

I.T

INTERIM REPORT

09/10

STOCK CODE: 999

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ITS

a fashion icon

TREND SETTING

inspiration

a lifestyle

MOVING FORWARD

CORPORATE PROFILE

Executive Directors

Mr. SHAM Kar Wai
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

Registered Office

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2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business in Hong Kong

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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
1712-16 Hopewell Centre
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HIGHLIGHTS

- Total revenue of the Group increased by 5.2% to HK\$1,241.6 million.
- Total retail sales in Hong Kong decreased by 2.0% to HK\$869.3 million, and comparable store sales decreased by 2.1%.
- Total retail sales in Mainland China increased by 26.6% to HK\$297.7 million, and comparable store sales increased by 16.4%.
- Gross profit margin of the Group decreased by 2.0 percentage point to 58.8%.
- Due to cost control, total operating expenses did not increase in line with the revenue and stayed flat. Together with one-off and/or non-operational income and gain, net profit of the Group increased substantially by 198.7% to HK\$44.8 million.

Key statistics	31 August 2009	31 August 2008	Change
Inventory Turnover (Days) ⁽¹⁾	148.6	155.9	-7.3
Capital Expenditure (HK\$ million) ⁽²⁾	39.8	82.3	-42.5
Net cash (HK\$ million) ⁽³⁾	340.8	146.2	+194.6
Current Ratio ⁽⁴⁾	3	2.5	+0.5
Return on Equity (%) ⁽⁵⁾	3.6	1.2	+2.4

Notes:

⁽¹⁾ Average of the inventory at the beginning and at the end of the period divided by cost of sales times number of days during the period.

⁽²⁾ Additions of furniture and equipment and intangible assets during the period.

⁽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 period divided by average of the shareholders' equity at the beginning and at the end of the period.

Store Coverage

	A. No. of stores			
	Self-managed		Franchised/Managed by Business Partners	
	31 August 2009	28 February 2009	31 August 2009	28 February 2009
Greater China:				
Hong Kong				
I.T	167	176	–	–
FCUK IT ⁽¹⁾	6	7	–	–
ZIT H.K. ⁽¹⁾	1	1	–	–
Mainland China				
I.T	114	112	33	42
FCIT China ⁽¹⁾	14	15	3	6
Taiwan	7	8	–	–
Macau				
I.T	9	9	–	–
FCIT Macau ⁽¹⁾	2	2	–	–
Overseas:				
Thailand	–	–	10	10
Saudi Arabia	–	–	4	7
Australia	–	–	2	2
Philippines	–	–	1	–

	B. Sales footage			
	Self-managed		Franchised/Managed by Business Partners	
	31 August 2009	28 February 2009	31 August 2009	28 February 2009
Greater China:				
Hong Kong				
I.T	401,586	421,154	–	–
FCUK IT ⁽¹⁾	8,767	12,634	–	–
ZIT H.K. ⁽¹⁾	2,400	2,400	–	–
Mainland China				
I.T	265,303	250,962	37,854	53,466
FCIT China ⁽¹⁾	24,108	25,671	4,164	7,844
Taiwan	8,806	10,259	–	–
Macau				
I.T	27,680	27,680	–	–
FCIT Macau ⁽¹⁾	4,430	4,430	–	–
Overseas:				
Thailand	–	–	9,200	9,077
Saudi Arabia	–	–	4,954	9,023
Australia	–	–	1,711	1,711
Philippines	–	–	818	–

Notes:

⁽¹⁾ a 50% owned joint venture of the Company.

羅兵咸永道會計師事務所

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Central, Hong Kong

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF I.T LIMITED
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 13 to 29, which comprises the condensed consolidated statement of financial position of I.T Limited (the "Company") and its subsidiaries (together, the "Group") as at 31 August 2009 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".



PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 4 November 2009

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 August 2009

	Note	Six months ended 31 August	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Turnover	4	1,241,595	1,180,230
Cost of sales	6	(511,660)	(462,733)
Gross profit		729,935	717,497
Other gains/(losses)	5	19,687	(9,668)
Impairment of goodwill		(4,145)	–
Operating expenses	6	(691,837)	(691,922)
Operating profit		53,640	15,907
Finance income, net	7	928	2,724
Share of profit of jointly controlled entities		1,504	1,821
Profit before income tax		56,072	20,452
Income tax expense	8	(11,302)	(5,445)
Profit for the period		44,770	15,007
Other comprehensive income:			
Currency translation differences		(2,168)	27,578
Total comprehensive income for the period		42,602	42,585
Dividend	9	–	–
Earnings per share for the period (expressed in HK\$ per share)			
– basic	10	0.039	0.013
– diluted	10	0.039	0.013

The accompanying notes are an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 August 2009

	Note	As at 31 August 2009 (Unaudited) HK\$'000	As at 28 February 2009 (Audited) HK\$'000
ASSETS			
Non-current assets			
Furniture and equipment	11	198,421	229,124
Intangible assets	11	260,504	267,633
Investments in and amounts due from jointly controlled entities	12	35,179	32,564
Rental deposits	14	83,473	91,065
Deferred income tax assets		31,267	32,211
		608,844	652,597
Current assets			
Inventories		415,282	411,145
Trade and other receivables	13	45,474	67,289
Amounts due from jointly controlled entities	12	26,459	27,323
Prepayments and other deposits	14	170,463	104,011
Derivative financial instruments	15	227	–
Pledged bank deposits		–	750
Cash and cash equivalents		447,115	441,264
		1,105,020	1,051,782
LIABILITIES			
Current liabilities			
Bank borrowings	18	(47,400)	(47,400)
Trade and bill payables	16	(128,990)	(155,993)
Accruals and other payables	17	(145,781)	(135,677)
Amount due to jointly controlled entities	12	(21,790)	(9,206)
Derivative financial instruments	15	–	(3,452)
Current income tax liabilities		(25,969)	(24,261)
		(369,930)	(375,989)
Net current assets		735,090	675,793
Total assets less current liabilities		1,343,934	1,328,390
Non-current liabilities			
Bank borrowings	18	(58,900)	(82,600)
Other payables	17	(27,298)	(30,136)
Deferred income tax liabilities		–	(3,945)
		(86,198)	(116,681)
Net assets		1,257,736	1,211,709
EQUITY			
Capital and reserves			
Share capital	19	115,504	115,504
Reserves	20	1,142,232	1,096,205
Total equity		1,257,736	1,211,709



SHAM KAR WAI
Chairman



SHAM KIN WAI
Director

The accompanying notes are an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 August 2009

	Share capital (Unaudited) HK\$'000	Reserves (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 March 2009	115,504	1,096,205	1,211,709
Profit for the period	–	44,770	44,770
Other comprehensive income:			
– currency translation differences	–	(2,168)	(2,168)
Total comprehensive income for the six months ended 31 August 2009	–	42,602	42,602
Share option scheme			
– value of employment services	–	3,425	3,425
Balance at 31 August 2009	115,504	1,142,232	1,257,736
Balance at 1 March 2008	115,468	1,105,369	1,220,837
Profit for the period	–	15,007	15,007
Other comprehensive income:			
– currency translation differences	–	27,578	27,578
Total comprehensive income for the six months ended 31 August 2008	–	42,585	42,585
Proceeds from issue of shares under a share option scheme	36	810	846
Share option scheme			
– value of employment services	–	15,192	15,192
Dividend relating to year ended 29 February 2008	–	(98,178)	(98,178)
	36	(82,176)	(82,140)
Balance at 31 August 2008	115,504	1,065,778	1,181,282

The accompanying notes are an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 31 August 2009

	Six months ended 31 August	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Net cash generated from/(used in) operating activities	66,140	(103,470)
Net cash used in investing activities	(36,653)	(73,533)
Net cash used in financing activities	(22,950)	(107,332)
Net increase/(decrease) in cash and cash equivalents	6,537	(284,335)
Currency translation differences	(686)	5,661
Cash and cash equivalents, at 1 March	441,264	424,173
Cash and cash equivalents, at 31 August	447,115	145,499
Analysis of cash and cash equivalents:		
Cash and bank deposits	447,115	148,021
Bank overdrafts	–	(2,522)
	447,115	145,499

The accompanying notes are an integral part of this condensed interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 is listed on The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in Hong Kong Dollars (“HK\$”), unless otherwise stated.

This condensed consolidated interim financial information was approved for issue by Board of Directors on 4 November 2009.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 31 August 2009 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

This condensed consolidated interim financial information should be read in conjunction with the Group’s annual financial statements for the year ended 28 February 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 28 February 2009, as described in those annual financial statements.

Previously, the Group expected that it will renew the leases in Mainland China with contract period shorter than 5 years upon their expiry. However, based on the experience of the Group in the recent years, the Group may not necessarily renew the leases upon their expiry due to the fact that the operating performance of each of these outlets may not be satisfactory or that the management may want to move to other locations. As a result, the Group revisited the depreciation policy on leasehold improvements of the stores and revised its estimates on the remaining useful life of the leasehold improvements. This change in estimates has increased the depreciation charge for the six months ended 31 August 2009 for approximately HK\$11,000,000.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 March 2009:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HK(IFRIC) – Int 13	Customer Loyalty Programmes

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 March 2009, but are currently not relevant to the Group:

HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 2 (Amendment)	Share-based Payment
HKFRS 7 (Amendment)	Financial Instruments: Disclosures
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 March 2009 and have not been early adopted:

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRS
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 9 and HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) – Int 18	Transfers of Assets from Customers

In addition, the Hong Kong Institute of Certified Public Accountants also published a number of amendments to existing standards under its annual improvement project. These amendments are not expected to have a significant financial impact on the results of operations and financial position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

4 TURNOVER AND SEGMENT INFORMATION

	Six months ended 31 August	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Turnover		
– Sales of fashion wears and accessories	1,241,595	1,180,230
	1,241,595	1,180,230

The chief operating decision maker has been identified as the Board that makes strategic decisions. The Board reviews the internal reporting of the Group in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group has only one reportable business segment, which is the sales of fashion wears and accessories.

The Board considers the business from geographic perspective and assesses the performance of the geographical segment based on a measure of operating profit/loss. The information provided to the Board is measured in a manner consistent with that in the financial statements.

Segment assets exclude deferred tax assets and investment in and amounts due from jointly controlled entities which are managed on a central basis.

	Six months ended 31 August	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Revenue		
Hong Kong	879,939	899,997
Mainland China	322,156	265,277
Others	39,500	14,956
Total	1,241,595	1,180,230

	Six months ended 31 August	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Operating profit/(loss)		
Hong Kong	69,084	16,555
Mainland China	(17,385)	5,069
Others	1,941	(5,717)
Total	53,640	15,907

	As at	
	31 August 2009 (Unaudited) HK\$'000	28 February 2009 (Audited) HK\$'000
Total segment assets		
Hong Kong	817,503	809,536
Mainland China	740,724	729,867
Others	62,732	72,878
Total	1,620,959	1,612,281

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

4 TURNOVER AND SEGMENT INFORMATION (Continued)

Reportable segments' assets are reconciled to total assets as follows:

	As at 31 August 2009 (Unaudited) HK\$'000	As at 28 February 2009 (Audited) HK\$'000
Total segment assets	1,620,959	1,612,281
Deferred income tax assets	31,267	32,211
Investment in jointly controlled entities and amounts due from jointly controlled entities	61,638	59,887
	1,713,864	1,704,379

5 OTHER GAINS/(LOSSES)

	Six months ended 31 August 2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Derivative financial instruments: forward currency contracts	6,487	(9,668)
Incentive income	13,200	–
	19,687	(9,668)

6 EXPENSES BY NATURE

	Six months ended 31 August 2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Cost of inventories sold	508,293	463,173
(Reversal)/write-downs of inventories to net realisable value	(4,080)	7,970
Employment costs (including directors' emoluments)	222,093	240,096
Operating lease rentals of premises		
– minimum lease payments	245,296	232,723
– contingent rents	31,718	21,642
Advertising and promotion costs	14,072	28,578
Depreciation of furniture and equipment	66,400	46,261
Loss on disposals of furniture and equipment	333	4,331
Licence fees (included in operating expenses)		
– amortisation of licence rights	1,686	3,372
– contingent licence fees	1,460	984
Amortisation of intangible assets (included in operating expenses)	849	822
Provision for impairment of trade and other receivables	1,455	1,031
Provision for impairment of prepayments and other deposits	408	–
Net exchange gains	(1,012)	(18,648)
Other expenses	114,526	122,320
	1,203,497	1,154,655
Total	1,203,497	1,154,655
Representing:		
Cost of sales	511,660	462,733
Operating expenses	691,837	691,922
	1,203,497	1,154,655

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

7 FINANCE INCOME, NET

	Six months ended 31 August	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income from		
– bank deposits	525	1,309
– amounts due from jointly controlled entities (i)	128	153
– others (i)	1,960	1,817
	<u>2,613</u>	<u>3,279</u>
Finance income		
Interest expense on		
– bank borrowings wholly repayable within five years	(1,685)	(68)
– licence fee payables (i)	–	(487)
	<u>(1,685)</u>	<u>(555)</u>
Finance costs		
Net finance income	<u>928</u>	<u>2,724</u>

Note:

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

8 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 and overseas profits tax has been provided at the rate of 16.5% (six months ended 31 August 2008: 16.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively, on the estimated assessable profits for the period.

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

	Six months ended 31 August	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	14,397	7,991
– Mainland China enterprise income tax	401	9,267
Deferred income tax	(3,496)	(12,219)
Effect on tax rate change	–	406
	<u>11,302</u>	<u>5,445</u>

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 31 August 2009 is 18.5% (the estimated tax rate for the six months ended 31 August 2008 was 19.6%).

9 DIVIDEND

No dividend was declared for the six months ended 31 August 2009 and 31 August 2008.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

10 EARNINGS PER SHARE

Basic

The calculation of basic earnings per share for the period 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 period.

	Six months ended 31 August	
	2009 (Unaudited)	2008 (Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	44,770	15,007
Weighted average number of ordinary shares in issue ('000)	1,155,037	1,154,891
Basic earnings per share (HK\$)	<u>0.039</u>	<u>0.013</u>

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.

	Six months ended 31 August	
	2009 (Unaudited)	2008 (Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	<u>44,770</u>	<u>15,007</u>
Weighted average number of ordinary shares in issue ('000)	1,155,037	1,154,891
Adjustments for share options ('000)	<u>–</u>	<u>2,563</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>1,155,037</u>	<u>1,157,454</u>
Diluted earnings per share (HK\$)	<u>0.039</u>	<u>0.013</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

11 FURNITURE AND EQUIPMENT AND INTANGIBLE ASSETS

	Furniture and equipment (Unaudited) HK\$'000	Intangible assets (Unaudited) HK\$'000
Six months ended 31 August 2009		
Opening net book amount as at 1 March 2009	229,124	267,633
Additions	39,130	629
Disposals	(826)	–
Depreciation and amortisation	(66,400)	(2,535)
Impairment of goodwill	–	(4,145)
Exchange differences	(2,607)	(1,078)
	<u>198,421</u>	<u>260,504</u>
Six months ended 31 August 2008		
Opening net book amount as at 1 March 2008	179,850	311,898
Additions	72,487	4,451
Business combinations	1,029	4,324
Disposals	(5,984)	–
Depreciation and amortisation	(46,261)	(4,194)
Exchange differences	3,235	18,627
	<u>204,356</u>	<u>335,106</u>

12 INVESTMENTS IN AND BALANCES WITH JOINTLY CONTROLLED ENTITIES

	As at 31 August 2009 (Unaudited) HK\$'000	As at 28 February 2009 (Audited) HK\$'000
Share of net assets	<u>25,892</u>	24,385
Amounts due from jointly controlled entities	38,204	36,855
Less: provision for impairment of amount due from a jointly controlled entity	(2,458)	(1,353)
	<u>35,746</u>	35,502
	61,638	59,887
Less: current portion of amounts due from jointly controlled entities	(26,459)	(27,323)
	<u>35,179</u>	32,564
Amount due to a jointly controlled entity	<u>(21,790)</u>	(9,206)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

12 INVESTMENTS IN AND BALANCES WITH JOINTLY CONTROLLED ENTITIES (Continued)

(a) Balances with jointly controlled entities

Name	As at 31 August 2009 (Unaudited) HK\$'000	As at 28 February 2009 (Audited) HK\$'000
Due from jointly controlled entities		
FCUK IT Company (Note iii)	–	2
FCIT China Limited (Note i)	30,763	31,747
ZIT H.K. Limited (Note ii)	3,961	2,923
Glory Premium Limited (Note iii)	1,022	830
	<u>35,746</u>	<u>35,502</u>
Due to jointly controlled entities		
FCUK IT Company (Note iii)	(356)	–
Kenchart Apparels (Shanghai) Limited (Note iii)	(21,434)	(9,206)
	<u>(21,790)</u>	<u>(9,206)</u>

Notes:

- (i) The amount due from FCIT China Limited of approximately HK\$5,400,000 (28 February 2009: HK\$5,526,000) is unsecured, non-interest bearing and fully repayable in 2016. This amount carries at amortised costs using the effective interest rate at 5% per annum (28 February 2009: 5% per annum). The remaining balance is unsecured, non-interest bearing and repayable on demand.
- (ii) The amount due from ZIT H.K. Limited of approximately HK\$3,887,000 (28 February 2009: HK\$2,923,000) is unsecured, interest bearing at 5% per annum (28 February 2009: 5% per annum) and fully repayable at the termination of the joint venture.
- (iii) The remaining balances with jointly controlled entities are unsecured, non-interest bearing and repayable on demand.

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.

(b) Details of the principal jointly controlled entities:

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\$6,000,000	50%	Retail of fashion wears and accessories
FCIT China Limited	Hong Kong	HK\$2	50%	Investment holding
ZIT H.K. Limited	Hong Kong	HK\$1,000,000	50%	Retail of fashion wears and accessories
Glory Premium Limited	Hong Kong	HK\$4,500,000	50%	Investment holding

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

13 TRADE AND OTHER RECEIVABLES

	As at 31 August 2009 (Unaudited) HK\$'000	As at 28 February 2009 (Audited) HK\$'000
Trade receivables	39,473	59,448
Less: provision for impairment of trade receivables	–	(361)
	39,473	59,087
Other receivables	8,456	27,316
Less: provision for impairment of other receivables	(2,455)	(19,114)
	6,001	8,202
Trade and other receivables	45,474	67,289

The Group's sales are mainly settled by cash or credit/debit cards. The Group grants to a limited number of corporate customers credit periods ranging from 30 to 60 days.

The ageing analysis of the trade receivables are as follows:

	As at 31 August 2009 (Unaudited) HK\$'000	As at 28 February 2009 (Audited) HK\$'000
0 to 30 days	35,980	56,223
31 to 60 days	2,447	2,749
61 to 90 days	957	4
Over 90 days	89	111
	39,473	59,087

The carrying amounts of trade receivables approximate their fair values.

14 PREPAYMENTS AND OTHER DEPOSITS

	As at 31 August 2009 (Unaudited) HK\$'000	As at 28 February 2009 (Audited) HK\$'000
Rental deposits	143,056	131,786
Prepayments	96,586	48,888
Utilities and other deposits	14,294	14,402
	253,936	195,076
Less: non-current portion of rental deposits	(83,473)	(91,065)
	170,463	104,011

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

15 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments represent forward currency contracts designated as derivatives at fair value through profit or loss and accounted for at fair value through profit or loss. As at 31 August 2009, 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\$7,519,000 (28 February 2009: HK\$66,892,000). The remaining maturities of these contracts are within two months.

16 TRADE AND BILL PAYABLES

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

	As at 31 August 2009 (Unaudited) HK\$'000	As at 28 February 2009 (Audited) HK\$'000
0 to 30 days	108,655	113,722
31 to 60 days	13,293	23,287
61 to 90 days	777	7,648
91 to 180 days	3,528	8,590
181 to 365 days	1,150	1,666
Over 365 days	1,587	1,080
	<u>128,990</u>	<u>155,993</u>

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

17 ACCRUALS AND OTHER PAYABLES

	As at 31 August 2009 (Unaudited) HK\$'000	As at 28 February 2009 (Audited) HK\$'000
Unutilised coupon	716	954
Accruals		
– Rented premises	102,797	94,765
– Employment costs	30,140	28,475
– Others	11,605	16,632
Other payables	27,821	24,987
	<u>173,079</u>	<u>165,813</u>
Less:		
Non-current portion		
– Accruals: rented premises	(27,298)	(30,136)
	<u>145,781</u>	<u>135,677</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

18 BORROWINGS

	As at 31 August 2009 (Unaudited) HK\$'000	As at 28 February 2009 (Audited) HK\$'000
Non-current bank borrowings	58,900	82,600
Current bank borrowings	47,400	47,400
	106,300	130,000

Movements in short-term bank borrowings are analysed as follows:

	(Unaudited) HK\$'000
Six months ended 31 August 2009	
Opening amount as at 1 March 2009	47,400
Proceeds from borrowings	23,700
Repayment of borrowings	(23,700)
Closing amount as at 31 August 2009	47,400
Six months ended 31 August 2008	
Opening amount as at 1 March 2008	10,000
Proceeds from borrowings	20,000
Repayment of borrowings	(30,000)
Closing amount as at 31 August 2008	—

Bank borrowings are secured and bear interest ranging from 3-month Hong Kong Interbank Offered Rate ("HIBOR") plus 1.3% per annum to 1-month HIBOR plus 1.9% per annum (28 February 2009: ranging from 3-month HIBOR plus 1.3% per annum to 1-month HIBOR plus 1.6% per annum). The carrying amounts of bank borrowings approximate their fair values.

Interest expense on borrowings for the six months ended 31 August 2009 is approximately HK\$1,685,000 (six months ended 31 August 2008: HK\$68,000).

Details of the Group's banking facilities are set out in Note 21.

19 SHARE CAPITAL

The total number of authorised ordinary shares is 3,000,000,000 shares (28 February 2009: 3,000,000,000 shares) with a par value of HK\$0.1 per share (28 February 2009: HK\$0.1 per share).

	Number of ordinary shares '000	Nominal value HK\$'000
Issued and fully paid:		
At 1 March 2009 (Audited) and 31 August 2009 (Unaudited)	1,155,037	115,504
At 1 March 2008 (Audited)	1,154,677	115,468
Issue of shares under a share option scheme (Unaudited)	360	36
At 31 August 2008 (Unaudited)	1,155,037	115,504

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

19 SHARE CAPITAL (Continued)

Share options

Details of the Share Option Schemes are set out in the annual report for the year ended 28 February 2009. Movements in the number of share options outstanding and the exercise prices are as follows:

	Six months ended 31 August			
	2009		2008	
	Exercise price per share HK\$	Options '000	Exercise price per share HK\$	Options '000
Beginning of the period	2.21	63,800	1.74	13,450
Granted	–	–	2.33	54,300
Exercised	–	–	2.35	(360)
Forfeited	1.75	(14,400)	2.28	(400)
End of the period	2.34	49,400	2.21	66,990

Share options outstanding at the end of the period have the following expiry dates and exercise prices:

Expiry date	Exercise price per share HK\$	Share options	
		As at 31 August 2009 '000	As at 31 August 2008 '000
27 October 2008	2.35	–	2,990
15 February 2010	1.56	–	6,000
30 May 2010	1.47	–	4,000
13 April 2011	2.33	16,960	18,020
13 April 2012	2.33	16,220	17,990
13 April 2013	2.33	16,220	17,990
		49,400	66,990

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

20 RESERVES

	Share premium (Unaudited) HK\$'000	Share-based payment reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Foreign exchange translation (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 March 2009	700,699	24,618	32,337	45,722	292,829	1,096,205
Share option scheme						
– value of employment services	–	3,425	–	–	–	3,425
Profit for the period	–	–	–	–	44,770	44,770
Forfeiture of share options	–	(5,279)	–	–	5,279	–
Currency transaction differences						
– Group	–	–	–	(2,171)	–	(2,171)
– Jointly controlled entities	–	–	–	3	–	3
Balance at 31 August 2009	<u>700,699</u>	<u>22,764</u>	<u>32,337</u>	<u>43,554</u>	<u>342,878</u>	<u>1,142,232</u>
Balance at 1 March 2008	699,809	3,897	32,337	22,534	346,792	1,105,369
Share option scheme						
– value of employment services	–	15,192	–	–	–	15,192
Profit for the period	–	–	–	–	15,007	15,007
Exercise of share options	900	(90)	–	–	–	810
Forfeiture of share options	–	(789)	–	–	789	–
Currency transaction differences						
– Group	–	–	–	26,364	–	26,364
– Jointly controlled entities	–	–	–	1,214	–	1,214
Dividend relating to year ended 29 February 2008	–	–	–	–	(98,178)	(98,178)
Balance at 31 August 2008	<u>700,709</u>	<u>18,210</u>	<u>32,337</u>	<u>50,112</u>	<u>264,410</u>	<u>1,065,778</u>

21 BANKING FACILITIES AND PLEDGE OF ASSETS

As at 31 August 2009, the Group had aggregate banking facilities of approximately HK\$533,823,000 (28 February 2009: HK\$525,000,000) for overdrafts, bank loans and trade financing, of which approximately HK\$309,861,000 (28 February 2009: HK\$270,769,000) was unutilised as at the same date. These facilities are secured by corporate guarantees provided by the Company and certain subsidiaries.

As at 28 February 2009, the facilities were secured by the Group's bank deposits of HK\$750,000.

22 OPERATING LEASE COMMITMENTS

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

	As at 31 August 2009 (Unaudited) HK\$'000	As at 28 February 2009 (Audited) HK\$'000
Not later than one year	457,221	468,738
Later than one year and not later than five years	619,159	667,266
Later than five years	55,834	134,038
	<u>1,132,214</u>	<u>1,270,042</u>

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

23 RELATED PARTY TRANSACTIONS

As at 31 August 2009, the Group was controlled by Mr. Sham Kar Wai and his wife and Mr. Sham Kin Wai via:

- (i) Effective Convey Limited (incorporated in the British Virgin Islands), which owns 29.09% 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 29.09% 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:

	Six months ended 31 August	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Commission income from a jointly controlled entity	42	220
Interest income from jointly controlled entities	128	15
Reimbursement of operating expenses by jointly controlled entities	2,170	2,964
	<u>2,340</u>	<u>3,200</u>

(b) Key management compensation

	Six months ended 31 August	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Directors' fees	–	–
Salaries and allowances	16,627	17,297
Bonus	424	3,465
Pension costs – employer's contributions to a defined contribution plan	345	317
Share options granted	2,869	12,849
	<u>20,265</u>	<u>33,928</u>

24 SEASONALITY

The sales for fashion wears and accessories are subject to seasonal fluctuations, with higher sales amount in the third and fourth quarters of the financial year. This is due to seasonal weather conditions and holiday periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

(a) Group

The global economic downturn has different degrees of impact on the markets where we operate. We recorded a slight drop in the revenue generated from Hong Kong when the unemployment rate kept rising. Mainland China was less affected and we managed to record satisfactory growth in this market. Against this background, while Hong Kong remains the key revenue contributor, the proportion of revenue contributed by Mainland China has increased.

Breakdown of revenue by location:

	Six months ended 31 August		Change	Six months ended 31 August	
	2009	2008		2009	2008
	HK\$ million	HK\$ million			
Hong Kong	879.9	900.0	-2.2%	70.9%	76.3%
Mainland China	322.2	265.3	+21.4%	25.9%	22.4%
Others	39.5	14.9	+165.1%	3.2%	1.3%
	<u>1,241.6</u>	<u>1,180.2</u>	+5.2%	<u>100.0%</u>	<u>100.0%</u>

Overall, total revenue of the Group increased by 5.2% to HK\$1,241.6 million (six months ended 31 August 2008: HK\$1,180.2 million).

For the Group as a whole, retail sales from in-house brands have increased slightly faster than international brands. But international brands are still the major revenue contributor.

Breakdown of retail sales by brand category:

	Six months ended 31 August	
	2009	2008
In-house brands	46.8%	45.7%
International brands	49.9%	49.7%
Licensed brands	3.3%	4.6%
	<u>100.0%</u>	<u>100.0%</u>

Before the season began, we had anticipated a difficult operating environment and had adjusted our pricing and merchandising strategy. Despite so, gross profit margin decreased by 2.0 percentage point from 60.8% in the six months ended 31 August 2008 to 58.8% in the six months ended 31 August 2009, and gross profit increased by 1.7% to HK\$729.9 million (six months ended 31 August 2008: HK\$717.5 million).

Since the start of the financial crisis, we had taken measures to control costs. Such measures were effective in bringing down some of the operating expenses. For example, total staff costs (excluding share option expenses) decreased by 2.8% or HK\$6.2 million from HK\$224.9 million in the six months ended 31 August 2008 to HK\$218.7 million in the six months ended 31 August 2009. Advertising budget was tightened and was reverted back to historical level of about 1.1% of total revenue (six months ended 31 August 2008: 2.4%) and this gave rise to a reduction of advertising and promotion expenses by 50.8% or HK\$14.5 million, from HK\$28.6 million in the six months ended 31 August 2008 to HK\$14.1 million in the six months ended 31 August 2009. Since we did not grant any new options in this first half, and most of the outstanding share option value had been expensed last year, the share option expenses came down, from HK\$15.2 million in the six months ended 31 August 2008 to HK\$3.4 million in the six months ended 31 August 2009.

However, some of the other operating expenses are non-discretionary and are subject to market rates. Total rental expenses (including management fee, rates and government rent) increased by 9.6% or HK\$28.0 million from HK\$292.5 million in the six months ended 31 August 2008 to HK\$320.5 million in the six months ended 31 August 2009. These increases in operating expenses have more or less eliminated the savings from the cost control. Total operating expenses did not increase in line with the revenue and stayed flat at HK\$691.8 million (six months ended 31 August 2008: HK\$691.9 million).

During the six months ended 31 August 2009, we received HK\$13.2 million sponsorship from a business partner which was fully booked as other gain. The effect of this one-off non-operational income was partially neutralised by the HK\$4.1 million impairment of goodwill on our Taiwan operation (which was also non-operational in nature).

Due to our business nature, we hedge our currency risk exposure by entering into forward currency contracts, and record gain/loss in each period recurrently. The weakening of the US dollars has reversed the loss of HK\$9.7 million on the fair value changes in forward currency contracts in the six months ended 31 August 2008 to a gain of HK\$6.5 million in the six months ended 31 August 2009. This has helped to improve the profitability of this first half quite substantially.

We are pleased to see that operating profit increased by 237.2% to HK\$53.6 million (six months ended 31 August 2008: HK\$15.9 million), EBITDA (earnings before interest, taxation, depreciation and amortisation) increased by 79.9% to HK\$125.2 million (six months ended 31 August 2008: HK\$69.6 million) and net profit increased by 198.7% to HK\$44.8 million (six months ended 31 August 2008: HK\$15.0 million). However, as explained above, the improvement in profitability was mainly the result of savings from cost control, the effect of one-off non-operational HK\$13.2 million sponsorship from a business partner and the reversal to gain from forward currency contracts, and was not due to the strengthening of fundamental business that is supported by a strong rebound of our core market in Hong Kong or profit contribution from our Mainland China operation.

(b) Hong Kong

Sales from retail operation decreased by 2.0% to HK\$869.3 million (six months ended 31 August 2008: HK\$886.7 million) at an overall negative comparable store sales growth rate of 2.1%. The result is not to be proud of though we have outperformed the market. According to the statistics released by the Hong Kong Government, in terms of value, the wearing apparel market recorded a drop of 6.8% during the same 6-month period.

As the first half last year was not affected by the financial crisis, on a year-on-year comparison, discount rate was higher this first half and gross profit margin would be squeezed inevitably. Gross profit margin of retail operation decreased by 2.6 percentage points, from 62.1% in the six months ended 31 August 2008 to 59.5% in the six months ended 31 August 2009.

International brands were the majority revenue contributor, accounting for 50.2% (six months ended 31 August 2008: 49.2%) of total retail sales. In-house brands accounted for 45.5% (six months ended 31 August 2008: 45.8%) of total retail sales, while licensed brands accounted for 4.3% (six months ended 31 August 2008: 5.0%) of total retail sales.

As the deflationary environment was only temporary, we were not granted much rental relief. Together with a drop in retail sales, rental expenses (including management fee, rates and government rent) as a percentage of total revenue was pulled up to 25.0% (six months ended 31 August 2008: 23.9%). The streamlining of headquarter staffs in the second half of last year continued to reflect its effect in this first half results. Despite the drop in retail sales, staff costs (excluding share option expenses) as a percentage of total revenue decreased from 20.6% in the six months ended 31 August 2008 to 19.1% in the six months ended 31 August 2009.

(c) Mainland China

Sales from retail operation increased by 26.6% to HK\$297.7 million (six months ended 31 August 2008: HK\$235.1 million) at an overall comparable store sales growth rate of 16.4%. We think the performance is satisfactory taking into account the fact that the market sentiment was still clouded by the financial crisis.

Similar to Hong Kong, deeper discount was offered in our Mainland China stores, particularly at the beginning of the period to clear the off season products carried forward from the last fall/winter collection. Gross profit margin of retail operation decreased by 3.7 percentage points, from 55.6% in the six months ended 31 August 2008 to 51.9% in the six months ended 31 August 2009.

Most of the new areas added in this first half was allocated to in-house brands and total retail sales of in-house brands increased faster than international brands. Therefore, the importance of in-house brands was increasing, and in-house brands accounted for 45.5% (six months ended 31 August 2008: 41.5%) of total retail sales. International brands accounted for 54.1% (six months ended 31 August 2008: 54.5%) of total retail sales, while licensed brands accounted for 0.4% (six months ended 31 August 2008: 4.0%) of total retail sales.

Due to amortisation of rental incentives, rental expenses (including management fee) as a percentage of total revenue increased from 26.2% in the six months ended 31 August 2008 to 28.8% in the six months ended 31 August 2009. Staff cost as a percentage of total revenue stayed flat at 13.7% (six months ended 31 August 2008: 13.6%).

We have revisited the estimated useful life of leasehold improvements, and this change has increased the depreciation charges for the six months ended 31 August 2009 by approximately HK\$11 million. Setting aside this effect, our Mainland China was making a slight loss in this first half. If we further exclude the effect of exchange gain, the overall performance in the six months ended 31 August 2009 would have improved over the six months ended 31 August 2008.

(d) Others

Taiwan operation could not sustain the satisfactory performance of last year. In the six months ended 31 August 2009, comparable store sales growth rate was a negative of 2.4%. As such, we have made HK\$4.1 million full provision on the goodwill arising from the acquisition of the ex-joint venture partner's interest in the Taiwan operation. On the contrary, Macau operation was improving gradually, recording a comparable store sales growth rate of 1.4% and was slightly profitable in the six months ended 31 August 2009.

Outside Greater China, we have achieved a breakthrough recently. Galeries Lafayette has opened 4 stores for our best selling in-house brand <http://www.izzue.com> in France. They are also planning to open one for us in Berlin early next year. This would be the first time we tap into Europe and we hope this would lead to the opening of a new market for the Group.

As at 31 August 2009, we had 17 franchised stores in Saudi Arabia, Thailand, Australia and Philippines.

Share of Results of Jointly Controlled Entities

Our jointly controlled entities were not performing very well in this first half. Overall, profit from share of results of jointly controlled entities decreased from HK\$1.8 million in the six months ended 31 August 2008 to HK\$1.5 million in the six months ended 31 August 2009.

Cash Flows

As a result of increase in sales revenue, cost saving from effective control of operating costs, receipt of one-off sponsorship from a business partner during the period, and a more healthy inventory level, operating cash-flow turned from an outflow of HK\$103.5 million in the six months ended 31 August 2008 to an inflow of HK\$66.1 million in the six months ended 31 August 2009. Net cash used in investing activities comprising mainly acquisition of furniture and equipment was HK\$36.7 million (six months ended 31 August 2008: HK\$73.5 million). Net cash used in financing activities was HK\$23.0 million (six months ended 31 August 2008: HK\$107.3 million). The net cash used in financing activities was reduced substantially because we did not declare any dividend when we announced our final results last year.

Inventory

Inventory turnover days of the Group was reduced from 155.9 days for the six months ended 31 August 2008 to 148.6 days for the six months ended 31 August 2009. The improvement would be attributable to a better merchandising budget and our strenuous effort to clear off season products.

Liquidity and Capital Resources

As at 31 August 2009, total cash and bank balances amounted to HK\$447.1 million (28 February 2009: HK\$442.0 million) and the total liabilities were HK\$456.1 million (28 February 2009: HK\$492.7 million). As at 31 August 2009, shareholders' equity was HK\$1,257.7 million (28 February 2009: HK\$1,211.7 million). As at 31 August 2009, the Group had aggregate banking facilities of approximately HK\$533.8 million (28 February 2009: HK\$525.0 million) for overdrafts, bank loans and trade financing, of which approximately HK\$309.9 million (28 February 2009: HK\$270.7 million) was unutilised. These facilities are secured by corporate guarantees provided by the Company and certain subsidiaries as at 31 August 2009 and also by the Group's bank deposits of HK\$750,000 as at 28 February 2009. The Group had HK\$106.3 million long term bank borrowings as at 31 August 2009 (28 February 2009: long term bank borrowings HK\$130.0 million). The current ratio as at 31 August 2009 was 3.0 (28 February 2009: 2.8) and the gearing was 8.5% (28 February 2009: 10.7%) based on shareholders' equity.

Contingent Liabilities

As at 31 August 2009, the Group did not have significant contingent liabilities (28 February 2009: no significant contingent liabilities).

Foreign Exchange

To manage our foreign exchange exposure on sourcing for merchandise from Europe and Japan, the Group entered into forward foreign exchange contracts with major and reputable financial institutions to hedge foreign exchange risk. As at 31 August 2009, the notional amounts of outstanding forward foreign 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 that currency, are approximately HK\$7.5 million (28 February 2009: HK\$66.9 million).

Employment, Training and Development

The Company had a total of 3,273 employees as at 31 August 2009 (28 February 2009: 3,286). 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 salary, allowances, insurance and commission/bonuses. In addition, share options were granted to selected employees based on their individual performance.

Future Outlook

The cost control measures did help us to weather the financial crisis and improve the profitability of the Group. However, we do not expect that there would be much further room for us to cut on the cost side. The future would hinge on the recovery of the general economy. We see that the Hong Kong market is stabilising in the past few months, while Mainland China has been growing, albeit at varying growth rates in different months. Based on data generated from our internal POS system, in September and October, we recorded a single digit increase in the total retail sales in Hong Kong and double digit increase in the total retail sales in Mainland China.

We have slowed down expansion in Hong Kong since the financial crisis. Given the latest trend, we start to feel less worried and may expand again if we can find good locations at reasonable terms.

In Mainland China, we have not ceased our expansion even in the midst of the financial crisis. In this first half, we have added a little over 14,000 square foot of retail space. To fully exploit the market timely and to leverage our operating efficiencies, it is pertinent that we expand faster in Mainland China, in the key cities as well as in the secondary cities, in shopping malls as well as through department stores. However, the management would be cautious not to achieve this goal at the expense of a weakened balance sheet. We would continue to monitor our cash flow closely.

DISCLOSURE OF INTEREST

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

As at 31 August 2009, 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 of Hong Kong Limited (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	No. of shares held		Total	Percentage of issued share capital
	Interest in controlled company and beneficiary of trust (Notes 1 and 2)	Interest in underlying shares/equity derivatives (Note 3)		
Sham Kar Wai (Note 4)	672,075,000	10,000,000	682,075,000	59.07%
Sham Kin Wai (Note 4)	672,075,000	10,000,000	682,075,000	59.07%

Notes:

- (1) Mr. Sham Kar Wai, Miss Yau Shuk Ching, Chingmy (spouse of Mr. Sham Kar Wai) and Mr. Sham Kin Wai holds 25%, 25% and 50% of the issued share capital of 3WH Limited respectively. As such, each of Mr. Sham Kar Wai and 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.
- (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) Detailed in the section headed "Share Options" below.
- (4) Miss Yau Shuk Ching, Chingmy, spouse of Mr. Sham Kar Wai, is deemed to be interested in the same number of shares held by Mr. Sham Kar Wai. Miss Wong Choi Shan, spouse of Mr. Sham Kin Wai, is deemed to be interested in the same number of shares held by Mr. Sham Kin Wai. Their interests in the shares and underlying shares of the Company are recorded in the register maintained by the Company under Section 336 of the SFO.

(b) Long positions in share options of the Company

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

DISCLOSURE OF INTEREST (Continued)

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

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

Director	Name of associated corporations	Capacity	Percentage of shareholding
Sham Kar Wai	3WH Limited	Beneficial owner	50% (Note 1)
	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 a trust	100%
Sham Kin Wai	Dynamic Vitality Limited	Beneficiary of a trust	100%
	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 a trust	100%	
Dynamic Vitality Limited	Beneficiary of a trust	100%	

Note:

- (1) Mr. Sham Kar Wai and Miss Yau Shuk Ching, Chingmy (spouse of Mr. Sham Kar Wai) each holds 25% of the issued share capital of 3WH Limited. As such, Mr. Sham Kar Wai is deemed to be interested in same number of shares held by Miss Yau Shuk Ching, Chingmy.

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 31 August 2009.

DISCLOSURE OF INTEREST (Continued)

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from those disclosed in the section headed "Share Options" below, at no time during the period ended 31 August 2009 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

The Company adopted a share option scheme (the "First Share Option Scheme") on 3 February 2005, pursuant to which the Company may grant options to eligible participants as defined in the First 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.

No participant with options granted is in excess of the individual limit as stipulated in the First Share Option Scheme.

The First Share Option Scheme ought to remain in force for a period of 10 years up to February 2015. At the 2008 Annual General Meeting of the Company held on 30 June 2008, the shareholders of the Company approved the adoption of a new share option scheme (the "New Share Option Scheme"), detailed hereinafter, and the termination of the First Share Option Scheme.

The operation of the First Share Option Scheme was terminated with effect from the conclusion of the 2008 Annual General Meeting. No further options could thereafter be offered under the First Share Option Scheme but the provisions of the First Share Option Scheme would remain in full force and effect. Options granted under the First Share Option Scheme and remain unexpired prior to the termination of the First Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the First Share Option Scheme.

Pursuant to the New Share Option Scheme, the Company may grant options to eligible participants as defined in the New 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 New Share Option Scheme will remain in force for a period of 10 years up to June 2018.

During the period ended 31 August 2009, no option has been granted under the New Share Option Scheme.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the First Share Option Scheme, the New Share Option Scheme and any other scheme adopted by the Group from time to time would not in aggregate exceed 30% of the share capital of the Company in issue from time to time.

DISCLOSURE OF INTEREST (Continued)

SHARE OPTIONS (Continued)

Details of the movements in share options granted under the First Share Option Scheme to subscribe for shares in the Company during the period ended 31 August 2009 are set out below:

	Date of grant	Exercise period	Exercise price per share HK\$	Number of share options				Held as at 31 August 2009
				As at 1 March 2009	Granted during the period	Exercised during the period	Lapsed during the period	
Director								
Sham Kar Wai	14 April 2008 (Note 1)	14 April 2008 to 13 April 2013	2.47	10,000,000	–	–	–	10,000,000
Lo Wing Yan, William (resigned on 12 June 2009)	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)	–
	14 April 2008 (Note 2)	14 April 2008 to 13 April 2013	2.25	4,000,000	–	–	(4,000,000)	–
Sham Kin Wai	14 April 2008 (Note 1)	14 April 2008 to 13 April 2013	2.47	10,000,000	–	–	–	10,000,000
Continuous contract employees	14 April 2008 (Note 3)	14 April 2008 to 13 April 2013	2.25	29,800,000	–	–	(400,000)	29,400,000
				<u>63,800,000</u>	<u>–</u>	<u>–</u>	<u>(14,400,000)</u>	<u>49,400,000</u>

Notes:

(1)	Vesting date	Exercise period	Number of share options		
	14 April 2008	14 April 2008 to 13 April 2011		3,340,000	
	14 April 2009	14 April 2009 to 13 April 2012		3,330,000	
	14 April 2010	14 April 2010 to 13 April 2013		3,330,000	
				<u>10,000,000</u>	
(2)	Vesting date	Exercise period	Number of share options lapsed during the period		
	14 April 2008	14 April 2008 to 13 April 2011		1,340,000	
	14 April 2009	14 April 2009 to 13 April 2012		1,330,000	
	14 April 2010	14 April 2010 to 13 April 2013		1,330,000	
				<u>4,000,000</u>	
(3)	Vesting date	Exercise period	Number of share options granted	Number of share options lapsed during the period	Total number of share options lapsed up to 31 August 2009
	14 April 2008	14 April 2008 to 13 April 2011	10,640,000	160,000	360,000
	14 April 2009	14 April 2009 to 13 April 2012	9,830,000	120,000	270,000
	14 April 2010	14 April 2010 to 13 April 2013	9,830,000	120,000	270,000
			<u>30,300,000</u>	<u>400,000</u>	<u>900,000</u>

DISCLOSURE OF INTEREST (Continued)

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

As at 31 August 2009, 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:

Long positions in the Shares of the Company

Name	Capacity	Number of shares held	Percentage of issued share capital
3WH Limited	Beneficial owner	336,037,500	29.09%
Effective Convey Limited	Beneficial owner	336,037,500	29.09%
Dynamic Vitality Limited (Note 1)	Interest in corporation	336,037,500	29.09%
The ABS 2000 Trust (Notes 1 & 2)	Interest in corporation	336,037,500	29.09%
HSBC International Trustee Limited (Note 2)	Interest in corporation	336,037,500	29.09%
Glorious Sun Trading (HK) Limited	Beneficial owner	102,827,473	8.90%
Glorious Sun Enterprises (BVI) Limited (Note 3)	Interest in corporation	102,827,473	8.90%
Glorious Sun Enterprises Limited (Note 3)	Interest in corporation	102,827,473	8.90%
Glorious Sun Holdings (BVI) Limited (Note 4)	Interest in corporation	102,827,473	8.90%
Yeung Chun Kam (Note 4)	Interest in controlled company	102,827,473	8.90%
Yeung Chun Fan (Note 4)	Interest in controlled company	102,827,473	8.90%
Cheung Wai Yee (Note 5)	Interest of spouse	102,827,473	8.90%

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 37.47% 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.

Save as disclosed above, no one (other than Directors of the Company) had any interests and/or short positions in the shares, underlying shares or debentures of the Company as at 31 August 2009.

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not declare the payment of an interim dividend for the six months ended 31 August 2009 (six months ended 31 August 2008: Nil) so that the profit for the period could be fully retained.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES AND THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

In the opinion of the Board, the Company has complied with the Code Provisions in Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 31 August 2009 except for the deviations as mentioned below.

Code Provision A.2.1 of CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Sham Kar Wai currently holds both positions. The Board believes that vesting the roles of both Chairman of the Board 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.

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. Upon enquiry by the Company, all Directors have confirmed that, for the six months ended 31 August 2009, they have complied with the required standard set out in the Model Code regarding securities transactions by the Directors.

DISCLOSURE OF INFORMATION ON DIRECTOR

Dr. Wong Tin Yau, Kelvin was appointed as a member of the SFC (HKEC Listing) Committee of the Securities and Futures Commission with effect from 8 June 2009 and as a council chairman of The Hong Kong Institute of Directors with effect from 8 July 2009.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters including the review of the unaudited financial information and interim report for the six months ended 31 August 2009.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the six months ended 31 August 2009.

On Behalf of the Board



Sham Kar Wai
Chairman

Hong Kong, 4 November 2009



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