest rate of 3.0% per annum. As at 28 February 2007, the carrying amounts of these amounts due from jointly controlled entities approximate their fair values.

The remaining balance due from a jointly controlled entity of HK$82,437,000 (2006: HK$44,557,000) is unsecured, interest-bearing at 5% per annum and repayable within 7 days.

(c) There are no material contingent liabilities relating to the Group's investments in the jointly controlled entities, and no material contingent liabilities of the jointly controlled entities themselves.

19 RENTAL DEPOSITS

Rental deposits are carried at amortised costs using the effective interest rates ranging from 3.0% per annum to 3.8% per annum. As at 28 February 2007, the carrying amounts of rental deposits approximate their fair values.

20 INVENTORIES

	2007 HK$'000	2006 HK$'000
Fashion wears and accessories	**194,875**	147,398
Consumables	**1,424**	869
	196,299	148,267

As a result of the changes in product portfolio and the recovery of economic conditions in Hong Kong, the Group has revised its estimates relating to inventory provision policy during the year. If the old inventory provision policy was used for the current year, an additional provision of approximately HK$13,259,000 to write-down inventories to net realisable value would have been made and the net profit for the year ended 28 February 2007 would be reduced by approximately HK$13,259,000.

21 TRADE RECEIVABLES

The Group's sales are mainly in cash or credit/debit cards. The Group grants to a limited number of corporate customers credit periods generally ranging from 30 to 60 days. As at 28 February 2007, all trade receivables were aged between 0 and 90 days (2006: between 0 and 90 days).

The carrying amounts of trade receivables approximate their fair values.

The Group's trade receivables were denominated in the following currencies:

	2007 HK$'000	2006 HK$'000
Hong Kong Dollars	**8,905**	6,212
United States Dollars	**343**	422
Euros	**4**	4
	9,252	6,638

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Consolidated		**Company**	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Prepayments	**57,840**	21,429	**–**	–
Rental and utility deposits	**23,520**	23,024	**–**	–
Other receivables	**650**	380	**222**	538
	82,010	44,833	**222**	538

The carrying amounts of deposits and other receivables approximate their fair values.

23 PLEDGED BANK DEPOSITS, CASH AND CASH EQUIVALENTS

	Consolidated		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Pledged bank deposits	**750**	750	**–**	–
Cash at bank and in hand	**147,896**	119,238	**528**	306
Short-term bank deposits	**216,924**	305,643	**160,740**	213,878
	365,570	425,631	**161,268**	214,184

The effective interest rates on cash at bank and in hand and short-term bank deposits were 0.5% per annum (2006: 1.4% per annum) and 3.9% per annum (2006: 3.0% per annum), respectively. The short-term bank deposits have maturities ranging from 2 to 93 days.

Pledged bank deposits, cash and cash equivalents were denominated in the following currencies:

	Consolidated		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong Dollars	**317,360**	403,568	**161,268**	214,184
Euros	**22,739**	19,250	**–**	–
Japanese Yen	**23,818**	1,395	**–**	–
United States Dollars	**1,200**	523	**–**	–
Pound Sterling	**453**	895	**–**	–
	365,570	425,631	**161,268**	214,184

24 TRADE AND BILLS PAYABLES

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

	2007	2006
	HK$'000	HK$'000
0 to 30 days	**53,516**	41,543
31 to 60 days	**8,662**	4,883
61 to 90 days	**3,086**	529
91 to 180 days	**1,240**	852
181 to 365 days	**256**	256
Over 365 days	**45**	88
	66,805	48,151

The Group's trade and bills payables were denominated in the following currencies:

	2007	2006
	HK$'000	HK$'000
Hong Kong Dollars	**36,013**	20,652
Euros	**12,617**	17,289
Japanese Yen	**13,842**	5,733
United States Dollars	**2,794**	3,325
Pound Sterling	**1,539**	1,152
	66,805	48,151

25 ACCRUALS AND OTHER PAYABLES

	Consolidated		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unutilised coupon	**1,914**	2,040	**–**	–
Accruals				
– Rental premises	**32,363**	33,394	**–**	–
– Employment costs	**17,575**	10,941	**–**	–
– Others	**10,525**	8,963	**33**	38
Licence fees payable	**13,525**	15,718	**–**	–
Other payables	**3,331**	2,071	**–**	–
	79,233	73,127	**33**	38
Less non-current portion:				
Licence fees payable	**(7,585)**	(10,388)	**–**	–
	71,648	62,739	**33**	38

Licence fees payable are recognised based on a discount rate equal to the Group's weighted average borrowing rate at 4.0% per annum at the date of acquisition of such obligation.

Licence fees payable were denominated in the following currencies:

	2007	2006
	HK$'000	HK$'000
Hong Kong Dollars	**1,862**	3,300
United States Dollars	**11,663**	12,418
	13,525	15,718

The carrying amounts of payables approximate their fair values.

26 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments represent forward currency contracts designated as cash flow hedges. Gains and losses in equity on forward currency contracts as at 28 February 2007 will be released to the income statement at various dates between six months to one year from that date.

As at 28 February 2007, the notional amounts of the outstanding forward currency exchange contracts to buy Japanese Yen and Euros for hedging against foreign exchange risk exposures relating to firm purchase orders of fashion wears and accessories and certain outstanding payables denominated in those currencies, are approximately HK$85,439,000 (2006: HK$75,650,000).

27 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net amounts are as follows:

	2007 HK$'000	2006 HK$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	2,820	124
– Deferred income tax assets to be recovered within 12 months	2,941	452
	5,761	576
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	(374)	(2,231)
– Deferred income tax liabilities to be settled within 12 months	(125)	–
	(499)	(2,231)
	5,262	(1,655)

The movements on the net deferred income tax assets/(liabilities) accounts are as follows:

	2007 HK$'000	2006 HK$'000
Beginning of the year	(1,655)	1,717
Recognised in the consolidated income statement (Note 11)	6,917	(3,372)
End of the year	5,262	(1,655)

The movement in deferred tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities –

	Accelerated tax depreciation	
	2007 HK$'000	2006 HK$'000
Beginning of the year	(2,238)	(1,520)
Recognised in the income statement	505	(718)
End of the year	(1,733)	(2,238)

Deferred tax assets –

	Decelerated tax depreciation		Tax losses		Total	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Beginning of the year	497	2,706	86	531	583	3,237
Recognised in the income statement	2,821	(2,209)	3,591	(445)	6,412	(2,654)
End of the year	3,318	497	3,677	86	6,995	583

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. Such tax loss has no expiry date. As at 28 February 2007, the Group has no material unrecognised tax losses.

28 SHARE CAPITAL

Movements were:

	Note	Number of shares '000	Nominal value HK$'000
Authorised:			
At 1 March 2005, 28 February 2006 and 28 February 2007			
Ordinary shares of HK$0.1 each		3,000,000	300,000
Issued and fully paid:			
At 1 March 2005		1,000,000	100,000
Issue of shares in connection with the Listing	(i)	37,500	3,750
Issue of shares under a share option scheme	(ii)	1,400	140
At 28 February 2006		1,038,900	103,890
Issue of shares under a share option scheme	(iii)	600	60
At 28 February 2007		1,039,500	103,950

Notes –

(i) 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 of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Listing"), and raised gross proceeds of HK$73,125,000.

(ii) In September 2005, the Company issued 1,400,000 ordinary shares of HK$0.1 each at HK$0.1 per share upon the exercise of certain Pre-IPO Share Options.

(iii) In November 2006, the Company issued 600,000 ordinary shares of HK$0.1 each at HK$0.1 per share upon the exercise of certain Pre-IPO Share Options.

Share options

(a) On 7 February 2005, the Company granted Pre-IPO Share Options to a director and certain employees (including a consultant) 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. The Group has no legal or constructive obligation to repurchase or settle these Pre-IPO Share Options in cash. No additional Pre-IPO Share Options can be granted.

The fair value of the Pre-IPO Share Options granted on 7 February 2005 determined using the Binomial Option Pricing Model, was approximately HK$1.71 per share option, totalling approximately HK$12,338,000. The significant inputs into the Binomial Option Pricing Model were as follows:

Share price at the grant date	HK$1.95
Exercise price per share	HK$0.10
Standard deviation of expected share price returns	33.00%
Expected life of options	3 years
Expected dividend paid out rate	2.50%
Annual risk free rate	2.15%

Movements in the number of Pre-IPO Share Options and the exercise prices of the related Pre-IPO Share Options are as follows:

	2007		2006	
	Exercise price per share HK$	**Options '000**	Exercise price per share HK$	Options '000
Beginning of the year	**0.1**	**5,800**	0.1	7,200
Exercised	**0.1**	**(600)**	0.1	(1,400)
End of the year	**0.1**	**5,200**	0.1	5,800

28 SHARE CAPITAL (continued)

Share options (continued)

(b) In February 2005, the Company has adopted a share option scheme ("Share Option Scheme"), which will remain in force for 10 years up to February 2015. Share options may be granted to eligible participants as defined in the Share Option Scheme to subscribe for shares in the Company. The exercise price is determined by the Board and shall not be 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 of Hong Kong Limited on the date of the offer; and (iii) the average closing price of the shares as stated in the daily quotation sheets issued by The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of offer. A consideration of HK$10 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 to be adopted by the Company from time to time must not in aggregate exceed 30% of the share capital of the Company in issue from time to time. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

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 fair value of the options granted on 28 April 2005, determined using the Binomial Option Pricing Model, was approximately HK$0.18 per share option, totalling approximately HK$2,859,000.

On 16 February 2007, the Company granted options under the Share Option Scheme to a director of the Group to subscribe for an aggregate of 6,000,000 shares in the Company at a price of HK$1.56 per share, exercisable during the period from 16 February 2007 to 15 February 2010. The fair value of the options granted on 16 February 2007, determined using the Binomial Option Pricing Model, was approximately HK$0.29 per share option, totalling approximately HK$1,724,000.

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

Grant date	28 April 2005	16 February 2007
Share price at the grant date	HK$2.10	HK$1.55
Exercise price per share	HK$2.35	HK$1.56
Standard deviation of expected share price returns	33.00%	36.00%
Expected life of options	1.6 years	3 years
Expected dividend paid out rate	2.50%	3.50%
Annual risk free rate	2.79%	4.11%

Movements in the number of options under the Share Option Scheme and the exercise prices of the related share options are as follows:

	2007		2006	
	Exercise price per share HK$	**Options '000**	Exercise price per share HK$	Options '000
Beginning of the year	**2.35**	**14,950**	–	–
Granted	**1.56**	**6,000**	2.35	15,750
Forfeited	**2.35**	**(800)**	2.35	(800)
End of the year	**2.11**	**20,150**	2.35	14,950

(c) Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	**Exercise price per share HK$**	**Share options 2007 '000**	Share options 2006 '000
7 February 2008	0.1	**5,200**	5,800
27 April 2008	2.35	**14,150**	14,950
15 February 2010	1.56	**6,000**	–
		25,350	20,750

29 RESERVES

(a) Group

	Share premium HK$'000	Share-based payment reserve HK$'000	Capital reserve HK$'000	Hedging reserve HK$'000	Translation HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 March 2006	423,661	12,798	32,337	(1,735)	–	176,315	643,376
Profit for the year	–	–	–	–	–	122,403	122,403
Cash flow hedge							
– fair value gains	–	–	–	3,194	–	–	3,194
– transfers to income statement	–	–	–	60	–	–	60
– transfers to inventories	–	–	–	(699)	–	–	(699)
Share option scheme							
– value of employment services	–	1,724	–	–	–	–	1,724
Exercise of share options	1,028	(1,028)	–	–	–	–	–
Forfeiture of share options	–	(145)	–	–	–	145	–
Currency translation differences							
– jointly controlled entities	–	–	–	–	2,612	–	2,612
Dividend	–	–	–	–	–	(49,867)	(49,867)
Balance at 28 February 2007	424,689	13,349	32,337	820	2,612	248,996	722,803
Representing –							
2007 Final dividend proposed						51,985	
Others						197,011	
						248,996	
Analysed by –							
Company and subsidiaries	424,689	13,349	32,337	820	–	258,813	730,008
Jointly controlled entities	–	–	–	–	2,612	(9,817)	(7,205)
Balance at 28 February 2007	424,689	13,349	32,337	820	2,612	248,996	722,803

	Share premium HK$'000	Share-based payment reserve HK$'000	Capital reserve HK$'000	Hedging reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 March 2005	353,723	1,293	32,337	–	98,613	485,966
Profit for the year	–	–	–	–	122,314	122,314
Cash flow hedge						
– fair value losses	–	–	–	(2,430)	–	(2,430)
– transfers to income statement	–	–	–	273	–	273
– transfers to inventories	–	–	–	422	–	422
Issue of shares in connection with the Listing (Note 28)	69,375	–	–	–	–	69,375
Share issue costs	(1,836)	–	–	–	–	(1,836)
Share option schemes						
– value of employment services	–	13,904	–	–	–	13,904
Exercise of share options	2,399	(2,399)	–	–	–	–
Dividend	–	–	–	–	(44,612)	(44,612)
Balance at 28 February 2006	423,661	12,798	32,337	(1,735)	176,315	643,376
Representing –						
2006 Final dividend proposed					49,867	
Others					126,448	
					176,315	
Analysed by –						
Company and subsidiaries	423,661	12,798	32,337	(1,735)	182,220	649,281
Jointly controlled entities	–	–	–	–	(5,905)	(5,905)
Balance at 28 February 2006	423,661	12,798	32,337	(1,735)	176,315	643,376

29 RESERVES (continued)

(b) Company

	Share premium HK$'000	Share-based payment reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 March 2006	423,661	12,798	136,680	59,705	632,844
Profit for the year	–	–	–	85,887	85,887
Share option scheme					
– value of employment services	–	1,724	–	–	1,724
Exercise of share options	1,028	(1,028)	–	–	–
Forfeiture of share options	–	(145)	–	145	–
Dividend	–	–	–	(49,867)	(49,867)
Balance at 28 February 2007	424,689	13,349	136,680	95,870	670,588
Representing –					
2007 Final dividend proposed				51,985	
Others				43,885	
				95,870	
Balance at 1 March 2005	353,723	1,293	136,680	48,354	540,050
Profit for the year	–	–	–	55,963	55,963
Issue of shares in connection with					
the Listing (Note 28)	69,375	–	–	–	69,375
Share issue costs	(1,836)	–	–	–	(1,836)
Share option schemes					
– value of employment services	–	13,904	–	–	13,904
Exercise of share options	2,399	(2,399)	–	–	–
Dividend	–	–	–	(44,612)	(44,612)
Balance at 28 February 2006	423,661	12,798	136,680	59,705	632,844
Representing –					
2006 Final dividend proposed				49,867	
Others				9,838	
				59,705	

30 CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

	2007 HK$'000	2006 HK$'000
Profit for the year	**122,403**	122,314
Adjustments for:		
– Income tax expense	**25,723**	28,289
– Interest expense	**620**	1,665
– Interest income	**(16,630)**	(16,657)
– Share of loss/(profit) of jointly controlled entities	**3,912**	(4,237)
– Depreciation of furniture and equipment	**47,068**	41,452
– Amortisation of intangible assets	**8,828**	10,355
– Fair value loss on derivative financial instruments	**60**	273
– Loss on disposal of furniture and equipment	**1,329**	488
– Share option costs	**1,724**	13,904
	195,037	197,846
Changes in working capital:		
– Increase in rental deposits	**(10,906)**	(1,503)
– Increase in other assets	**(1,250)**	(1,080)
– Increase in inventories	**(48,731)**	(45,782)
– (Increase)/Decrease in trade receivables	**(2,614)**	3,202
– Increase in prepayments, deposits and other receivables	**(37,177)**	(16,398)
– Increase in trade and bills payables	**18,654**	7,278
– Increase/(Decrease) in accruals and other payables	**1,696**	(105)
Cash generated from operations	**114,709**	143,458

(b) In the cash flow statement, proceeds from disposal of furniture and equipment comprises:

	2007 HK$'000	2006 HK$'000
Net book value (Note 15)	**2,017**	488
Loss on disposal of furniture and equipment	**(1,329)**	(488)
Proceeds from disposal of furniture and equipment	**688**	–

(c) Analysis of cash and cash equivalents:

	2007 HK$'000	2006 HK$'000
Cash and bank deposits	**364,820**	424,881

31 BANKING FACILITIES AND PLEDGE OF ASSETS

As at 28 February 2007, the Group had aggregate banking facilities of approximately HK$339,500,000 (2006: HK$312,500,000) for overdrafts, bank loans and trade financing, of which approximately HK$254,424,000 (2006: HK$235,063,000) was unutilised as at the same date. These facilities are secured by:

(i) the Group's bank deposits of HK$750,000 (2006: HK$750,000); and

(ii) corporate guarantees provided by the Company and certain subsidiaries.

In addition, the Group has agreed with certain banks to comply with certain restrictive financial covenants.

32 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Operating lease commitments

The Group leases various retail shops, offices and warehouses under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future aggregate minimal lease payments are as follows:

	2007 **HK$'000**	2006 HK$'000
Not later than one year	**273,062**	220,077
Later than one year and not later than five years	**374,197**	265,482
Later than five years	**–**	4,637
	647,259	490,196

The above lease commitments only include commitments for basic rentals, and do not include commitments for additional rental payable (contingent rents), if any, which are to be determined generally by applying pre-determined percentages to future sales less the basic rentals of the respective leases, as it is not possible to determine in advance the amount of such additional rentals.

(b) Contingent liabilities

	2007 **HK$'000**	2006 HK$'000
Letters of guarantee issued by banks in lieu of rental deposits	**19,550**	16,660

The Company's Directors and the Group's management anticipate that no material liabilities will arise from the above bank and other guarantees which arose in the ordinary course of business.

33 RELATED PARTY TRANSACTIONS

As at 28 February 2007, the Group was controlled by the 'Sham' family via:

(i) Effective Convey Limited (incorporated in the British Virgin Islands), which owns 32.33% of the Company's shares. Effective Convey Limited is indirectly wholly-owned by a discretionary trust for the benefit of, amongst others, Mr. Sham Kar Wai and Mr. Sham Kin Wai; and

(ii) 3WH Limited (incorporated in Hong Kong), which owns 32.33% of the Company's shares. 3WH Limited is owned by Mr. Sham Kar Wai and his wife, and Mr. Sham Kin Wai.

(a) Details of significant transactions with related parties

	2007 **HK$'000**	2006 HK$'000
Sales of fashion wears and accessories to a jointly controlled entity (i)	**74,178**	47,970
Royalty income earned from a jointly controlled entity	**5,087**	3,843
Commission income earned from a jointly controlled entity	**264**	83
Reimbursement of operating expenses by jointly controlled entities	**5,868**	4,563
Interest income from amounts due from jointly controlled entities	**4,802**	1,353

Note:

(i) Sales of fashion wears and accessories to a jointly controlled entity was made at cost.

33 RELATED PARTY TRANSACTIONS (continued)

(b) Key management compensation

	2007 HK$'000	2006 HK$'000
Directors' fees	**203**	67
Salaries and allowances	**24,952**	19,718
Bonuses	**2,160**	–
Pension costs – employer's contributions to a defined contribution plan	**432**	348
Share options granted	**1,724**	5,426
	29,471	25,559

34 SIGNIFICANT SUBSEQUENT EVENTS

(a) In March 2007, the Group applied an amount due from G.S-i.t Limited ("GSIT"), a jointly controlled entity, of HK$29,999,999 to pay up additional shares issued by GSIT. As a result, the Group has maintained its 50% equity interest in GSIT.

(b) In April 2007, 200,000 Pre-IPO Share Options were exercised at HK$0.1 per share. In this connection, the Company issued 200,000 ordinary shares of HK$0.1 each and raised gross proceeds of HK$20,000.

FIVE YEAR FINANCIAL SUMMARY

CONSOLIDATED INCOME STATEMENT

	Year ended 28 February 2007 HK$'000	Year ended 28 February 2006 HK$'000	Year ended 28 February 2005 HK$'000	Year ended 29 February 2004 HK$'000	Year ended 28 February 2003 HK$'000
Revenue	**1,530,763**	1,314,443	1,041,017	812,168	731,983
Cost of sales	**(640,442)**	(540,243)	(406,546)	(326,571)	(316,280)
Gross profit	**890,321**	774,200	634,471	485,597	415,703
Other losses, net	**(4,395)**	(273)	–	–	–
Operating expense	**(749,898)**	(642,553)	(488,597)	(361,684)	(344,441)
Operating profit	**136,028**	131,374	145,874	123,913	71,262
Finance income/(cost), net	**16,010**	14,992	(390)	(4,170)	(9,648)
Share of (loss)/profit of jointly controlled entities	**(3,912)**	4,237	(8,863)	(1,792)	110
Gain on disposal of subsidiaries	**–**	–	–	9,012	–
Profit before income tax	**148,126**	150,603	136,621	126,963	61,724
Income tax expense	**(25,723)**	(28,289)	(25,181)	(21,373)	(13,770)
Profit for the year, attributable to equity holders of the Company	**122,403**	122,314	111,440	105,590	47,954
Dividends	**51,985**	49,867	234,612	20,000	20,000

FIVE YEAR FINANCIAL SUMMARY (Continued)

CONSOLIDATED BALANCE SHEETS

	As at 28 February 2007 HK$'000	As at 28 February 2006 HK$'000	As at 28 February 2005 HK$'000	As at 29 February 2004 HK$'000	As at 28 February 2003 HK$'000
ASSETS					
Non-current assets					
Furniture and equipment	**93,191**	97,237	62,043	32,737	20,001
Intangible assets	**14,819**	19,169	–	–	–
Investments in and amounts due from jointly controlled entities	**83,233**	51,699	62,150	33,503	2,497
Rental deposits	**56,352**	43,418	40,858	29,139	17,185
Amounts due from related companies	**–**	–	–	51,221	23,601
Deferred income tax assets	**5,761**	576	2,642	904	1,172
Other assets	**2,330**	1,080	–	–	–
	255,686	213,179	167,693	147,504	64,456
Current assets					
Inventories	**196,299**	147,398	101,194	66,216	53,189
Trade receivables	**9,252**	6,638	9,840	8,622	2,737
Amounts due from a jointly controlled entity	**82,437**	44,557	–	–	–
Prepayments, deposits and other receivables	**82,010**	45,702	29,304	13,685	17,063
Derivative financial instruments	**1,883**	–	–	–	–
Amounts due from directors	**–**	–	–	17,927	30,734
Amounts due from related parties	**–**	–	–	40	–
Pledged bank deposits	**750**	750	17,750	750	5,220
Cash and cash equivalents	**364,820**	424,881	561,983	53,406	75,832
	737,451	669,926	720,071	160,646	184,775
LIABILITIES					
Current liabilities					
Borrowings	**–**	–	(130,461)	(21,443)	(65,221)
Trade and bills payables	**(66,805)**	(48,151)	(40,873)	(24,662)	(30,479)
Accruals and other payables	**(71,648)**	(62,739)	(55,396)	(21,464)	(19,595)
Derivative financial instruments	**(424)**	(2,430)	–	–	–
Current income tax liabilities	**(19,423)**	(9,900)	(9,358)	(7,680)	(7,962)
Dividend payable	**–**	–	–	(10,000)	(20,000)
	(158,300)	(123,220)	(236,088)	(85,249)	(143,257)
Net current assets	**579,151**	546,706	483,983	75,397	41,518
Total assets less current liabilities	**834,837**	759,885	651,676	222,901	105,974
Non-current liabilities					
Borrowings	**–**	–	(51,640)	(31,195)	–
Other payables	**(7,585)**	(10,388)	–	–	–
Deferred income tax liabilities	**(499)**	(2,231)	(925)	(178)	(47)
	(8,084)	(12,619)	(52,565)	(31,373)	(47)
Net assets	**826,753**	747,266	599,111	191,528	105,927
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	**103,950**	103,890	100,000	8	8
Reserves	**722,803**	643,376	499,111	191,520	105,919
Total equity	**826,753**	747,266	599,111	191,528	105,927