I.T

ANNUAL REPORT

07/08

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I.T LIMITED ANNUAL REPORT 07/08

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TREND S

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 self managed retail network extending to over 270 stores across Greater China with staff around 3,000.

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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 and accessori

VE FOR FASHION

es with 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

A

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
lexander McQueen
Tsumori Chisato
Yves Saint Laurent
Chloe
Ann Demeulemeester
D & G
Dior Homme
VISVIM

In-house brands include http://www
:CHOCOOLATE and Venilla suite. Lice
Underground, Hyoma and Baby Jane
established French Connection store
joint ventures with French Connectio

I.T leverages some of its in-house ar
franchisees in new markets. The bra
and Saudi Arabia. More shops will be
countries, Australia and South East A

.izzue.com, b+ab, 5cm, fingercroxx, nsed brands include MLB, e. In addition to this, the Group has es in Hong Kong and the PRC through on.

nd licensed brands through ands are well accepted in Thailand e opened in Saudi Arabia, Middle East Asia in the coming years.

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

DIRECTORS

Independent Non-executive Directors
Mr. WONG Wai Ming
Mr. Francis GOUTENMACHER
Dr. WONG Tin Yau, Kelvin

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
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I.T POSITI

Store Coverage

	A. No. of stores			
	Self-managed		Franchised	
	29 February 2008	28 February 2007	29 February 2008	28 February 2007
Greater China:				
Hong Kong				
I.T	172	156	–	–
FCUK IT[1]	6	7	–	–
Mainland China				
I.T	104	104	48	42
FCIT China[3]	13	14	7	5
Taiwan[2]	8	25	–	–
Macau				
I.T	4	–	–	3
FCIT China[3]	–	–	–	1
Overseas:				
Thailand	–	–	10	8
Saudi Arabia	–	–	5	5

(1) *a 50% owned joint venture of the Company*
(2) *a 51% (28 February 2007: 25.5%) owned joint venture of the Company*
(3) *a 50% (28 February 2007: 25%) owned joint venture of the Company*

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 the strategy applies to both Hong Kong and the PRC markets

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	B. Sales Footage			
	Self-managed		Franchised	
	29 February 2008	**28 February 2007**	**29 February 2008**	**28 February 2007**
Greater China:				
Hong Kong				
I.T	336,953	296,196	–	–
FCUK IT[(1)]	11,821	14,493	–	–
Mainland China				
I.T	205,480	189,800	54,467	39,000
FCIT China[(3)]	20,636	20,700	9,297	6,700
Taiwan[(2)]	7,601	19,400	–	–
Macau				
I.T	3,760	–	–	2,660
FCIT China[(3)]	–	–	–	1,100
Overseas:				
Thailand	–	–	9,995	7,422
Saudi Arabia	–	–	6,279	6,057

MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

I am pleased to report that total revenue and net profit of the Group increased by 32.0% to HK$2,021.3 million and 39.7% to HK$171.0 million in the fiscal year ended 29 February 2008 respectively. Based on this exceptional result as well as the philosophy of value-sharing with our shareholders, the board has recommended to increase the payout ratio this year and as a result the total dividend has increased by 112% to HK$10.6 cents per share (comprising interim dividend of 2.1 cents per share and proposed final dividend of 8.5 cents per share).

2007 was a milestone year of the Group because we have finally completed the acquisition to buy back the China joint venture (covering markets of mainland China, Macau and Taiwan). We have now total control and flexibility to develop our business in these markets. This is strategically important as China is the fastest growing consumer market in the world and its contribution to the Group is getting more significant. From a strategy angle, we have decided to use this year as a year of investment and consolidation so as to lay down a stronger foundation for the exponential growth planned ahead. Given our relatively shorter operating history in China and the size of the China market and its geography, we will adopt a more aggressive marketing approach in China, and you will find more outdoor advertising and branding activities as well as fashion shows and events to grow brand equity and build corporate awareness.

Also in China, we believe that free standing stores are important to build up brand image and hence brand equity. For this reason, we will continue to focus on expanding self-managed stores this year in the 2 prime cities of Shanghai and Beijing as well as sprawling to top secondary cities like Hangzhou and Nanjing. Harvesting would come next year when we could expand our retail business even more aggressively in the secondary and third tier cities and riding on the more efficient third party department store chain platform. Target is for China to contribute approximately one-third of the Group's net profit in about 3 years' time.

Coming back to the core market of Hong Kong, we are expecting a year of consolidation after last year of exceptional high growth. However, we still believe that the Group's Hong Kong operation will still outperform the average growth of the market as well as improving our margins along the way.

2008 is not only a turning point of the Group's business development, but also a memorable year of our 20th anniversary. After 20 years, we have grown to become, not just bigger but, much stronger. But we cannot achieve this without the continued support of our shareholders, customers and employees. I hope you could continue to support us in the next 20 years to witness to the Group becoming the fashion leader across the Greater China region.

Sham Kar Wai
Chairman

14 May 2008

FINANCIAL HIGHLIGHTS

Group[1]

- Total revenue increased by 32.0% to HK$2,021.3 million.
- Gross profit increased by 35.0% to HK$1,201.9 million and gross profit margin improved from 58.2% to 59.5%.
- Net profit increased by 39.7% to HK$171.0 million.
- Total dividend increased by 112.0%, including interim dividend of HK2.1 cents per share and proposed final dividend of HK8.5 cents per share

[1] *The 50% owned previous China joint venture became a wholly owned subsidiary of the Group on 28 November 2007. Financial results of it from 29 November 2007 was consolidated into the Group's accounts.*

Hong Kong

- Total retail sales increased by 23.2% to HK$1,769.1 million.
- Comparable store sales increased by 15.7%.
- Total retail sales of the 50:50 joint venture with French Connection increased by 26.9% to HK$93.3 million.
- Comparable store sales of the 50:50 joint venture with French Connection increased by 23.9%.

Mainland China[2]

- Total revenue increased by 44.0% to HK$477.4 million.
- Total retail sales increased by 33.0% to HK$400.7 million.
- Comparable store sales increased by 28.1%.
- Total revenue of the 50:50 joint venture with French Connection increased by 82.2% to HK$51.7 million.
- Comparable store sales of the 50:50 joint venture with French Connection increased by 19.9%.

[2] *Total revenue, retail sales and comparable store sales included that of the 50% owned previous China joint venture for the period from 1 March 2007 to 28 November 2007. Financial results of it from 29 November 2007 was consolidated into the Group's accounts.*

Per share data	FY08	FY07	Change
EPS-basic (HK$)	0.16	0.12	33.3%
EPS-diluted (HK$)	0.16	0.12	33.3%
Dividend (HK cents)	10.6	5.0	112.0%
Book value (HK$)[6]	1.06	0.80	32.5%

Key statistics	FY08	FY07	Change
Inventory Turnover (Days)[1]	116.1	97.5	18.6
Capital Expenditure (HK$ million)[2]	447.8	49.5	398.3
Net cash (HK$ million)[3]	414.9	365.6	49.3
Current Ratio[4]	2.9	4.7	-1.8
Return on Equity (%)[5]	16.7	15.6	+1.1

Notes:
(1) Average of the inventory at the beginning and at the end of the year divided by cost of sales times number of days during the year.
(2) Additions of furniture and equipment and intangible assets including additions resulting from acquisitions through business combinations during the year.
(3) Cash and cash equivalents and pledged bank deposits less bank borrowings/loans.
(4) Current assets divided by current liabilities.
(5) Net profit during the year divided by average of the shareholders' equity at the beginning and at the end of the year.
(6) Net asset value per share as at the year end date.

I.T IS

FASHION
shaping the fashion scene in Greater China

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

(a) Group

Total revenue increased by 32.0% to HK$2,021.3 million (2007: HK$1,530.8 million). The significant increase was mainly due to impressive performance of the Hong Kong's retail operation and consolidation of the China operation in the fourth quarter after completion of the buyback of our China joint venture.

(b) Hong Kong

Sales from retail operation increased by 23.2% to HK$1,769.1 million (2007: HK$1,435.7 million). 15.7% increase in overall comparable store sales as compared to the year ended 28 February 2007 and 5.6% increase in weighted average of sales footage contributed to the increase in total retail sales.

Retail sales of inhouse brands increased by 47.9% to HK$823.6 million (2007: HK$556.7 million). Due to full year contribution from :CHOCOOLATE and Venilla suite and outstanding performance of http://www.izzue.com, b+ab and 5cm, retail sales of inhouse brands increased at a much faster pace than international brands, and as a result, inhouse brands have surpassed international brands to become the key revenue contributor, accounting for 46.6% of total retail sales.

Retail sales of international brands increased by 12.1% to HK$805.9 million (2007: HK$718.7 million), accounting for 45.6% of total retail sales. Since the Group has decided strategically putting less resources on licensed brands and did not renew the contracts of two brands when they expired end of 2007, licensed brands reported a drop of 13.0% in retail sales to HK$133.2 million (2007: HK$153.1 million).

French Connection (a 50:50 joint venture with French Connection Group plc) was performing remarkably well, reporting a 26.9% increase in total retail sales and 23.9% increase in comparable store sales.

(c) Greater China (excluding Hong Kong)

Before the buyback of our China joint venture was completed at 28 November 2007, the results of the joint venture from 1 March 2007 to 28 November 2007 were equity accounted for as a jointly controlled entity and starting from 29 November 2007 the results of the previous joint venture were consolidated in the Group's accounts.

Total revenue of the Greater China market (included the total revenue of the previous China joint venture for the period from 1 March 2007 to 28 November 2007, which was not consolidated in the Group's accounts) increased by 44.0% to HK$477.4 million (2007: HK$331.6 million). 99% of the revenue were attributable to the Mainland China market.

Mainland China market maintained its high growth momentum, reporting 33.0% increase in total retail sales to HK$400.7 million (2007: HK$301.3 million) and enjoying a comparable store sales growth rate of 28.1%. Inhouse brands and international brands accounted for 38% and 54.8% of total retail sales respectively. Given that inhouse brands accounted for a lower proportion of total retail sales than international brands, and coupled with import tax and value-added tax effect, the overall gross profit margin of the retail operation in China is lower than Hong Kong.

As the worst performer of the Greater China region, Taiwan has finally come back to a monthly breaking even level after an intensive restructuring process involving the closing down 17 out of a total of 25 points of sales (all in department stores) in the beginning of 2007. Taken together with the relatively smaller operation in Macau, the total retail sales of the Greater China market was HK$432.7 million, an increase of 24.8% versus same period last year (2007: 346.7 million).

Franchise business had a moderate growth last year. Number of franchised stores (excluding French Connection stores) increased from 45 as at 28 February 2007 to 48 as at 29 February 2008. The increase in the number of franchised stores would be higher if the Group had not acquired 7 franchised stores back from its previous China joint venture partner (which are now run as self-managed stores).

Revenue of the joint venture with French Connection increased by 82.2% to HK$51.7 million (2007: HK$28.4 million), and the joint venture reported a comparable store sales growth rate of 19.9%. Number of franchised stores increased from 6 as at 28 February 2007 to 7 as at 29 February 2008.

(d) Overseas

As at 29 February 2008, the Group had 15 franchised stores outside Hong Kong and Greater China, 5 stores in Saudi Arabia and 10 stores in Thailand. Franchised stores for 5cm are planned to be opened in Australia in the second half of 2008. Negotiation with potential partners to open franchised stores in Singapore and Europe is progressing satisfactorily.

Gross Profit

Total gross profit of the Group increased by 35.0% to HK$1,201.9 million (2007: HK$890.3 million). Despite the lower gross profit margin of our Mainland China operation (which was consolidated into the Group's accounts since 29 November 2007), the total gross profit margin of the Group improved from 58.2% for the year ended 28 February 2007 to 59.5% for the year ended 29 February 2008. The improvement was mainly due to higher retail sales contribution from inhouse brands (relative to international brands) and the tightening of our discount policy to strengthen our brand equity across the brands.

Operating Expenses

Total operating expenses of the Group increased by 33.6% to HK$1,002.0 million (2007: HK$749.9 million), in line with the increase in total revenue. We managed to maintain the expenses at 49.6% (2007: 49.0%) of the total revenue of the Group.

Given the buoyant retail market in both Hong Kong and Mainland China last year, pressure on rental expenses and staff cost was very high. Average rental per sq. ft. for retail shops in Hong Kong was up by 17.1% during the year. Total rental expenses (including management fee, rates and government rent) of the Group increased by 33.7% while, as a percentage of the total revenue of the Group, maintained at 21.5% (2007: 21.2%). Total staff cost of the Group increased by 34.0%, at a rate similar to the total revenue and represented 18.0% (2007: 17.7%) of the total revenue of the Group. Despite the market competition, we managed to control these 2 key costs and expenses increased at a rate closed to that of the total revenue.

Advertising and promotion expenses increased by 32.4%, representing 1.3% (2007: 1.3%) of the total revenue of the Group. It is expected that more resources would be spent on brand building, particularly in Mainland China where we have a shorter operating history and so advertising and promotion expenses as a percentage of total revenue would increase in the future.

Other miscellaneous expenses (total operating expenses other than rental expenses, staff cost, advertising and promotion expenses and depreciation) increased by 29.7%, and as a percentage of the total revenue of the Group, maintained at 5.6% (2007: 5.7%).

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

The operating profit of the Group increased by 48.3% and the operating profit margin of the Group also improved from 8.9% for the year ended 28 February 2007 to 10.0% for the year ended 29 February 2008. The improvement in operating profit margin could be attributable to the improvement in gross profit margin and our effective control of cost.

EBITDA increased by 43.7% from HK$191.9 million for the year ended 28 February 2007 to HK$275.7 million for the year ended 29 February 2008.

Share of Results of Jointly Controlled Entities

Before completion of the buyback of our China joint venture at 28 November 2007, jointly controlled entities comprised G.S – i.t Limited (now renamed as I.T China Limited) (the 50:50 joint venture with Glorious Sun Enterprises Limited covering Mainland China, Taiwan and Macau) and FCUK IT Company (the 50:50 joint venture with French Connection Group plc). After completion of the buyback of our China joint venture, I.T China Limited has become a wholly-owned subsidiary of the Group. So starting from 29 November 2007, the joint venture in Taiwan and the joint ventures with French Connection in the Greater China become the only jointly controlled entities of the Group.

Profit contributed by FCUK IT Company more than tripled as compared to the year ended 28 February 2007. However, the share of loss by I.T China Limited (including the loss of the Taiwan operation) increased despite its remarkable performance and the fact that it was slightly profitable last year. This is because profit in the last quarter was consolidated into the accounts of the Group and was excluded in the share of results of jointly controlled entities. As a result, share of loss of jointly controlled entitles increased from HK$3.9 million for the year ended 28 February 2007 to HK$4.8 million for the year ended 29 February 2008.

Net Profit

Given the strong growth in the retail sales in both Hong Kong and Mainland China, continuous improvement in the gross profit margin and cost control, net profit increased by 39.7% to HK$171.0 million (2007: HK$122.4 million).

Cash Flows

Net cash generated from operating activities was HK$240.2 million (2007: HK$91.6 million). Net cash used in investing activities was HK$106.6 million (2007: HK$101.8 million), which included HK$94.7 million additions to furniture and equipment. Net cash used in financing activities was HK$76.5 million (2007: HK$49.8 million), which included HK$73.8 million dividend payment to shareholders.

Inventory

Inventory turnover days for the Group increased from 97.5 days for the year ended 28 February 2007 to 116.1 days for the year ended 29 February 2008. Inventory turnover days for the China operation was 131.6 days for the period ended 29 February 2008.

Liquidity and Capital Resources

As at 29 February 2008, total cash and bank balances amounted to HK$424.9 million (28 February 2007: HK$365.6 million) and the total liabilities were HK$331.6 million (28 February 2007: HK$166.4 million). As at 29 February 2008, shareholders' equity was HK$1,220.8 million (28 February 2007: HK$826.8 million).

As at 29 February 2008, the Group had aggregate banking facilities of approximately HK$448.5 million (28 February 2007: HK$339.5 million) for overdrafts, bank loans and trade financing, of which approximately HK$336.5 million (28 February 2007: HK$254.4 million) was unutilised. As at 29 February 2008, charges on assets included bank deposit of HK$0.75 million (28 February 2007: HK$0.75 million) pledged for letters of guarantee issued by banks in lieu of rental deposits and current assets of approximately HK$219,453,000 of certain subsidiaries (28 February 2007: nil). The Group had HK$10.0 million short-term bank borrowings as at 29 February 2008 (28 February 2007: nil). The current ratio as at 29 February 2008 was 2.9 (28 February 2007: 4.7) and its gearing was 0.8% (28 February 2007: Nil) based on shareholders' equity.

Contingent Liabilities

As at 29 February 2008, the Group did not have significant contingent liabilities (28 February 2007: nil).

Foreign Exchange

To manage our foreign exchange exposure on sourcing for merchandise from Europe and Japan, the Group entered into forward currency exchange contract with major and reputatable institutions to hedge foreign exchange risk. As at 29 February 2008, the notional amounts of outstanding forward currency exchange contracts to buy Japanese Yen and Euros for hedging against foreign exchange risk exposure relating to firm purchase order of fashion wears and accessories and certain outstanding payables denominated in those currencies, are approximately HK$31,567,000 (28 February 2007: HK$85,439,000).

Business Combinations

On 28 November 2007, the Group acquired the remaining 50% of the equity interest in I.T China Limited (formerly known as G.S – i.t Limited), a then jointly controlled entity of the Group, and certain businesses in Mainland China and Macau.

The total purchase consideration including direct costs relating to the acquisition was approximately HK$362,771,000.

After accounting for the fair value of identifiable net assets acquired of approximately HK$105,455,000 (including the identified intangibles of HK$15,300,000 and the corresponding deferred tax liabilities of HK$3,825,000) less the disposal of investment in jointly controlled entity of approximately HK$14,067,000 resulting from the acquisition, the goodwill arisen amounted to approximately HK$271,383,000.

Use of Proceeds

As at 1 March 2007, the unutilised proceeds from the issuance of new shares by the Company in March 2005, net of listing expenses, were approximately HK$243.5 million. On 30 October 2007, the usage of the unutilised balance of the proceeds was modified to realign with the direction of the Company's developments. For the year ended 29 February 2008, net proceeds were utilised in the following manners:

	Balance as at 1 March 2007 *HK$'000*	Utilised in the period from 1 March 2007 to 30 October 2007 *HK$'000*	Modification of usage *HK$'000*	Balance as at 30 October 2007 (after modification of usage) *HK$'000*	Utilised from 31 October 2007 to 29 February 2008 *HK$'000*	Balance as at 29 February 2008 *HK$'000*
Expansion of retail network in Hong Kong	188,461	(37,361)	(139,400)	11,700	(11,700)	–
Expansion of retail network in the Greater China	55,000	–	139,400	194,400	(111,742)	82,658
	243,461	(37,361)	–	206,100	(123,442)	82,658

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 2,912 employees as at 29 February 2008 (28 February 2007: 1,428). 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 most important corporate activity last year was the completion of the buyback of the China joint venture. The ability to fully control our Greater China operation allows the Group to expand, in the fastest growing consumer market in the world, much faster and more flexible than before. For example, we have already secured about 30,000 sq. ft. retail space at the shopping mall of the Venetian Hotel in Macau to open 7 stores in the middle of this year. With a number of new shops planned to open in Shanghai, Beijing, and other key second tier cities, we are confident that we would be able to meet our 3-year target to triple our sales footage to no less than 450,000 sq. ft. in Mainland China, Macau and Taiwan by 2010.

Our Greater China operation has achieved the planned breakeven target last year. This year would be a year of investment and consolidation to lay down a stronger foundation for the exponential growth planned in the future. More resources would be spent on corporate image and product branding as well as the management team would also be strengthened. We would begin to harvest the return of our investment next year and we expect that our China operation would contribute about one-third of the Group's total profit in about 3 years' time.

Another important corporate activity is the proposed formation of a joint venture with Galeries Lafayette to open "Galeries Lafayette" department stores in China and Macau. A memorandum of understanding was signed in December 2007. Efforts are being made to identify a location in Beijing or Macau. The joint venture once established would diversify the Group's business from fashion retail to department store. As it is anticipated that a significant proportion of the department store would be managed by the joint venture for direct sale business, it would provide a different but closely related platform to extend the Group's retail business. Although this joint venture would not have material financial impact on the Group in the financial year ending 28 February 2009, as demonstrated by other operators, there is great potential in department store business and it could become another key revenue contributor of the Group in the future.

The overall retail market in Hong Kong last year was overwhelming. The Group has performed well to beat the market and achieved 23.2% increase in total retail sales. Although market expectation is that the overall growth rate for Hong Kong this year would be softened given the slowing down of US economy and the local financial market, we remain cautiously optimistic of our Hong Kong operation and that it would maintain a double digit growth rate (in mid-teen) in retail sales. Hong Kong would continue to be the Group's core market providing stable revenue and cashflow.

Despite the fact that the Group is operating a multi-brand business model, the management believe that the inhouse brand segment which is more scalable will grow faster than the international brand segment in the coming future in both Hong Kong, Greater China as well as the franchise business in the rest of the world. It is envisaged that inhouse brands (with leading labels such as http://www.izzue.com; b+ab; 5cm and :CHOCOOLATE) will account for about 60 to 70% of the Group total retail sales in 3 years' time. This will have a significant effect on the improvement of the gross profit margin of the Group.

To share the good performance last year with our shareholders, the Board is pleased to raise the full year dividend payout ratio to 70%, paying a final dividend of HK8.5 cents per share.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGE-MENT TEAM

Executive Directors

Mr. SHAM Kar Wai
Aged 41, 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 20 years of experience in the fashion retail industry and has established an extensive network of contacts with international design houses during his time with the Group.

Dr. LO Wing Yan, William, J.P.
Aged 47, is an Executive Director, the Vice Chairman, Managing Director and the Chief Financial Officer of the Company since May 2006. 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 organisation 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 Hong Kong Stock Exchange listed China Renji Medical Group Limited (formerly known as 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 organisation 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 of 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 38, 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 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. WONG Wai Ming
Aged 50, 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 currently the chief financial officer of Lenovo Group Limited, a company listed on the Hong Kong Stock Exchange. Before taking up the chief financial officer's role in Lenovo, he was an executive director and chief executive officer of Roly International Holdings Limited and an executive director of Linmark Group Limited, a company listed on the Hong Kong Stock Exchange. Mr. Wong is currently an independent non-executive director of Linmark Group Limited and China Unicom Limited, both companies listed on the Hong Kong Stock Exchange. Mr. Wong is a chartered accountant and holds a Bachelor of Science degree (with Honours) in Management Science from the Victoria University of Manchester, the United Kingdom.

Mr. Francis GOUTENMACHER
Aged 67, 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. After retiring as the regional chief executive of Richemont Asia Pacific Limited, Mr. Goutenmacher is now running a marketing consultancy firm, Gouten-Consulting Limited, and is a director of this consultancy company.

Dr. WONG Tin Yau, Kelvin
Aged 47, was appointed an Independent Non-executive Director in August 2007. He also serves as a member of the Company's Audit Committee. Dr. Wong is an executive director and deputy managing director of COSCO Pacific Limited a company listed on the Hong Kong Stock Exchange. He is also the chairman of the corporate governance committee and member of the Executive Committee of the company. He is responsible for the overall management, strategic planning, financial management and investor relations. Dr. Wong is a deputy chairman, chairman of the corporate governance committee and fellow member of The Hong Kong Institute of Directors, chairman and council member of The Hong Kong Chinese Orchestra Limited, a member of the China Trade Advisory Committee of the Hong Kong Trade Development Council, a member of the Auditing and Assurance Standards Committee of the Hong Kong Institute of Certified Public Accountants, a member of the OECD/World Bank Asian Corporate Governance Roundtable, a member of Main Board and GEM Listing Committee of The Stock Exchange of Hong Kong Limited and a member of the Board of Review (Inland Revenue Ordinance). He obtained his Master of Business Administration Degree from Andrews University in Michigan, the USA in 1992 and his Doctor of Business of Administration from The Hong Kong Polytechnic University in 2007. He is an associate member of the Chartered Institute of Bankers, a member of the Hong Kong Securities Institute, a member of the Chartered Institute of Marketing and a member of the National Investor Relations Institute in the USA. He has more than 23 years of working experience in management, banking and securities industries. Currently, Dr. Wong is an independent non-executive director and chairman of the audit committee of China Metal International Holdings Inc., and independent non-executive director and chairman of the audit committee of Tradelink Electronic Commerce Limited, and an independent non-executive director of CIG Yangtze Ports PLC, all of these companies are listed on the Hong Kong Stock Exchange. Dr. Wong held various senior positions in several listed companies in Hong Kong before he joined COSCO Pacific Limited in July 1996.

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 40, is the Finance Director. Miss Ng holds a bachelor of Social Sciences degree from the University of Hong Kong and has 17 years of experience in accounting. She joined the Group in January 1994.

Mr. KWONG Kwok Yu
Aged 44, 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 over 20 years of professional experience in accounting and auditing. He joined the Group in October 2000.

Miss YU, Michaeline
Aged 41, 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 39, 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 37, is the Merchandising Director. She joined the Group in June 1998, and is responsible for buying strategy and the procurement of designer brands. Miss Lee has over 10 years of buying experience in the fashion retailing industry.

Miss LEE Yuen Pik
Aged 38, is the Brand Director. She joined the Group in May 1996 and is responsible for the design, manufacturing and management of the in-house brands, 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 37, is the Marketing and Communications Director. She joined the Group in December 1997 and is responsible for marketing and public relations events, advertising and media relationships. She has over 10 years of marketing and public relations experience.

Miss YU Lai Hung
Aged 42, 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 and the business processes re-engineering exercise. 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 and workflow re-engineering.

Miss TAM Shuk Yi
Aged 41, 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 39, 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 Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in Hong Kong Limited.

Miss LAM Tak Yee, Lysanda
Aged 32, 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 specializing in mergers and acquisitions as well as investment and restructuring works.

Mr. WONG Tai Kwan, Steve
Aged 38, is the Brand Director. He joined the Group in September 2007 and is responsible for the management of luxurious brands like Yves Saint Laurent, Chloe, See By Chloe, etc. in the PRC. Mr. Wong holds a Bachelor's degree of Arts (Honour) in Accountancy from the Temple University, the U.S.A. He has over 15 years of buying and brand management experience in fashion retailing industry.

Mr. YAO Tao Yee, James
Aged 51, is the General Manager of South China Region and Taiwan. He joined the Group in October 2007 and is responsible for the business and operation in the South China Region and Taiwan. Mr. Yao has over 25 years of retail and brand management experience in fashion retailing industry.

Mr. CHAN Wai Kwan, Kenny
Aged 37, is the General Manager of I.T China (previously known as GSIT). He joined I.T China in January 2006 and is responsible for managing the business and daily operation of the Group's subsidiaries in the PRC. Mr. Chan holds a Master degree in Business Administration from the University of Hull and a Bachelor's degree of Arts (Honour) in Accountancy from The Hong Kong Polytechnic University. Mr. Chan is a Fellow Member of each of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He has over 8 years of experience in the PRC.

I.T HAS UNIQUE BRAND

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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 29 February 2008 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

From 23 July to 31 July 2007, the Board had only two Independent Non-executive Directors subsequent to the retirement of Mr. Chan Mo Po, Paul as Independent Non-executive Director of the Company. On 1 August 2007, Dr. Wong Tin Yau, Kelvin 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 31 to 33.

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.

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 (1) 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; and (2) the risk of concentration of power is mitigated by the sharing of the executive management of the business between Mr. Sham Kar Wai and Dr. Lo Wing Yan, William, the Vice Chairman and Managing Director.

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 mergers and 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 or 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 23 July to 31 July 2007, the Audit Committee comprised three members, all Independent Non-executive Directors, throughout the year ended 29 February 2008. Before Mr. Chan Mo Po, Paul retired as an Independent Non-executive Director of the Company on 23 July 2007, he was the Chairman of the Committee. Currently, Mr. Wong Wai Ming acts as the Chairman, and Mr. Francis Goutenmacher and Dr. Wong Tin Yau, Kelvin 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 three times in the year ended 29 February 2008. The Committee has reviewed the financial 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 and approved 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.

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. The Remuneration Committee comprised of three members, majority of which are Independent Non-executive Directors, throughout the year ended 29 February 2008. 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 seven times in the year ended 29 February 2008.

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 options. The director's fee of Independent Non-executive Directors is subject to annual assessment. Remuneration surveys 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 identifies individuals suitably qualified to become or continue to be the Board members and make recommendations to the Board on the selection of individuals nominated for directorships. It also reviews the structure, size and composition of the Board having regard to the Company's business activities, assets and management portfolio. The Committee met four times in the year ended 29 February 2008. 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 and Dr. Lo Wing Yan, William as the Committee members.

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 thirty eight times in the year ended 29 February 2008.

Details of Directors' attendance of the Board and Committee meetings held during the year ended 29 February 2008 are set out as follows:

	Meetings Attended				
	Board	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors					
Mr. Sham Kar Wai (Note 1)	12/12	38/38		7/7	4/4
Dr. Lo Wing Yan, William, J.P.	12/12	38/38	3/3		4/4
Mr. Sham Kin Wai (Note 1)	11/12	38/38			
Mr. Chan Wai Mo, Alva (Note 2)					
Independent Non-executive Directors					
Mr. Chan Mo Po, Paul (Note 3)	2/2				
Mr. Wong Wai Ming (Note 4)	11/12		3/3	7/7	4/4
Mr. Francis Goutenmacher (Note 5)	12/12		3/3	7/7	
Dr. Wong Tin Yau, Kelvin (Note 6)	7/7		3/3		

Note 1: Mr. Sham Kar Wai and Mr. Sham Kin Wai are brothers
Note 2: Mr. Chan Wai Mo, Alva resigned as an Executive Director effective from 30 March 2007
Note 3: Mr. Chan Mo Po, Paul retired as an Independent Non-executive Director and resigned as a member of the Audit Committee both effective from 23 July 2007.
Note 4: Besides acting as the Chairman of the Nomination Committee, Mr. Wong Wai Ming was appointed as the Chairman of Audit Committee with effect from 23 July 2007.
Note 5: Chairman of Remuneration Committee
Note 6: Dr. Wong Tin Yau, Kelvin was appointed as an Independent Non-executive Director and a member of the Audit Committee effective from 1 August 2007.

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 are set out in "*Independent Auditor's Report*" on page 52.

During the year ended 29 February 2008, the fees paid or payable to PricewaterhouseCoopers were approximately HK$2,540,000 for audit services and a total of HK$2,519,600 for non-audit services (review of the interim results of the Company for the period ended 31 August 2007, agreed-upon procedures on turnover certificates to landlords and provision of assurance services to the Company in relation to the acquisition of GSIT) rendered to the Group. PricewaterhouseCoopers confirmed to the Audit Committee and to the Board that they were independent accountants with respect to the Company during the year ended 29 February 2008, within the meaning of the requirements of their firm and the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants.

Internal Control

The Board is responsible for maintaining effective internal controls to safeguard the Group's assets and shareholders' interests. The Group has established internal control systems including but not limited to a well defined organisational structure with limit of authority, a budget and performance evaluating system, a reliable management reporting system and an annual business unit internal control risk self-assessment exercise on major business units.

To embed a risk alert culture throughout the Group, the Internal Audit Department has implemented an annual internal control risk self-assessment process to allow major business units to self assess and evaluate their risks in a structured manner.

By adopting a risk-based approach, the Internal Audit Department sets the annual audit plan which is to be approved by the Audit Committee annually. The audit reviews cover regular review and audit of the practices, procedures and internal control systems of different financial and operational activities of the Group. Results of the audit reviews together with the recommended remedial actions, in the form of an audit report, are submitted to the Audit Committee and the management on a regular basis. The Internal Audit Department will follow up all internal audit reports to ensure that all issues identified have been satisfactorily resolved.

During the year ended 29 February 2008, the Board, through the Audit Committee and with the assistance of the Internal Audit Department, has reviewed the effectiveness of the Group's systems of internal controls including financial, operational and compliance controls and risk management functions. There were no irregularities or material deficiencies found.

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. The Company has dedicated a full team to communicate with research analysts and institutional investors and attend 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. Press conferences with media, analysts and investors are held after results announcements to ensure ample reporting of the Company's performance. Press releases are published for timely and non-selective dissemination of corporate news and to update the market of the quarterly performance of the Company's business.

To enhance transparency and ease of retrieval of data, the Company has posted all announcements, publications and press releases on its website to keep the shareholders and the public informed of the Company's latest developments.

As a recognition of the Company's effort, the Company was nominated by IR Magazine as 2007 top 5 best overall investor relations by a small/mid-cap Hong Kong company, and MSCI Barra announced that the Company has become a constituent stock of the MSCI Global Small Cap Index after its May 2008 Semi-Annual Index Review.

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 following 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 will seriously consider shareholders' enquiries and address them accordingly. No shareholders' enquiry was received during the year ended 29 February 2008.

SOCIAL RESPONSIBILITIES

As a good corporate citizen, I.T supports social developments in the community through a range of partnership activities and donations.

Job Shadowing 2006-07

To help young people discover the first-hand skills and education needed to succeed in today's and tomorrow's job markets, I.T (being the first company in the fashion retail industry) participated in the Job Shadowing Program in July 2007 organised by Junior Achievement Hong Kong with the Education Bureau as partner and The Hong Kong Jockey Club Charities Trust as sponsor. 50 Form 4 to Form 6 students attended an intensive training course on customer service at I.T headquarters and gained hands-on workplace experience through "Shadowing" the Company's workplace mentors in shops run by I.T. The program gives the students a chance to examine how education and training relate to success on their jobs, identify different career options and outline their career action plans under the guidance of their school teachers and workplace mentors.

Comme des Garcons Store Opening

Comme des Garcons Hong Kong store was grandly opened at On Lan Street, Central on 31 March 2007. For this special occasion, I.T donated a total of HK$100,000 to Art in Hospital in support of the development of hospital art in Hong Kong, as well as donated HK$50,000 to Apple Daily Charitable Foundation, spreading the love and care to those in need.

:CHOCOOLATE x Ku Kui Kei Children Medical Fund Limited

In order to support Ku Kui Kei Children Medical Fund Limited, a special edition :CHOCOOLATE tee-shirt collection was launched to raise fund in August 2007 tied-in with his photo exhibition. The printed photos on tees were his favorite one taken by him during his trips. All proceeds from the tee-shirt sales came up to a total of HK$33,002 were donated.

http://www.izzue.com x Avril Lavigne to raise fund for Greenpeace

The Punk-pop Princess Avril Lavigne's Concert was held in Hong Kong in August 2007. To evoke our environmental concern, http://www.izzue.com has designed a tote bag to promote the message of "THE BEST DAMN GREEN THING" from the song "The best damn thing" featuring Avril Lavigne. The tote bags were all made in environment-friendly materials including hangtags and prints. They were sold within a few days and all the proceeds in the amount of HK$17,230 were donated to Greenpeace.

mercibeaucoup, x World Wide Fund for Nature Hong Kong Eco Bag

mercibeaucoup, joint hands with World Wide Fund for Nature Hong Kong to promote and stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature by launching an Eco Bag in January 2008. The Eco bag was available at mercibeaucoup, Tsimshatsui shop for HK$199 each and HK$100 shall be donated per bag sold. The proceeds of HK$19,000 were donated to World Wide Fund for Nature Hong Kong.

:CHOCOOLATE x AIDS Concern x Durex Condom Package

:CHOCOOLATE joined hands with AIDS Concern to promote safe sex by launching a cross-over chocolate-flavored condom package in February 2008. The packaging of the condom package was totally different from its original one, yet it was specially-designed by :CHOCOOLATE design team that was made in a chocolate shape to keep in line with :CHOCOOLATE brand identity. They were available in all :CHOCOOLATE shops, major convenience stores and supermarkets in Hong Kong. An amount of HK$99,800 was donated to AIDS Concern.

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 29 February 2008.

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 29 February 2008 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 HK8.5 cents (2007: HK5.0 cents) per ordinary share, totaling HK$98,148,000 (2007: HK$51,985,000), for the year ended 29 February 2008.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$341,032 (2007: HK$470,000).

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 29 February 2008, the Company's reserve available for cash distribution, as computed in accordance with The Companies Act 1981 of Bermuda (as amended), amounted to HK$283,278,000, of which HK$98,148,000 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 99 and 100.

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.
Mr. Sham Kin Wai
Mr. Chan Wai Mo, Alva (resigned on 30 March 2007)

Independent Non-executive
Mr. Chan Mo Po, Paul (retired on 23 July 2007)
Mr. Wong Wai Ming
Mr. Francis Goutenmacher
Dr. Wong Tin Yau, Kelvin (appointed on 1 August 2007)

In accordance with Clauses 86(2) of the Company's Bye-laws, Dr. Wong Tin Yau, Kelvin 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, Mr. Sham Kin Wai will retire by rotation at the forthcoming Annual General Meeting of the Company, being eligible, offers himself for re-election.

Independent Non-executive Directors were appointed for a one-year term. The term of service of Mr. Francis Goutenmacher and Dr. Wong Tin Yau, Kelvin will expire on 31 July 2008 while Mr. Wong Wai Ming's on 18 October 2008. 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 31 to 33.

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

As at 29 February 2008, 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	58.20%
Lo Wing Yan, William	Beneficial owner	1,008,000	0.09%
Sham Kin Wai	Interest in controlled company and beneficiary of trust (Notes 2 and 3)	672,075,000	58.20%

Notes:

(1) Mr. Sham Kar Wai holds 25% of the issued share capital of 3WH Limited. Miss Yau Shuk Ching, Chingmy (spouse of Mr. Sham Kar Wai) also holds 25% of the issued share capital of 3WH Limited. As such, Mr. Sham Kar Wai is deemed to have a controlling interest in 3WH Limited and is therefore deemed to be interested in the interests of 3WH Limited in the Company.

(2) Mr. Sham Kar Wai and Mr. Sham Kin Wai are both beneficiaries of The ABS 2000 Trust, which is an irrevocable discretionary trust. Effective Convey Limited is wholly-owned by Dynamic Vitality Limited, which is in turn wholly-owned by The ABS 2000 Trust. Each of Mr. Sham Kar Wai and Mr. Sham Kin Wai is therefore deemed to be interested in the interests of Effective Convey Limited in the Company.

(3) Mr. Sham Kin Wai holds 50% of the issued share capital of 3WH Limited. Mr. Sham Kin Wai is deemed to have a controlling interest in 3WH Limited and is therefore deemed to be interested in the interests of 3WH Limited in the Company.

(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%
	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%
	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 29 February 2008.

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

Details of the movements in share options to subscribe for shares in the Company during the year are set out below:

(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.

			Number of Share Options		
	Date of grant	**Exercise period**	**As at 1 March 2007**	**Exercised during the year**	**Held as at 7 February 2008**
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)	–
			5,200,000	(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.

On 1 June 2007, the Company granted options under the Share Option Scheme to a Director to subscribe for an aggregate of 4,000,000 shares in the Company at a price of HK$1.47 per share, exercisable during the period from 1 June 2007 to 31 May 2010. The closing price of the Company's shares immediately before the date on which the options were granted was HK$1.46.

	Date of grant	Exercise period	Exercise price per share HK$	Number of Share Options: As at 1 March 2007	Granted during the year	Exercised during the year	Lapsed during the year	Held as at 29 February 2008
Director								
Chan Wai Mo, Alva (resigned on 30 March 2007)	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
	1 June 2007	1 June 2007 to 31 May 2010	1.47	–	4,000,000	–	–	4,000,000
Continuous contract employees	28 April 2005	28 April 2005 to 27 April 2008	2.35	11,150,000	–	(7,150,000)	(550,000)	3,450,000
				20,150,000	4,000,000	(7,150,000)	(3,550,000)	13,450,000

(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	Option granted on 1 June 2007 under the Share Option Scheme
Share price at the grant date	HK$1.95	HK$2.10	HK$1.55	HK$1.46
Exercise price per share	HK$0.1	HK$2.35	HK$1.56	HK$1.47
Standard deviation of expected share price returns	33%	33%	36%	35%
Expected life of options	3 years	1.6 years	3 years	2.7 years
Expected dividend paid out rate	2.5%	2.5%	3.5%	3%
Annual risk free rate	2.15%	2.79%	4.11%	4.36%

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

As at 29 February 2008, the register kept by the Company under Section 336 of the SFO showed that the following shareholders (other than Directors of the Company) had disclosed to the Company pursuant to Division 2 and 3 of Part XV of the SFO an interest or a short position in the shares or underlying shares of the Company:

Name	Capacity	Number of shares held	Percentage of interests in the Company
3WH Limited	Beneficial owner	336,037,500	29.10%
Effective Convey Limited	Beneficial owner	336,037,500	29.10%
Dynamic Vitality Limited (Note 1)	Interest in corporation	336,037,500	29.10%
The ABS 2000 Trust (Notes 1 and 2)	Interest in corporation	336,037,500	29.10%
HSBC International Trustee Limited (Note 2)	Interest in corporation	336,037,500	29.10%
Glorious Sun Trading (HK) Limited	Beneficial owner	102,827,473	8.91%
Glorious Sun Enterprises (BVI) Limited (Note 3)	Interest in corporation	102,827,473	8.91%
Glorious Sun Enterprises Limited (Note 3)	Interest in corporation	102,827,473	8.91%
Glorious Sun Holding (BVI) Limited (Note 4)	Interest in corporation	102,827,473	8.91%
Yeung Chun Kam (Note 4)	Interest in controlled company	102,827,473	8.91%
Yeung Chun Fan (Note 4)	Interest in controlled company	102,827,473	8.91%
Cheung Wai Yee (Note 5)	Interest of spouse	102,827,473	8.91%
Arisaig Greater China Fund Limited	Beneficial owner	100,226,000	8.68%
Arisaig Partners (Mauritius) Ltd. (Note 6)	Interest in corporation	100,226,000	8.68%
Lindsay William Ernest Cooper (Note 7)	Interest in corporation	100,226,000	8.68%

Notes:

1. Effective Convey Limited is a wholly-owned subsidiary of Dynamic Vitality Limited, which is wholly-owned by The ABS 2000 Trust. Each of Dynamic Vitality Limited and The ABS 2000 Trust is therefore deemed interested in the Shares held by Effective Convey Limited.

2. The ABS 2000 Trust was established on 14 September 2000 as an irrevocable discretionary trust for the benefit of Mr. Sham Kar Wai and Mr. Sham Kin Wai, and their respective family members. HSBC International Trustee Limited is the trustee of The ABS 2000 Trust.

3. Glorious Sun Trading (HK) Limited is a wholly-owned subsidiary of Glorious Sun Enterprises (BVI) Limited, which is wholly-owned by Glorious Sun Enterprises Limited. Each of Glorious Sun Enterprises (BVI) Limited and Glorious Sun Enterprises Limited is therefore deemed interested in the Shares held by Glorious Sun Trading (HK) Limited.

4. Glorious Sun Holdings (BVI) Limited holds 37.66% interest in Glorious Sun Enterprises Limited. Dr. Yeung Chun Kam and Mr. Yeung Chun Fan respectively holds 51.93% and 48.07% interest in Glorious Sun Holdings (BVI) Limited. Therefore, each of Glorious Sun Holdings (BVI) Limited, Dr. Yeung Chun Kam and Mr. Yeung Chun Fan is deemed interested in the Shares held by Glorious Sun Trading (HK) Limited.

5. Spouse of Mr. Yeung Chun Fan.

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

7. 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.

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

During the year ended 29 February 2008, the Company entered into the agreements mentioned herebelow which constituted connected transactions under the Listing Rules.

To enable the Company to consolidate its control of the business and to accelerate the expansion pace in the PRC, on 28 September 2007, the Company entered into a sale and purchase agreement with Glorious Sun Enterprises Limited ("Glorious Sun") and Glorious Sun Trading (HK) Limited ("GS Trading") in relation to the acquisition of GS Trading's 50% equity interest in and all shareholders' loan by GS Trading to G.S – i.t Limited (the joint venture in the PRC) by the Company (the "GSIT Acquisition Agreement"). The total consideration was HK$80 million cash and consideration shares representing 9% of the enlarged share capital of the Company upon completion, excluding Shares issued or to be issued to Directors, consultants and employees upon exercise of the Pre-IPO Share Options and options granted under the Share Option Scheme of the Company the date of GSIT Acquisition Agreement. On the same date, the Company also entered into a sale and purchase agreement with Glorious Sun in relation to the acquisition of all assets associated with a store in Macau and a store in Nanjing by the Company for a cash consideration of HK$20 million (the "Stores Assets Acquisition Agreement"). Dr. Yeung Chun Kam was a Non-executive Director of the Company within the 12-month period before the Company entering into the GSIT Acquisition Agreement and the Stores Assets Acquisition Agreement and was the then interested in 50.9% of the share capital of Glorious Sun. Glorious Sun was therefore a connected person of the Company as defined under the Listing Rules.

The two connected transactions were detailed in the announcement made by the Company on 2 October 2007 and the circular dated 22 November 2007. Completion of the GSIT Acquisition Agreement and the Stores Assets Acquisition Agreement took place on 29 November 2007.

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, 14 May 2008

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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 98, which comprise the consolidated and company balance sheets as at 29 February 2008, 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 other 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 29 February 2008 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
Certified Public Accountants

Hong Kong, 14 May 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 29 February 2008

	Note	**Year ended 29 February 2008 HK$'000**	Year ended 28 February 2007 HK$'000
Turnover	5	**2,021,283**	1,530,763
Cost of sales	7	**(819,423)**	(640,442)
Gross profit		**1,201,860**	890,321
Other gains/(losses), net	6	**1,900**	(4,395)
Operating expenses	7	**(1,002,046)**	(749,898)
Operating profit		**201,714**	136,028
Finance income, net	10	**13,590**	16,010
Share of loss of jointly controlled entities	18	**(4,828)**	(3,912)
Profit before income tax		**210,476**	148,126
Income tax expense	11	**(39,505)**	(25,723)
Profit for the year	12	**170,971**	122,403
Earnings per share for profit for the year (expressed in HK$ per share)			
– basic	13	**HK$0.16**	HK$0.12
– diluted	13	**HK$0.16**	HK$0.12
Dividends	14	**119,982**	51,985

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

BALANCE SHEETS

As at 29 February 2008

	Note	Consolidated As at 29 February 2008 HK$'000	Consolidated As at 28 February 2007 HK$'000	Company As at 29 February 2008 HK$'000	Company As at 28 February 2007 HK$'000
ASSETS					
Non-current assets					
Furniture and equipment	15	**179,850**	93,191	**–**	–
Intangible assets	16	**311,898**	14,819	**–**	–
Investments in and amounts due from subsidiaries	17	**–**	–	**1,101,307**	613,081
Investments in and amounts due from jointly controlled entities	18	**21,974**	83,233	**–**	–
Rental deposits	21	**77,424**	56,352	**–**	–
Deferred income tax assets	27	**24,412**	5,761	**–**	–
Other assets		**6,030**	2,330	**–**	–
		621,588	255,686	**1,101,307**	613,081
Current assets					
Inventories	19	**323,724**	196,299	**–**	–
Trade and other receivables	20	**39,645**	9,902	**143**	222
Amount due from jointly controlled entities	18	**41,080**	82,437	**–**	–
Prepayments and other deposits	21	**98,920**	81,360	**–**	–
Derivative financial instruments	26	**2,539**	1,883	**–**	–
Pledged bank deposits	22 & 31	**750**	750	**–**	–
Cash and cash equivalents	22	**424,173**	364,820	**1,032**	161,268
		930,831	737,451	**1,175**	161,490
LIABILITIES					
Current liabilities					
Short-term bank borrowings	23	**(10,000)**	–	**–**	–
Trade and bill payables	24	**(121,840)**	(66,805)	**–**	–
Accruals and other payables	25	**(140,200)**	(71,648)	**(30)**	(33)
Amount due to a jointly controlled entity	18	**(15,583)**	–	**–**	–
Derivative financial instruments	26	**–**	(424)	**–**	–
Current income tax liabilities		**(30,510)**	(19,423)	**–**	–
		(318,133)	(158,300)	**(30)**	(33)
Net current assets		**612,698**	579,151	**1,145**	161,457
Total assets less current liabilities		**1,234,286**	834,837	**1,102,452**	774,538
Non-current liabilities					
Other payables	25	**(8,925)**	(7,585)	**–**	–
Deferred income tax liabilities	27	**(4,524)**	(499)	**–**	–
		(13,449)	(8,084)	**–**	–
Net assets		**1,220,837**	826,753	**1,102,452**	774,538
EQUITY					
Capital and reserves					
Share capital	28	**115,468**	103,950	**115,468**	103,950
Reserves	29	**1,105,369**	722,803	**986,984**	670,588
Total equity		**1,220,837**	826,753	**1,102,452**	774,538

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 29 February 2008

	Note	Share capital HK$'000	Reserves HK$'000	Total HK$'000
Balance at 1 March 2007		103,950	722,803	826,753
Net income recognised directly in equity				
– cash flow hedges		–	(820)	(820)
– currency translation differences		–	19,922	19,922
Profit for the year		–	170,971	170,971
Total recognised income for the year		–	190,073	190,073
Issue of share capital – business combinations	28 & 29	10,283	248,842	259,125
Proceeds from issue of shares under a share option scheme	28 & 29	1,235	16,087	17,322
Share option scheme				
– value of employment services	29	–	1,383	1,383
Dividend	29	–	(73,819)	(73,819)
		11,518	192,493	204,011
Balance at 29 February 2008		115,468	1,105,369	1,220,837
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 & 29	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

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 29 February 2008

	Note	**Year ended 29 February 2008 HK$'000**	Year ended 28 February 2007 HK$'000
Cash flows from operating activities			
Cash generated from operations	30(a)	**281,249**	114,709
Interest paid		**(312)**	(3)
Income tax paid		**(41,358)**	(23,281)
Overseas tax paid		**–**	–
Income tax refunded		**660**	164
Net cash generated from operating activities		**240,239**	91,589
Cash flows from investing activities			
Acquisition of subsidiary and assets, net of cash acquired	33	**(18,754)**	–
Purchase of furniture and equipment		**(94,695)**	(45,039)
Purchase of intangible assets		**(1,532)**	(1,380)
Proceeds from disposal of furniture and equipment	30(b)	**–**	688
Decrease in investment in a jointly controlled entity		**8,000**	4,000
Increase in amounts due from jointly controlled entities		**(9,323)**	(72,880)
Decrease in amount due to a jointly controlled entity		**(1,347)**	–
Interest received		**11,051**	12,768
Net cash used in investing activities		**(106,600)**	(101,843)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**17,322**	60
Repayment of short-term bank borrowings		**(20,000)**	–
Dividends paid		**(73,819)**	(49,867)
Net cash used in financing activities		**(76,497)**	(49,807)
Net increase/(decrease) in cash and cash equivalents		**57,142**	(60,061)
Cash and cash equivalents, beginning of the year		**364,820**	424,881
Currency translation differences		**2,211**	–
Cash and cash equivalents, end of the year	30(d)	**424,173**	364,820

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 have been approved for issue by Board of Directors on 14 May 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

(a) Standards, amendments and interpretations effective from accounting periods beginning on 1 March 2007

- HKFRS 7, "Financial Instruments: Disclosures" and the complementary amendment to HKAS 1, "Presentation of financial statements – capital disclosures", introduce new disclosures relating to financial instruments and capital management, but do not have any impact on the classification and valuation of the Group's financial instruments, or disclosures relating to taxation and trade and other payables.

- HK(IFRIC)-Int 8, "Scope of HKFRS 2", 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 in order to establish whether or not they fall within the scope of HKFRS 2. This interpretation does not have significant impact on the Group's financial statements.

- HK(IFRIC)-Int 9, "Reassessment of Embedded Derivatives", does 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.

- HK(IFRIC)-Int 10, "Interim Financial Reporting and Impairment", prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation does not have significant impact on the Group's financial statements.

- HK(IFRIC)-Int 11, "HKFRS 2 – Group and Treasury Share Transfer", provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, option over a parent's share) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have significant impact on the Group's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (continued)

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 March 2008 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised), "Presentation of financial statements" (effective from annual period beginning on or after 1 January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1 March 2009.

- HKAS 23 (Revised), "Borrowing costs" (effective from annual period beginning on or after 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1 March 2009 but is currently not applicable to the Group as there are no qualifying assets.

- HKAS 27 (Revised), "Consolidated and separate financial statements" (effective from annual period beginning on or after 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from 1 March 2010.

- HKFRS 3 (Revised), "Business combination" (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are 'capable of being conducted' rather than 'are conducted and managed'. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non-current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply HKFRS 3 (Revised) from 1 March 2010.

- HKFRS 8, "Operating segments" (effective from annual period beginning on or after 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 March 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

- HK(IFRIC) – Int 13, "Customer loyalty programmes" (effective from annual period beginning on or after 1 July 2008). HK(IFRIC) – Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The Group will apply HK(IFRIC) – Int 13 from 1 March 2009.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (continued)

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

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 March 2008 or later periods but are not relevant to the Group's operations:

- HK(IFRIC) – Int 12, "Service concession arrangements" (effective from annual period beginning on or after 1 January 2008). HK(IFRIC) – Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. HK(IFRIC) – Int 12 is not relevant to the Group's operations because none of the Group's companies provide for public sector services.

- HK(IFRIC) – Int 14, "HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective from annual period beginning on or after 1 January 2008). HK(IFRIC) – Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. HK(IFRIC) – Int 14 is not relevant to the Group's operations.

2.2 CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 29 February.

(a) Subsidiaries

Subsidiaries are 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 adopted 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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.

(c) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings 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.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	4 to 5 years or over the unexpired period of the lease, whichever is shorter
Furniture and equipment	4 to 5 years
Motor vehicles	5 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 the carrying amount and are recognised in the income statement.

2.6 INTANGIBLE ASSETS

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) 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.

(c) Franchise contracts and distribution agreements

Acquired franchise contracts and distribution agreements are shown at historical cost, which is the fair value of the acquired contracts and agreements as at the date of acquisition. The contracts and agreements have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of acquisition of contracts and agreements over their estimated useful lives (10 years).

(d) Trademark

Acquired trademark is shown at historical cost. Trademark has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademark over its estimated useful life (10 years).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and are tested annually for impairment. Assets 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.

2.9 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.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 26. Movements on the hedging reserve in shareholders' equity are shown in Note 29. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedge item is more than 12 months. Trading derivatives are classified as a current asset or liability.

(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 at fair value through profit or loss and accounted for at fair value through profit or loss

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 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.

2.11 TRADE AND OTHER RECEIVABLES

Trade and other receivables are considered as loans and receivables. They 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 original 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.

2.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are considered as loans and receivables. They 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.

2.13 TRADE PAYABLES

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

2.14 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.

2.15 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 CURRENT AND DEFERRED INCOME TAX

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 substantively 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.

2.17 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

For employees in Hong Kong, the Group has defined contribution plans. The Group pays contributions to trustee-administered pension funds on a mandatory, contractual or voluntary basis. For employees in Mainland China, the Group participates in defined contribution retirement benefit plans administrated by the relevant municipal and provincial governments in Mainland China. The relevant municipal and provincial governments undertake to assume the retirement benefit obligation payable to all existing and future retire employees under these plans. 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 PROVISIONS

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable 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.

2.19 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.

2.20 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.

(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.

(d) Sales of coupons

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

2.21 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.

2.22 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are 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, United States Dollars, New Taiwanese Dollars 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 and Taiwan.

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.

At 29 February 2008, if Chinese Renminbi had strengthened/weakened by 5% against the Hong Kong Dollars with all other variables held constant, profit for the year and equity holders' equity would have been approximately HK$795,000 (year ended 28 February 2007: Nil) lower/higher mainly as a result of foreign exchange gains/losses on translation of Hong Kong Dollars-denominated deposits and receivables of certain subsidiaries which functional currency is Chinese Renminbi.

At 29 February 2008, if Hong Kong Dollars had strengthened/weakened by 5% against the Euros with all other variables held constant, profit for the year and equity holders' equity would have been approximately HK$1,392,000 (year ended 28 February 2007: HK$302,000) lower/higher mainly as a result of foreign exchange gains/losses on translation of Euro-denominated bank balances and trade payables.

At 29 February 2008, foreign exchange risks on financial assets and liabilities denominated in United States Dollars, New Taiwanese Dollars, Japanese Yen and Pound Sterling were insignificant to the Group.

The Group has certain investments in Mainland China, whose net assets are denominated in Chinese Renminbi. The conversion of Chinese Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the Mainland China government.

(b) Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents, trade receivables and other receivables, rental deposits, derivative financial instruments and amounts due from jointly controlled entities. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets. As at 29 February 2008, all the bank deposits are deposited in the high quality financial institutions without significant credit risk.

The table below shows the bank deposits balance of the 4 major banks at the balance sheet date. Management does not expect any losses from non-performance by these banks.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 FINANCIAL RISK FACTORS (continued)

(b) Credit risk (continued)

The Group has no policy to limit the amount of credit exposure to any financial institution.

Counterparties	Rating (i)	As at 29 February 2008 HK$'000	As at 28 February 2007 HK$'000
The Standard Chartered Bank	A+	**198,845**	120,695
Hang Seng Bank	AA	**76,426**	188,305
Industrial and Commercial Bank of China	BBB+	**82,231**	–
Fubon Bank (Hong Kong) Limited	BBB+	**27,271**	23,374
		384,773	332,374

Note (i) The source of current credit rating is from Standard & Poor.

Retail sales are usually paid in cash or by major credit/debit cards. The Group's credit sales are only made to wholesale customers with an appropriate credit history and on credit terms within 30 days. The Directors consider the Group does not have a significant concentration of credit risk. No single customer accounted for more than 1% of the Group's total revenues during the year.

(c) Liquidity risk

The liquidity risk of the Group is controlled by maintaining sufficient banking facilities and cash and cash equivalents, which is generated from the operating cash flow and financing cash flow.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
As at 29 February 2008				
Borrowings and interest payment	10,550	–	–	10,550
Licence fee payables	5,531	5,456	4,095	15,082
Trade and bill payables	121,840	–	–	121,840
Accruals and other payables	134,779	–	–	134,779
Due to a jointly controlled entity	15,583	–	–	15,583
	288,283	5,456	4,095	297,834

	Within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
As at 28 February 2007				
Licence fee payables	6,046	4,817	3,335	14,198
Trade and bill payables	66,805	–	–	66,805
Accruals and other payables	65,708	–	–	65,708
Derivative financial instruments	424	–	–	424
	138,983	4,817	3,335	147,135

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 FINANCIAL RISK FACTORS (continued)

(d) Cash flow and fair value interest rate risk

Except for the short-term bank deposits and pledged bank deposits as at 29 February 2008 of HK$55,529,000 and HK$750,000 (28 February 2007: HK$216,924,000 and HK$750,000), respectively held at effective interest rate of 3% per annum and 2% per annum (28 February 2007: 4% per annum and 3% per annum), respectively, and the short-term bank borrowings as at 29 February 2008 of HK$10,000,000 (28 February 2007: Nil) held at effective interest rate of 5% per annum, the Group has no significant interest-bearing assets and liabilities. The short-term bank borrowings at floating rate expose the Group to cash flow interest rate risk which is insignificant to the Group. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact resulted from the changes in 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 carrying value less impairment provision of receivables and payables are a reasonable approximation of 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.

3.3 CAPITAL RISK MANAGEMENT

The Group's objectives on managing capital are to finance its operations with its owned capital and to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders and issue new shares.

The Group monitors capital on the basis of available cash and current ratio as shown in and derived from the consolidated balance sheets. The table below analyses the Group's capital structure as at 29 February 2008:

	As at 29 February 2008	As at 28 February 2007
Cash and cash equivalents and pledged bank deposits (HK$'000)	**424,923**	365,570
Current ratio (i)	**2.93**	4.66

Note:

(i) Current assets divided by current liabilities.

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, licence rights, franchise contracts and distribution agreements

Investments in and amounts due from jointly controlled entities, furniture and equipment, licence rights, franchise contracts and distribution agreements 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) Business combinations and allocation of purchase price amongst identifiable assets

The Group accounts for business combinations in accordance with HKFRS 3 "Business Combinations". It is required to recognise separately, at the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria regardless of whether they had been previously recognised in the acquiree's financial statements. The valuation in respect of the identifiable assets (including intangible assets recognised upon an acquisition during the year) and liabilities was performed by the management by reference to the inflow of future economic benefits associated to the asset and the outflow of future economic resources required to settle the obligation based on fair value assessment. The assumptions adopted in the valuation include the revenue growth and the general market conditions.

(c) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash-generating units have been determined based on fair value less costs to sell estimations. These estimations require the use of assumptions and judgements.

(d) 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.

(e) Income taxes

The Group is subject to income taxes in certain jurisdictions. Significant judgement is required in determining the provision for income taxes. These are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(f) 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(g) 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 TURNOVER AND SEGMENT INFORMATION

(a) Analysis of revenue by category

	Year ended 29 February 2008 HK$'000	Year ended 28 February 2007 HK$'000
Turnover		
– Sales of fashion wears and accessories	**2,017,817**	1,525,676
– Royalty income	**3,466**	5,087
	2,021,283	1,530,763

(b) Segment information

The Group's primary reporting format is business segments. 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.

The Group's secondary reporting format is geographical segments. Its revenue is generated mainly within Hong Kong and Mainland China.

	Year ended 29 February 2008 HK$'000	Year ended 28 February 2007 HK$'000
Revenue		
Hong Kong	**1,840,563**	1,516,852
Mainland China	**162,338**	–
Others	**18,382**	13,911
	2,021,283	1,530,763

Revenue is allocated based on the place in which the customer is located.

	As at 29 February 2008 HK$'000	As at 28 February 2007 HK$'000
Total assets		
Hong Kong	**846,351**	816,434
Mainland China	**631,359**	156,875
Taiwan	**28,339**	–
Others	**10,410**	2,942
	1,516,459	976,251
Jointly controlled entities	**5,518**	8,795
Unallocated assets	**30,442**	8,091
	1,552,419	993,137

Segment assets consist primarily of furniture and equipment, intangible assets, inventories, trade and other receivables, derivative financial instruments, and cash and cash equivalents. Unallocated assets comprise deferred taxation and other assets. Total assets are allocated based on where the assets are located. The Group's assets in Taiwan are held by its jointly controlled entity.

5 TURNOVER AND SEGMENT INFORMATION (continued)

(b) Segment information (Continued)

	As at 29 February 2008 HK$'000	As at 28 February 2007 HK$'000
Capital expenditure		
Hong Kong	**82,941**	49,517
Mainland China	**362,972**	–
Others	**1,880**	–
	447,793	49,517

Capital expenditure comprises additions to furniture and equipment and intangible assets, including additions resulting from acquisitions through business combinations. Capital expenditure is allocated based on where the assets are located.

6 OTHER GAINS/(LOSSES), NET

	Year ended 29 February 2008 HK$'000	Year ended 28 February 2007 HK$'000
Derivative financial instruments: forward currency contracts, transactions not qualifying as hedge and ineffective portion of changes in fair values	**1,900**	(60)
Write-off of prepaid expenses (i)	**–**	(4,335)
	1,900	(4,395)

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

	Year ended 29 February 2008 HK$'000	Year ended 28 February 2007 HK$'000
Cost of inventories sold	**812,888**	636,675
Write-downs of inventories to net realisable value	**5,027**	1,062
Employment costs (including directors' emoluments) (Note 8)	**363,870**	271,532
Operating lease rentals of premises		
– minimum lease payments	**341,191**	259,989
– contingent rents	**32,399**	13,376
Advertising and promotion costs	**26,115**	19,720
Depreciation of furniture and equipment	**65,396**	47,068
Loss on disposals of furniture and equipment	**3,649**	1,329
Licence fees (included in operating expenses)		
– amortisation of licence rights	**8,186**	8,828
– contingent licence fees	**4,759**	3,906
Amortisation of trademark, franchise contracts and distribution agreements (included in operating expenses)	**443**	–
Provision for impairment of receivables	**450**	–
Auditor's remuneration	**2,540**	1,400
Net exchange gains	**(18,082)**	(6,659)
Other expenses	**172,638**	132,114
Total	**1,821,469**	1,390,340
Representing:		
Cost of sales	**819,423**	640,442
Operating expenses	**1,002,046**	749,898
	1,821,469	1,390,340

8 EMPLOYMENT COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	Year ended 29 February 2008 HK$'000	Year ended 28 February 2007 HK$'000
Salaries, commission and allowances	**319,800**	256,281
Bonus	**25,209**	2,160
Pension costs – employer's contributions to defined contribution plans and provision for long service payment	**16,667**	10,957
Share options granted	**1,383**	1,724
Welfare and other benefits	**811**	410
	363,870	271,532

(a) Pension – defined contribution plans

The Group has arranged for its Hong Kong employees to join the 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 generally 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 maximum contribution of HK$1,000 per month and thereafter contributions are voluntary. The Group has no further obligation for post-retirement benefits beyond the contributions.

As stipulated by rules and regulations in Mainland China, the Group contributes to state-sponsored retirement plans for employees of its subsidiaries established in Mainland China. The employees contribute up to 8% of their basic salaries, while the Group contributes approximately 17% to 22% of such salaries and has no further obligations for the actual payment of pensions or post-retirements benefits beyond these contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

During the year ended 29 February 2008, the amount of the Group's employer contributions to defined contribution plans were approximately HK$16,667,000 (year ended 28 February 2007: HK$10,708,000).

9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of each director of the Company for the year ended 29 February 2008 is set out below:

Name of directors	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	8,500	960	12	13,827
Mr. Sham Kin Wai	–	3,081	7,000	636	12	10,729
Dr. Lo Wing Yan, William	–	3,250	7,000	1,383	12	11,645
Mr. Chan Wai Mo, Alva (v)	–	100	–	–	1	101
Independent non-executive directors						
Mr. Chan Mo Po, Paul (vi)	172	–	–	–	–	172
Mr. Wong Wai Ming	280	–	–	–	–	280
Mr. Francis Goutenmacher	278	–	–	–	–	278
Dr. Wong Tin Yau, Kelvin (vii)	105	–	–	–	–	105
	835	10,786	22,500	2,979	37	37,137

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

Name of directors	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	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

Notes:

(i) Other benefits include housing allowance and the amortisation to the income statement of the fair value of 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) Dr. Lo Wing Yan, William was re-designated from an independent non-executive director to an executive director on 24 May 2006.

(iii) Mr. Francis Goutenmacher has been appointed as independent non-executive director on 1 August 2006.

(iv) Dr. Yeung Chun Kam, Charles has been resigned as non-executive director on 19 October 2006.

(v) Mr. Chan Wai Mo, Alva has been resigned as executive director on 30 March 2007.

(vi) Mr. Chan Mo Po, Paul has been resigned as independent non-executive director on 23 July 2007.

(vii) Dr. Wong Tin Yau, Kelvin has been appointed as independent non-executive director on 1 August 2007.

No directors waived any emoluments during the year ended 29 February 2008 (year ended 28 February 2007: Nil).

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 three (year ended 28 February 2007: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (year ended 28 February 2007: one) individuals are as follows:

	Year ended 29 February 2008 HK$'000	Year ended 28 February 2007 HK$'000
Salaries	**2,477**	1,560
Bonus	**150**	–
Other benefits (i)	**636**	–
Employer's contributions to pension scheme	**59**	12
	3,322	1,572

Note:

(i) Other benefits include housing allowance.

The emoluments of the remaining two (year ended 28 February 2007: one) individuals fell within the following bands:

	Year ended 29 February 2008	Year ended 28 February 2007
HK$1,000,001 – HK$1,500,000	**1**	–
HK$1,500,001 – HK$2,000,000	**1**	1
	2	1

(c) During the year ended 29 February 2008, 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 (year ended 28 February 2007: Nil).

10 FINANCE INCOME, NET

	Year ended 29 February 2008 HK$'000	Year ended 28 February 2007 HK$'000
Interest income from		
– bank deposits	**8,810**	9,800
– amounts due from jointly controlled entities (i)	**2,902**	4,802
– others (i)	**2,705**	2,028
Finance income	**14,417**	16,630
Interest expense on		
– bank borrowings wholly repayable within five years	**(312)**	(3)
– licence fees payable (i)	**(515)**	(617)
Finance costs	**(827)**	(620)
Net finance income	**13,590**	16,010

Note:

(i) These represent the interests arisen from the amortisation of financial assets and liabilities recognised at amortised cost.

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% (year ended 28 February 2007: 17.5%) on the estimated assessable profits of the Group's operations in Hong Kong.

Mainland China enterprise income tax has been provided at the applicable rates ranging from 15% to 33% on the profits of the Group's operations in Mainland China, in accordance with the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises.

Macau Complementary (Corporate) Tax has been provided at a fixed rate of 9% on the estimated assessable profit in excess of HK$196,000 (approximately MOP200,000) and below HK$295,000 (approximately MOP300,000) and a fixed rate of 12% on assessable profit in excess of HK$295,000 (approximately MOP300,000).

The amounts of taxation charged/(credited) to the consolidated income statement represent:

	Year ended 29 February 2008 HK$'000	Year ended 28 February 2007 HK$'000
Current income tax		
– Hong Kong profits tax	**36,706**	32,879
– Mainland China enterprise income tax	**3,522**	–
– Overseas taxation	**25**	–
– Overprovision in prior year	**–**	(239)
Deferred income tax (Note 27)	**(748)**	(6,917)
	39,505	25,723

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using weighted average tax rate in applicable to profits of the consolidated entities as follows:

	Year ended 29 February 2008 HK$'000	Year ended 28 February 2007 HK$'000
Profit before income tax	**210,476**	148,126
Adjustment: share of loss of jointly controlled entities, net of tax	**4,828**	3,912
Adjusted profit before income tax	**215,304**	152,038
Tax calculated at applicable tax rates	**40,644**	26,607
Income not subject to tax	**(3,605)**	(2,036)
Expenses not deductible for tax purposes	**2,466**	1,391
Overprovision in prior year	**–**	(239)
Tax expense	**39,505**	25,723

The weighted average applicable tax rate was 18.9% (year ended 28 February 2007: 17.5%). The increase is caused by a change in the profitability of the Group's subsidiaries in Hong Kong and Mainland China, subsequent to the business combinations as disclosed in Note 33.

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$123,903,000 (year ended 28 February 2007: HK$85,887,000).

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.

	Year ended 29 February 2008	Year ended 28 February 2007
Profit attributable to equity holders of the Company (HK$'000)	**170,971**	122,403
Weighted average number of ordinary shares in issue ('000)	**1,067,856**	1,039,345
Basic earnings per share (HK$)	**0.16**	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.

	Year ended 29 February 2008	Year ended 28 February 2007
Profit attributable to equity holders of the Company (HK$'000)	**170,971**	122,403
Weighted average number of ordinary shares in issue ('000)	**1,067,856**	1,039,345
Adjustments for share options ('000)	**6,311**	4,842
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,074,167**	1,044,187
Diluted earnings per share (HK$)	**0.16**	0.12

14 DIVIDENDS

	Year ended 29 February 2008 HK$'000	Year ended 28 February 2007 HK$'000
Interim, paid, of HK2.1 cents (year ended 28 February 2007: Nil) per ordinary share	**21,834**	–
Final, proposed, of HK8.5 cents (year ended 28 February 2007: HK5.0 cents) per ordinary share	**98,148**	51,985
	119,982	51,985

The dividends paid in the year ended 29 February 2008 and year ended 28 February 2007 were HK$73,819,000 (HK5.0 cents per share for final dividend in 2007 and HK2.1 cents per share for interim dividend in 2008) and HK$49,867,000 (HK4.8 cents per share), respectively. The Directors recommend the payment of a final dividend of HK8.5 cents per share, totalling HK$98,148,000. Such dividend is to be approved by the shareholders at the upcoming Annual General Meeting. These financial statements do not reflect this as dividend payable.

15 FURNITURE AND EQUIPMENT – GROUP

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 March 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
Year ended 29 February 2008				
Opening net book amount	72,843	20,348	–	93,191
Additions	85,445	7,669	1,581	94,695
Acquisition of subsidiaries and businesses (Note 33)	48,754	10,762	78	59,594
Disposals	(3,628)	(18)	(3)	(3,649)
Depreciation	(55,821)	(9,449)	(126)	(65,396)
Exchange differences	1,267	147	1	1,415
Closing net book amount	148,860	29,459	1,531	179,850
At 29 February 2008				
Cost	319,328	60,673	1,672	381,673
Accumulated depreciation	(170,468)	(31,214)	(141)	(201,823)
Net book amount	148,860	29,459	1,531	179,850

Depreciation expense has been included in operating expenses.

16 INTANGIBLE ASSETS – GROUP

	Goodwill	Licence rights	Franchise contracts and distribution agreements	Trademark	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 March 2006					
Cost	–	29,524	–	–	29,524
Accumulated amortisation	–	(10,355)	–	–	(10,355)
Net book amount	–	19,169	–	–	19,169
Year ended 28 February 2007					
Opening net book amount	–	19,169	–	–	19,169
Additions	–	4,478	–	–	4,478
Amortisation	–	(8,828)	–	–	(8,828)
Closing net book amount	–	14,819	–	–	14,819
At 28 February 2007					
Cost	–	34,002	–	–	34,002
Accumulated amortisation	–	(19,183)	–	–	(19,183)
Net book amount	–	14,819	–	–	14,819
Year ended 29 February 2008					
Opening net book amount	–	14,819	–	–	14,819
Additions	–	1,172	–	532	1,704
Acquisition of subsidiaries and businesses (Note 33)	271,383	5,117	15,300	–	291,800
Amortisation	–	(8,186)	(425)	(18)	(8,629)
Exchange differences	11,570	–	634	–	12,204
Closing net book amount	282,953	12,922	15,509	514	311,898
At 29 February 2008					
Cost	282,953	40,291	15,952	532	339,728
Accumulated amortisation	–	(27,369)	(443)	(18)	(27,830)
Net book amount	282,953	12,922	15,509	514	311,898

Amortisation expense has been included in operating expenses.

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to lines of businesses monitored by management internally.

The recoverable amounts of the CGUs are determined based on fair value less costs to sell estimations. These estimations use cash flow projections based on financial budgets approved by management covering the subsequent year. Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below. The growth rate does not exceed the long-term average growth rate for the retail business in Mainland China in which the CGUs operate.

Key assumptions used for fair value less costs to sell estimations

	As at 29 February 2008
Growth rate	5%
Earnings before interest, taxation, depreciation and amortisation (EBITDA) margin	1% – 6%
Discount rate	11.5%

These assumptions have been used for the analysis of each of the CGUs.

Management determined budgeted gross margin based on past performance and its expectations for the market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant businesses.

17 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES – COMPANY

	As at 29 February 2008 HK$'000	As at 28 February 2007 HK$'000
Unlisted investments, at cost	**136,880**	136,880
Amounts due from subsidiaries	**964,427**	476,201
	1,101,307	613,081

(a) Details of the principal subsidiaries as at 29 February 2008:

Name	**Place of incorporation and operations**	**Issued and fully paid capital**	**Percentage of equity interest attributable to the Group (i)**	**Principal activities**
b&ab Limited	Hong Kong	HK$500,000	100%	Retail of fashion wears and accessories
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
Cheerwood Limited	Hong Kong	HK$2	100%	Retail of fashion wears and accessories
Chocoolate Limited	Hong Kong	HK$500,000	100%	Retail of fashion wears and accessories
Double Park Limited	Hong Kong	HK$500,000	100%	Retail of fashion wears and accessories
Elegant Century Enterprises 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 Limited (formerly known as G.S – i.t Limited)	Hong Kong	HK$60,000,000	100%	Investment holding
I.T (Macau) Limited	Macau	MOP9,270,000	100%	Retail of fashion wears and accessories
ithk holdings limited	British Virgin Islands	US$20,000	100%	Investment holding
Izzue Limited	Hong Kong	HK$500,000	100%	Retail of fashion wears and accessories
Jandix Limited	Hong Kong	HK$500,000	100%	Retail of fashion wears and accessories
Jetchance Limited	Hong Kong	HK$2	100%	Retail of fashion wears and accessories
Joyful Fair Limited	Hong Kong	HK$500,000	100%	Retail of fashion wears and accessories

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

(a) Details of the principal subsidiaries as at 29 February 2008: (continued)

Name	Place of incorporation and operations	Issued and fully paid capital	Percentage of equity interest attributable to the Group (i)	Principal activities
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 Apparels (Shanghai) Limited (ii)	Mainland China	US$2,000,000	100%	Retail of fashion wears and accessories
New Concepts Corporation Limited	Hong Kong	HK$2	100%	Investment holding and trading of fashion wears and accessories
Prime Vantage Trading (Shanghai) Limited (ii)	Mainland China	US$1,000,000	100%	Retail of fashion wears and accessories
Regent Cheer Limited	Hong Kong	HK$2	100%	Retail of fashion wears and accessories
Top Honour Corporation Limited	Hong Kong	HK$4,000,000	100%	Retail of fashion wears and accessories
Venilla Suite Limited	Hong Kong	HK$300,000	100%	Retail of fashion wears and accessories
Zoompac Apparel (Shanghai) Limited (ii)	Mainland China	US$3,700,000	100%	Retail and trading of fashion wears and accessories

Notes:

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

(ii) Mega Charm Apparels (Shanghai) Limited, Prime Vantage Trading (Shanghai) Limited and Zoompac Apparel (Shanghai) Limited are wholly foreign owned enterprises established in Shanghai, Mainland China to be operated for 20 years up to 2027, 20 years up to 2027 and 30 years up to 2035, respectively.

(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 BALANCES WITH JOINTLY CONTROLLED ENTITIES – GROUP

	As at 29 February 2008 HK$'000	As at 28 February 2007 HK$'000
Share of net assets	5,518	8,795
Amounts due from jointly controlled entities	57,536	156,875
	63,054	165,670
Less: current portion of amounts due from jointly controlled entities	(41,080)	(82,437)
	21,974	83,233
Amount due to a jointly controlled entity	(15,583)	–

(a) Share of net assets of jointly controlled entities

	Year ended 29 February 2008 HK$'000	Year ended 28 February 2007 HK$'000
Beginning of the year	8,795	14,095
Share of results of jointly controlled entities		
– loss before income tax	(2,092)	(4,740)
– taxation	(2,736)	828
– currency translation differences	3,018	2,612
Capital reduction	(8,000)	(4,000)
Capitalisation of amount due from a jointly controlled entity	30,000	–
Business combinations (Note 33)		
– disposal of a jointly controlled entity	(14,067)	–
– acquisition of jointly controlled entities	(9,400)	–
End of the year	5,518	8,795

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

	As at 29 February 2008 HK$'000	As at 28 February 2007 HK$'000
Revenues	249,293	203,579
Losses	(4,828)	(3,912)
Non-current assets	8,750	56,388
Current assets	46,199	114,324
Non-current liabilities	(16,377)	(51,694)
Current liabilities	(33,054)	(110,223)
Commitments	–	–

Details of the principal jointly controlled entities as at 29 February 2008:

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$16,000,000	50%	Retail of fashion wears and accessories
FCIT (China) Limited	Hong Kong	HK$2	50%	Investment holding
I.T Taiwan Limited	Hong Kong	HK$1	51%	Investment holding

18 INVESTMENTS IN AND BALANCES WITH JOINTLY CONTROLLED ENTITIES – GROUP (continued)

(b) Balances with jointly controlled entities

	As at 29 February 2008 HK$'000	As at 28 February 2007 HK$'000
Name		
Due from jointly controlled entities		
I.T China Limited (formerly known as G.S – i.t Limited)	**–**	74,438
New Concepts Corporation Limited	**–**	82,437
FCUK IT Company	**291**	–
Top Alliance Enterprises Limited	**11,474**	–
I.T Taiwan Limited	**16,864**	–
FCIT (China) Limited	**28,907**	–
	57,536	156,875
Due to a jointly controlled entity		
Kenchart Apparels (Shanghai) Limited	**(15,583)**	–

As at 29 February 2008, amount due from FCIT (China) Limited of approximately HK$4,982,000 (28 February 2007: Nil) was unsecured, non-interest bearing and fully repayable in 2016. This amount was carried at amortised costs using the effective interest rate of 5% per annum.

As at 29 February 2008, amount due from Top Alliance Enterprises Limited of approximately HK$11,474,000 (28 February 2007: Nil) was unsecured, non-interest bearing and fully repayable in 2014. This amount was carried at amortised costs using the effective interest rate of 3% per annum.

The remaining balances with jointly controlled entities were unsecured, non-interest bearing and repayable on demand.

The carrying amounts and fair values of amounts due from jointly controlled entities were as follows:

	Carrying amounts		**Fair values**	
	As at 29 February 2008 HK$'000	As at 28 February 2007 HK$'000	**As at 29 February 2008 HK$'000**	As at 28 February 2007 HK$'000
Due from jointly controlled entities	**57,536**	156,875	**58,499**	156,142

The carrying amounts of amount due to a jointly controlled entity approximated their fair values.

The fair values of amounts due from jointly controlled entities are based on cash flows discounted using the rate of 3% per annum (28 February 2007: 4% per annum).

Amounts due from jointly controlled entities are denominated in the following currencies:

	As at 29 February 2008 HK$'000	As at 28 February 2007 HK$'000
Hong Kong Dollars	**31,021**	156,875
New Taiwanese Dollars	**15,652**	–
Pound Sterling	**9,007**	–
Euros	**1,535**	–
United States Dollars	**313**	–
Chinese Renminbi	**8**	–
	57,536	156,875

Amount due to a jointly controlled entity is denominated in Chinese Renminbi.

(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 INVENTORIES – GROUP

	As at 29 February 2008 HK$'000	As at 28 February 2007 HK$'000
Merchandise stock for resale	**315,345**	194,875
Consumables	**8,379**	1,424
	323,724	196,299

The cost of inventories recognised as expense and included in cost of sales amounted to approximately HK$812,888,000 (28 February 2007: HK$636,675,000).

20 TRADE AND OTHER RECEIVABLES

	Group		Company	
	As at 29 February 2008 HK$'000	As at 28 February 2007 HK$'000	**As at 29 February 2008 HK$'000**	As at 28 February 2007 HK$'000
Trade receivables	**28,204**	9,252	**–**	–
Less: provision for impairment of receivables	**(343)**	–	**–**	–
Trade receivables, net	**27,861**	9,252	**–**	–
Other receivables	**28,618**	650	**143**	222
Less: provision for impairment of receivables	**(16,834)**	–	**–**	–
Other receivables, net	**11,784**	650	**143**	222
Trade and other receivables	**39,645**	9,902	**143**	222

Movements on the provision for impairment of trade receivables are as follows:

	Group	
	Year ended 29 February 2008 HK$'000	Year ended 28 February 2007 HK$'000
Beginning of the year	**–**	–
Acquisition of subsidiaries and businesses	**329**	–
Exchange differences	**14**	–
End of the year	**343**	–

As of 29 February 2008, trade receivables of HK$343,000 (28 February 2007: Nil) were impaired. The individually impaired receivable mainly related to a wholesaler, which was in unexpected difficult economic situations. It was assessed that the receivables were not expected to be recovered. The receivables were aged over 120 days as of 29 February 2008.

20 TRADE AND OTHER RECEIVABLES (continued)

The ageing analysis of trade receivables past due but not impaired as at 29 February 2008 is as follows:

	Group	
	As at 29 February 2008 HK$'000	As at 28 February 2007 HK$'000
0 to 30 days	**45**	97
31 to 60 days	**2**	55
61 to 90 days	**7**	16
Over 90 days	**1**	–
	55	168

Movements on the provision for impairment of other receivables are as follows:

	Group	
	Year ended 29 February 2008 HK$'000	Year ended 28 February 2007 HK$'000
Beginning of the year	**–**	–
Acquisition of subsidiaries and businesses	**15,688**	–
Provision for impairment of receivables	**450**	–
Exchange differences	**696**	–
End of the year	**16,834**	–

As of 29 February 2008, other receivables of HK$16,834,000 (28 February 2007: Nil) were impaired. The individually impaired receivable mainly related to a counterparty, which was in unexpected difficult economic situations. It was assessed that the receivables were not expected to be recovered. The receivables were aged over 120 days as of 29 February 2008.

There were no other receivables past due but not impaired as of 29 February 2008.

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

	Group		Company	
	As at 29 February 2008 HK$'000	As at 28 February 2007 HK$'000	**As at 29 February 2008 HK$'000**	As at 28 February 2007 HK$'000
Chinese Renminbi	**29,849**	–	**–**	–
Hong Kong Dollars	**9,784**	9,555	**143**	222
United States Dollars	**–**	343	**–**	–
Others	**12**	4	**–**	–
	39,645	9,902	**143**	222

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

The credit quality of trade and other receivables neither past due nor impaired has been assessed by reference to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

20 TRADE AND OTHER RECEIVABLES (continued)

The ageing analysis of trade receivables is as follows:

	Group	
	As at 29 February 2008 HK$'000	As at 28 February 2007 HK$'000
0 to 30 days	**19,979**	8,966
31 to 60 days	**7,858**	125
61 to 90 days	**7**	161
Over 90 days	**17**	–
	27,861	9,252

21 PREPAYMENTS AND OTHER DEPOSITS – GROUP

	As at 29 February 2008 HK$'000	As at 28 February 2007 HK$'000
Rental deposits	**111,025**	75,636
Prepayments	**50,098**	57,840
Utility and other deposits	**15,221**	4,236
	176,344	137,712
Less non-current portion:		
Rental deposits	**(77,424)**	(56,352)
	98,920	81,360

Rental deposits were carried at amortised costs using the effective interest rates ranging from 3% per annum to 5% per annum determined at the inception date.

The carrying amounts and fair values of rental deposits were as follows:

	Carrying amounts		Fair values	
	As at 29 February 2008 HK$'000	As at 28 February 2007 HK$'000	**As at 29 February 2008 HK$'000**	As at 28 February 2007 HK$'000
Rental deposits	**111,025**	75,636	**113,199**	74,866

The fair values of rental deposits are based on cash flows discounted using the rate of 3% per annum (28 February 2007: 4% per annum).

The credit quality of rental deposits has been assessed by reference to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

22 PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	Group		Company	
	As at 29 February 2008 HK$'000	As at 28 February 2007 HK$'000	**As at 29 February 2008 HK$'000**	As at 28 February 2007 HK$'000
Pledged bank deposits	**750**	750	**–**	–
Cash at bank and in hand	**368,644**	147,896	**1,032**	528
Short-term bank deposits	**55,529**	216,924	**–**	160,740
	424,923	365,570	**1,032**	161,268

The Group's pledged bank deposits, cash at bank and short-term bank deposits were deposited with banks in Hong Kong and Mainland China. Cash at bank earned interest at floating rates based on daily bank deposit rates. The effective interest rates on short-term bank deposits and pledged bank deposits were 3% per annum and 2% per annum (28 February 2007: 4% per annum and 3% per annum), respectively. The short-term bank deposits had maturities ranging from 3 to 45 days (28 February 2007: 2 to 93 days).

The credit quality of pledged bank deposits, cash at bank and short-term bank deposits has been assessed by reference to external credit ratings (if available) or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

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

	Group		Company	
	As at 29 February 2008 HK$'000	As at 28 February 2007 HK$'000	**As at 29 February 2008 HK$'000**	As at 28 February 2007 HK$'000
Hong Kong Dollars	**176,568**	317,360	**1,032**	161,268
Euros	**65,463**	22,739	**–**	–
Japanese Yen	**22,565**	23,818	**–**	–
United States Dollars	**56,557**	1,200	**–**	–
Pound Sterling	**6,798**	453	**–**	–
Chinese Renminbi	**95,129**	–	**–**	–
Others	**1,843**	–	**–**	–
	424,923	365,570	**1,032**	161,268

Chinese Renminbi is currently not a freely convertible currency in the international market. The conversion of Chinese Renminbi into foreign currencies and remittance of Chinese Renminbi out of the Mainland China are subject to the rules and regulations of the foreign exchange control promulgated by the Mainland China government.

23 BORROWINGS – GROUP

	As at 29 February 2008 HK$'000	As at 28 February 2007 HK$'000
Short-term bank borrowings	**10,000**	–

As at 29 February 2008, short-term bank borrowings were secured and bore interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 1% per annum.

The carrying amounts of short-term bank borrowings approximate their fair values.

The Group's borrowings are denominated in Hong Kong Dollars.

Details of the Group's banking facilities are set out in Note 31.

24 TRADE AND BILL PAYABLES – GROUP

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

	As at 29 February 2008 HK$'000	As at 28 February 2007 HK$'000
0 to 30 days	**86,130**	53,516
31 to 60 days	**15,037**	8,662
61 to 90 days	**2,972**	3,086
91 to 180 days	**8,090**	1,240
181 to 365 days	**8,501**	256
Over 365 days	**1,110**	45
	121,840	66,805

The carrying amounts of the trade and bill payables approximate their fair value.

The Group's trade and bill payables are denominated in the following currencies:

	As at 29 February 2008 HK$'000	As at 28 February 2007 HK$'000
Hong Kong Dollars	**46,524**	36,013
Euros	**31,105**	12,617
Japanese Yen	**16,373**	13,842
United States Dollars	**5,915**	2,794
Pound Sterling	**2,181**	1,539
Chinese Renminbi	**19,742**	–
	121,840	66,805

25 ACCRUALS AND OTHER PAYABLES

	Group		**Company**	
	As at 29 February 2008 HK$'000	As at 28 February 2007 HK$'000	**As at 29 February 2008 HK$'000**	As at 28 February 2007 HK$'000
Unutilised coupon	**1,900**	1,914	**–**	–
Accruals				
– Rented premises	**41,217**	32,363	**–**	–
– Employment costs	**44,212**	17,575	**–**	–
– Others	**16,686**	10,525	**30**	33
Licence fee payables	**14,346**	13,525	**–**	–
Other payables	**30,764**	3,331	**–**	–
	149,125	79,233	**30**	33
Less non-current portion: Licence fee payables	**(8,925)**	(7,585)	**–**	–
	140,200	71,648	**30**	33

Licence fee payables were recognised based on discount rates equal to the Group's weighted average borrowing rates ranging from 3.5% per annum to 4.0% per annum, at the date of acquisition of such obligations.

25 ACCRUALS AND OTHER PAYABLES (continued)

Licence fee payables are denominated in the following currencies:

	As at 29 February 2008 HK$'000	As at 28 February 2007 HK$'000
United States Dollars	**14,346**	11,663
Hong Kong Dollars	**–**	1,862
	14,346	13,525

The carrying amounts and fair values of licence fee payables were as follows:

	Carrying amounts		**Fair values**	
	As at 29 February 2008 HK$'000	As at 28 February 2007 HK$'000	**As at 29 February 2008 HK$'000**	As at 28 February 2007 HK$'000
Licence fee payables	**14,346**	13,525	**14,125**	13,291

The fair values of licence fee payables are based on cash flows discounted using the rate of 5.0% per annum (28 February 2007: 5.5% per annum).

26 DERIVATIVE FINANCIAL INSTRUMENTS – GROUP

Derivative financial instruments represent forward currency contracts designated as cash flow hedges. As at 29 February 2008, 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$31,567,000 (28 February 2007: HK$85,439,000). The remaining maturities of these contracts are within one month.

The credit quality of derivative assets has been assessed by reference to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

27 DEFERRED INCOME TAX – GROUP

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 were as follows:

	As at 29 February 2008 HK$'000	As at 28 February 2007 HK$'000
Deferred income tax assets	**24,412**	5,761
Deferred income tax liabilities	**(4,524)**	(499)
	19,888	5,262

27 DEFERRED INCOME TAX – GROUP (continued)

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

	Year ended 29 February 2008 HK$'000	Year ended 28 February 2007 HK$'000
Beginning of the year	**5,262**	(1,655)
Acquisition of subsidiaries and businesses (Note 33)	**13,407**	–
Recognised in the consolidated income statement (Note 11)	**748**	6,917
Exchange differences	**471**	–
End of the year	**19,888**	5,262

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

Deferred tax assets –

	Decelerated tax depreciation		Provision		Tax losses		Total	
	Year ended 29 February 2008 HK$'000	Year ended 28 February 2007 HK$'000	Year ended 29 February 2008 HK$'000	Year ended 28 February 2007 HK$'000	Year ended 29 February 2008 HK$'000	Year ended 28 February 2007 HK$'000	Year ended 29 February 2008 HK$'000	Year ended 28 February 2007 HK$'000
Beginning of the year	**3,318**	497	**–**	–	**3,677**	86	**6,995**	583
Acquisition of subsidiaries and businesses	**–**	–	**6,878**	–	**10,491**	–	**17,369**	–
Recognised in the income statement	**2,150**	2,821	**(1,826)**	–	**727**	3,591	**1,051**	6,412
Exchange differences	**–**	–	**305**	–	**321**	–	**626**	–
End of the year	**5,468**	3,318	**5,357**	–	**15,216**	3,677	**26,041**	6,995

Deferred tax liabilities –

	Accelerated tax depreciation	
	Year ended 29 February 2008 HK$'000	Year ended 28 February 2007 HK$'000
Beginning of the year	**(1,733)**	(2,238)
Acquisition of subsidiaries and businesses	**(3,962)**	–
Recognised in the income statement	**(303)**	505
Exchange differences	**(155)**	–
End of the year	**(6,153)**	(1,733)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 29 February 2008, the Group has no material unrecognised tax losses (28 February 2007: Nil).

28 SHARE CAPITAL

Movements were:

	Note	Number of ordinary shares '000	Nominal value HK$'000
Authorised:			
At 1 March 2006, 28 February 2007 and 29 February 2008			
Ordinary shares of HK$0.1 each		3,000,000	300,000
Issued and fully paid:			
At 1 March 2006		1,038,900	103,890
Issue of shares under a share option scheme	(i)	600	60
At 28 February 2007		1,039,500	103,950
Issue of shares under share option schemes	(ii)	12,350	1,235
Issue of shares pursuant to the acquisition of subsidiaries and businesses	(iii)	102,827	10,283
At 29 February 2008		1,154,677	115,468

Notes:

(i) 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.

(ii) In April 2007 and January 2008, the Company issued 200,000 ordinary shares and 5,000,000 ordinary shares respectively of HK$0.1 each at HK$0.1 per share upon the exercise of certain Pre-IPO Share Options.

In November 2007, December 2007 and January 2008, the Company issued 990,000 ordinary shares, 5,160,000 ordinary shares and 1,000,000 ordinary shares respectively of HK$0.1 each at HK$2.35 per share upon the exercise of certain share options under the Share Option Scheme. Total proceeds from issue of these shares amounted to approximately HK$16,802,000.

(iii) On 28 November 2007, the Company issued 102,827,473 ordinary shares (representing 9% of the then total ordinary share capital issued) to Glorious Sun Enterprises Limited, a then shareholder of G.S – i.t Limited ("GSIT") (now known as I.T China Limited) as part of the purchase consideration for the 50% equity interest in GSIT. The fair value of these shares issued amounted to approximately HK$259,125,000 (HK$2.52 per share).

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.

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

	Year ended 29 February 2008		Year ended 28 February 2007	
	Exercise price per share HK$	**Options '000**	Exercise price per share HK$	Options '000
Beginning of the year	**0.10**	**5,200**	0.10	5,800
Exercised	**0.10**	**(5,200)**	0.10	(600)
End of the year		**–**	0.10	5,200

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.

On 1 June 2007, the Company granted options under the Share Option Scheme to a director of the Group to subscribe for an aggregate of 4,000,000 shares in the Company at a price of HK$1.47 per share, exercisable during the period from 1 June 2007 to 30 May 2010. The fair value of the options granted on 1 June 2007, determined using the Binomial Option Pricing Model, was approximately HK$0.35 per share option, totalling approximately HK$1,383,000.

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

Grant date	**28 April 2005**	**16 February 2007**	**1 June 2007**
Share price at the grant date	HK$2.10	HK$1.55	HK$1.46
Exercise price per share	HK$2.35	HK$1.56	HK$1.47
Standard deviation of expected share price returns	33.00%	36.00%	35.00%
Expected life of options	1.6 years	3 years	2.7 years
Expected dividend paid out rate	2.50%	3.50%	3.00%
Annual risk free rate	2.79%	4.11%	4.36%

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

	Year ended 29 February 2008		Year ended 28 February 2007	
	Exercise price per share HK$	**Options '000**	Exercise price per share HK$	Options '000
Beginning of the year	**2.11**	**20,150**	2.35	14,950
Granted	**1.47**	**4,000**	1.56	6,000
Exercised	**2.35**	**(7,150)**	–	–
Forfeited	**2.35**	**(3,550)**	2.35	(800)
End of the year	**1.74**	**13,450**	2.11	20,150

28 SHARE CAPITAL (continued)

Share options (continued)

(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 Year ended 29 February 2008 '000	Share options Year ended 28 February 2007 '000
7 February 2008	0.10	**–**	5,200
27 April 2008	2.35	**3,450**	14,150
15 February 2010	1.56	**6,000**	6,000
30 May 2010	1.47	**4,000**	–
		13,450	25,350

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 2007	424,689	13,349	32,337	820	2,612	248,996	722,803
Profit for the year	–	–	–	–	–	170,971	170,971
Cash flow hedge							
– transfer to income statement	–	–	–	(820)	–	–	(820)
Share option scheme							
– value of employment services	–	1,383	–	–	–	–	1,383
Exercise of share options	26,278	(10,191)	–	–	–	–	16,087
Forfeiture of share options	–	(644)	–	–	–	644	–
Acquisition of subsidiaries and businesses (Note 28(iii))	248,842	–	–	–	–	–	248,842
Currency translation differences							
– Group	–	–	–	–	16,904	–	16,904
– jointly controlled entities	–	–	–	–	3,018	–	3,018
Dividend relating to year ended 28 February 2007	–	–	–	–	–	(51,985)	(51,985)
Interim dividend relating to year ended 29 February 2008	–	–	–	–	–	(21,834)	(21,834)
Balance at 29 February 2008	699,809	3,897	32,337	–	22,534	346,792	1,105,369
Representing –							
2008 Final dividend proposed						98,148	
Others						248,644	
						346,792	
Analysed by –							
Company and subsidiaries	699,809	3,897	32,337	–	21,695	340,713	1,098,451
Jointly controlled entities	–	–	–	–	839	6,079	6,918
Balance at 29 February 2008	699,809	3,897	32,337	–	22,534	346,792	1,105,369

29 RESERVES (continued)

(a) Group (continued)

	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
– transfer to income statement	–	–	–	60	–	–	60
– transfer 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 relating to year ended 28 February 2006	–	–	–	–	–	(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

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 2007	424,689	13,349	136,680	95,870	670,588
Profit for the year	–	–	–	123,903	123,903
Share option scheme – value of employment services	–	1,383	–	–	1,383
Exercise of share options	26,278	(10,191)	–	–	16,087
Forfeiture of share options	–	(644)	–	644	–
Acquisition of subsidiaries and businesses (Note 28(iii))	248,842	–	–	–	248,842
Dividend relating to year ended 28 February 2007	–	–	–	(51,985)	(51,985)
Interim dividend relating to year ended 29 February 2008	–	–	–	(21,834)	(21,834)
Balance at 29 February 2008	699,809	3,897	136,680	146,598	986,984
Representing –					
2008 Final dividend proposed				98,148	
Others				48,450	
				146,598	
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 relating to year ended 28 February 2006	–	–	–	(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	

30 CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

	Year ended 29 February 2008 HK$'000	Year ended 28 February 2007 HK$'000
Profit for the year	**170,971**	122,403
Adjustments for:		
– Income tax expense	**39,505**	25,723
– Interest expense	**827**	620
– Interest income	**(14,417)**	(16,630)
– Share of loss of jointly controlled entities	**4,828**	3,912
– Depreciation of furniture and equipment	**65,396**	47,068
– Amortisation of intangible assets	**8,186**	8,828
– Amortisation of trademark, franchise contracts and distribution agreements	**443**	–
– Fair value (gain)/loss on derivative financial instruments	**(1,900)**	60
– Loss on disposal of furniture and equipment	**3,649**	1,329
– Share option costs	**1,383**	1,724
	278,871	195,037
Changes in working capital:		
– Increase in rental deposits	**(5,032)**	(10,906)
– Increase in other assets	**(3,700)**	(1,250)
– Increase in inventories	**(39,242)**	(48,731)
– Increase in trade and other receivables	**(14,244)**	(3,264)
– Increase in prepayments and other deposits	**(1,933)**	(36,527)
– Increase in trade and bill payables	**35,378**	18,654
– Increase in accruals and other payables	**31,151**	1,696
Cash generated from operations	**281,249**	114,709

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

	Year ended 29 February 2008 HK$'000	Year ended 28 February 2007 HK$'000
Net book value (Note 15)	**3,649**	2,017
Loss on disposal of furniture and equipment	**(3,649)**	(1,329)
Proceeds from disposal of furniture and equipment	**–**	688

(c) Non-cash transactions

(i) During the year ended 29 February 2008, the Group capitalised the fixed minimum periodic payments to be made in relation to licence rights of approximately HK$172,000 (year ended 28 February 2007: HK$3,098,000) as intangible assets, and recognised licence fee payables of approximately HK$168,000 (year ended 28 February 2007: HK$2,960,000), the present value of the fixed minimum periodic payments at inception of such obligations; and

(ii) 102,827,473 ordinary shares were issued as part of the consideration for the acquisition and the details of which have been discussed in Note 28(iii) and Note 33.

(d) Analysis of cash and cash equivalents:

	As at 29 February 2008 HK$'000	As at 28 February 2007 HK$'000
Cash and bank deposits	**424,173**	364,820

31 BANKING FACILITIES AND PLEDGE OF ASSETS – GROUP

As at 29 February 2008, the Group had aggregate banking facilities of approximately HK$448,500,000 (28 February 2007: HK$339,500,000) for overdrafts, bank loans and trade financing, of which approximately HK$336,543,000 (28 February 2007: HK$254,424,000) was unutilised as at the same date. These facilities are secured by:

(i) the Group's bank deposits of HK$750,000 (28 February 2007: HK$750,000);

(ii) the current assets of New Concepts Corporation Limited, a subsidiary, amounted to approximately HK$212,440,000 (28 February 2007: Nil);

(iii) the current assets of I.T China Limited, a subsidiary, amounted to approximately HK$7,013,000 (28 February 2007: Nil); and

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

32 OPERATING LEASE COMMITMENTS – GROUP

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:

	As at 29 February 2008 HK$'000	As at 28 February 2007 HK$'000
Not later than one year	**439,607**	273,062
Later than one year and not later than five years	**675,111**	374,197
Later than five years	**138,185**	–
	1,252,903	647,259

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.

33 BUSINESS COMBINATIONS – GROUP

On 28 November 2007, the Group acquired the remaining 50% of the equity interest in I.T China Limited (formerly known as G.S – i.t Limited), a then jointly controlled entity of the Group, and certain businesses in Mainland China and Macau. The acquired businesses contributed revenues of HK$156,128,000 and net profit of HK$34,734,000 to the Group for the period from 29 November 2007 to 29 February 2008. If the acquisition had occurred on 1 March 2007, Group's revenue would have been HK$2,267,731,000; profit for the year would have been HK$158,705,000. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the businesses to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to furniture and equipment and intangible assets had applied from 1 March 2007, together with the consequential tax effects.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration:	
– Cash paid	100,000
– Direct costs relating to the acquisition	3,646
– Fair value of shares issued (Note 28(iii))	259,125
Total purchase consideration	362,771
Fair value of net assets acquired – shown as below	(105,455)
Investment in jointly controlled entity disposed (Note 18(a))	14,067
Goodwill (Note 16)	271,383

The goodwill is attributable to the workforce of the acquired business and the significant synergies expected to arise after the Group's acquisition of I.T China Limited.

The fair value of the shares issued was based on the published share price of the Company on 28 November 2007.

33 BUSINESS COMBINATIONS – GROUP (continued)

The assets and liabilities as of 28 November 2007 arising from the acquisition are as follows:

	Fair value HK$'000	**Acquiree's carrying amount** HK$'000
Cash and cash equivalents	84,892	84,892
Furniture and equipment (Note 15)	59,594	59,594
Licence rights (included in intangible assets) (Note 16)	5,117	5,117
Franchise contracts and distribution agreements (included in intangible assets) (Note 16)	15,300	–
Investments in jointly controlled entities (Note 18(a))	(9,400)	(9,400)
Inventories	86,380	86,380
Trade and other receivables	15,053	15,053
Amounts due from jointly controlled entities	54,940	54,940
Amount due from a related company	132	132
Prepayment and other deposits	28,097	28,097
Trade payables	(19,255)	(19,255)
Amount due to a jointly controlled entity	(16,206)	(16,206)
Amounts due to related companies	(73,175)	(73,175)
Amounts due to shareholders	(61,088)	(70,100)
Accruals and other payables	(37,276)	(37,276)
Current income tax liabilities	(11,057)	(11,057)
Borrowings	(30,000)	(30,000)
Deferred tax assets, net (Note 27)	13,407	17,232
Net assets acquired	105,455	84,968
Purchase consideration settled in cash		103,646
Cash and cash equivalents in subsidiaries and businesses acquired		(84,892)
Cash outflow on acquisition		18,754

There were no acquisitions in the year ended 28 February 2007.

34 RELATED PARTY TRANSACTIONS – GROUP

As at 29 February 2008, the Group was controlled by the 'Sham' family via:

(i) Effective Convey Limited (incorporated in the British Virgin Islands), which owns 29.10% 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 29.10% 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:

	Year ended 29 February 2008 HK$'000	Year ended 28 February 2007 HK$'000
Sales of fashion wears and accessories to jointly controlled entities	**69,117**	74,178
Sales of shop materials to jointly controlled entities	**365**	–
Management fee from a jointly controlled entity	**476**	–
Royalty income from a jointly controlled entity	**3,466**	5,087
Commission income from a jointly controlled entity	**364**	264
Interest income from jointly controlled entities	**2,902**	4,802
Reimbursement of operating expenses by jointly controlled entities	**5,278**	5,868

34 RELATED PARTY TRANSACTIONS – GROUP (continued)

(b) Key management compensation

	Year ended 29 February 2008 HK$'000	Year ended 28 February 2007 HK$'000
Directors' fees	**–**	203
Salaries and allowances	**27,616**	24,952
Bonuses	**24,280**	2,160
Pension costs – employer's contributions to a defined contribution plan	**504**	432
Share options granted	**1,383**	1,724
	53,783	29,471

35 EVENTS AFTER THE BALANCE SHEET DATE

(a) On 1 March 2008, the Group acquired the remaining 49% of the equity interest in Top Alliance Enterprises Limited and its subsidiaries which are engaged in the retailing of fashion wears and accessories in Taiwan, for a cash consideration of approximately HK$1,780,000.

(b) On 14 April 2008, 20,000,000 options under the Share Option Scheme were granted to certain directors of the Company to subscribe for 20,000,000 ordinary shares of the Company at exercise prices of HK$2.47 per share, and 34,300,000 options under the Share Option Scheme were granted to a director and certain employees of the Company to subscribe for 34,300,000 ordinary shares of the Company at exercise prices of HK$2.25 per share.

CONSOLIDATED INCOME STATEMENTS

	Year ended 29 February 2008 HK$'000	Year ended 28 February 2007 HK$'000	Year ended 28 February 2006 HK$'000	Year ended 28 February 2005 HK$'000	Year ended 29 February 2004 HK$'000
Turnover	**2,021,283**	1,530,763	1,314,443	1,041,017	812,168
Cost of sales	**(819,423)**	(640,442)	(540,243)	(406,546)	(326,571)
Gross profit	**1,201,860**	890,321	774,200	634,471	485,597
Other gains/(losses), net	**1,900**	(4,395)	(273)	–	–
Operating expenses	**(1,002,046)**	(749,898)	(642,553)	(488,597)	(361,684)
Operating profit	**201,714**	136,028	131,374	145,874	123,913
Finance income/(cost), net	**13,590**	16,010	14,992	(390)	(4,170)
Share of (loss)/profit of jointly controlled entities	**(4,828)**	(3,912)	4,237	(8,863)	(1,792)
Gain on disposal of subsidiaries	**–**	–	–	–	9,012
Profit before income tax	**210,476**	148,126	150,603	136,621	126,963
Income tax expense	**(39,505)**	(25,723)	(28,289)	(25,181)	(21,373)
Profit for the year	**170,971**	122,403	122,314	111,440	105,590
Dividends	**119,982**	51,985	49,867	234,612	20,000

CONSOLIDATED BALANCE SHEETS

	As at 29 February 2008 HK$'000	As at 28 February 2007 HK$'000	As at 28 February 2006 HK$'000	As at 28 February 2005 HK$'000	As at 29 February 2004 HK$'000
ASSETS					
Non-current assets					
Furniture and equipment	**179,850**	93,191	97,237	62,043	32,737
Intangible assets	**311,898**	14,819	19,169	–	–
Investments in and amounts due from jointly controlled entities	**21,974**	83,233	51,699	62,150	33,503
Rental deposits	**77,424**	56,352	43,418	40,858	29,139
Due from related companies	**–**	–	–	–	51,221
Deferred income tax assets	**24,412**	5,761	576	2,642	904
Other assets	**6,030**	2,330	1,080	–	–
	621,588	255,686	213,179	167,693	147,504
Current assets					
Inventories	**323,724**	196,299	147,398	101,194	66,216
Trade and other receivables	**39,645**	9,902	7,018	13,912	9,943
Due from jointly controlled entities	**41,080**	82,437	44,557	–	–
Prepayments and other deposits	**98,920**	81,360	45,322	25,232	12,364
Derivative financial instruments	**2,539**	1,883	–	–	–
Due from directors	**–**	–	–	–	17,927
Due from related parties	**–**	–	–	–	40
Pledged bank deposits	**750**	750	750	17,750	750
Cash and cash equivalents	**424,173**	364,820	424,881	561,983	53,406
	930,831	737,451	669,926	720,071	160,646
LIABILITIES					
Current liabilities					
Borrowings	**(10,000)**	–	–	(130,461)	(21,443)
Trade and bill payables	**(121,840)**	(66,805)	(48,151)	(40,873)	(24,662)
Accruals and other payables	**(140,200)**	(71,648)	(62,739)	(55,396)	(21,464)
Amount due to a jointly controlled entity	**(15,583)**	–	–	–	–
Derivative financial instruments	**–**	(424)	(2,430)	–	–
Current income tax liabilities	**(30,510)**	(19,423)	(9,900)	(9,358)	(7,680)
Dividend payable	**–**	–	–	–	(10,000)
	(318,133)	(158,300)	(123,220)	(236,088)	(85,249)
Net current assets	**612,698**	579,151	546,706	483,983	75,397
Total assets less current liabilities	**1,234,286**	834,837	759,885	651,676	222,901
Non-current liabilities					
Borrowings	**–**	–	–	(51,640)	(31,195)
Other payables	**(8,925)**	(7,585)	(10,388)	–	–
Deferred income tax liabilities	**(4,524)**	(499)	(2,231)	(925)	(178)
	(13,449)	(8,084)	(12,619)	(52,565)	(31,373)
Net assets	**1,220,837**	826,753	747,266	599,111	191,528
EQUITY					
Capital and reserves					
Share capital	**115,468**	103,950	103,890	100,000	8
Reserves	**1,105,369**	722,803	643,376	499,111	191,520
Total equity	**1,220,837**	826,753	747,266	599,111	191,528