I.T

ANNUAL REPORT

09/10

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I.T LIMITED ANNUAL REPORT 09/10

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I.T is well established as a

TREND SETTER

in fashion apparel retail market in Hong Kong with stores in the PRC, Taiwan, Macau, Thailand, Saudi Arabia, Australia, the Philippines, France and Germany. The Group has an extensive self managed retail network extending to nearly 350 stores across Greater China with staff around 3,700.

I.T is not just a fashion icon

WE ACTUALLY LIVE FOR FASHION

Through the multi-brand and multi-layer business model, we offer a wide range of fashion apparel and accessories 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 international designer's brands, in-house brands and licensed brands. International brands include

Balenciaga
Comme des Garcons
A Bathing Ape
Maison Martin Margiela
Jil Sander
Alexander Mcqueen
Mercibeaucoup
Tsumori Chisato
Yves Saint Laurent
Ann Demeulemeester
D&G
Dior Homme
Visvim
Moncler
Givenchy

In-house brands include http://www.izzue.com, b+ab, 5cm, fingercroxx, :CHOCOOLATE, tout à coup and Venilla suite. Licensed brands include MLB, Underground, Hyoma, as know as de Rue and X-Large. In addition to this, the Group has established French Connection stores in Hong Kong, Macau and the PRC through joint ventures with French Connection and a Zadig & Voltaire store in Hong Kong through joint venture with Zadig & Voltaire.

I.T leverages some of its in-house brands through franchisees in new markets. The brands are well accepted in Thailand, Saudi Arabia, Australia, the Philippines and France. More shops will be opened in the Middle East countries, Australia, South East Asia and Europe in the coming years.

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

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

HSBC Bank Bermuda Limited

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716 17/F Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong
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Corporate Website

www.ithk.com

I.T POSITIONING

Store Coverage

	A. No. of stores			
	Self-managed		Franchised/Managed by Business Partners	
	28 February 2010	28 February 2009	28 February 2010	28 February 2009
Greater China:				
Hong Kong				
I.T	178	176	–	–
FCUK IT[1]	8	7	–	–
ZIT H.K.[1]	1	1	–	–
Mainland China				
I.T	119	112	42	42
FCIT China[1]	15	15	2	6
Taiwan	8	8	–	–
Macau				
I.T	9	9	–	–
FCIT Macau[1]	2	2	–	–
Overseas:				
Thailand	–	–	10	10
Saudi Arabia	–	–	3	7
Australia	–	–	2	2
Philippines	–	–	2	–
France	–	–	4	–

Note:
[1] a 50% owned joint venture of the Company.

Brand Portfolio
Over 300 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

	B. Sales footage			
	Self-managed		Franchised/Managed by Business Partners	
	28 February 2010	28 February 2009	28 February 2010	28 February 2009
Greater China:				
Hong Kong				
I.T	427,769	421,154	–	–
FCUK IT[1]	11,556	12,634	–	–
ZIT H.K.[1]	2,300	2,400	–	–
Mainland China				
I.T	274,466	250,962	47,753	53,466
FCIT China[1]	23,586	25,671	2,496	7,844
Taiwan	12,675	10,259	–	–
Macau				
I.T	27,680	27,680	–	–
FCIT Macau[1]	4,430	4,430	–	–
Overseas:				
Thailand	–	–	9,162	9,077
Saudi Arabia	–	–	3,744	9,023
Australia	–	–	1,711	1,711
Philippines	–	–	1,525	–
France	–	–	1,947	–

Note:
The above area represents gross area while net area was disclosed in our previous annual/interim reports.

MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

2009 was a challenging year full of adversity. At the outbreak of the financial crisis, we took prompt and proactive steps to intensify cost controls and reengineered operation flows to minimise the impact. I whole heartedly thank our staff, business partners, supply chain partners and distributors for their dedicated efforts in the past year, which enabled us to steer through the difficult time and recorded a promising performance for the year ended 28 February 2010.

In the year coming ahead, we shall continue bringing in up-and-coming international designer's brands and at the same time extending and enriching the product lines of our in-house brands. Such measures will broaden our brand portfolio to meet the ever changing customer tastes as well as extending new customer segments.

China is a significant market to I.T, although we are still a comparatively small operator in this vast retail sector. To bolster our corporate image and further increase our brand awareness, we shall implement a bold yet cautious expansion plan in 2010/11 with a target to raise around 30% of new sales area. With our plan to introduce new sought-after brands and pioneering store concepts, I.T will continue to strengthen itself as the fashion icon in the market targeting those customers who are looking for taste, style and uniqueness.

Our first foothold in France, http://www.izzue.com in Galeries Lafayette, was a meaningful move for us outside Greater China. It laid a solid foundation for our future developments in the region. We are proud of presenting Hong Kong designs to the European customers who possess acute fashion sense. Experience gained in this market would nourish our Group to get prepared to the next move of entering into the international market.

The recent published statistics hint that the economy is gradually recovering. Yet there are still uncertainties, especially the credit issue of certain European countries and the governments' exit plan from the market, which might dampen the vulnerable economy. We shall pay full attention to the global economic development and adjust our strategies and development pace to encounter the economic volatility.

Once again, on behalf of the Board, I express my gratitude to all our staff and business partners for their dedication and looking forward to achieving further breakthroughs.

Sham Kar Wai
Chairman

2 June 2010

FINANCIAL HIGHLIGHTS

Group

- Total turnover increased by 9.6% to HK$2,996.0 million.
- Gross profit increased by 12.9% to HK$1,819.2 million and gross profit margin improved from 59.0% to 60.7%.
- EBITDA (operating profit before impairment of goodwill and furniture and equipment, depreciation of furniture and equipment, amortisation and write-off of intangible assets) increased by 78.1% to HK$444.9 million.
- Profit for the year increased by 517.3% to HK$262.7 million.
- Proposed final dividend (with an option to elect scrip shares) of HK$0.105 per share representing a payout ratio of approximately 46.2% of the net profit.

Hong Kong

- Total retail sales in Hong Kong increased by 5.1% to HK$2,109.0 million, and comparable store sales increased by 5.5%.
- Gross profit margin on retail sales improved by 1.3 percentage points to 61.8%.
- Due to stringent cost controls, together with a higher revenue and gross profit base, operating profit margin (operating profit excluding other income as a percentage to total turnover) increased by 2.4 percentage points to 11.7%.

Mainland China

- Total retail sales in Mainland China increased by 22.2% to HK$706.4 million and comparable store sales increased by 10.3%.
- Gross profit margin on retail sales improved by 3.4 percentage points to 58.7%.
- The business of Mainland China was turned around to be profitable with an operating margin (operating profit excluding impairment of goodwill as a percentage to total turnover) of 3.9%.

Per share data	FY10	FY09	Change
EPS-basic (HK$)	0.23	0.04	+517.3%
EPS-diluted (HK$)	0.23	0.04	+517.3%
Dividend (HK cents)	10.5	–	n.a.
Book value (HK$)(1)	1.28	1.05	+21.9%

Key statistics	FY10	FY09	Change
Inventory turnover (Days)(2)	125.0	119.6	+5.4
Capital expenditure (HK$ million)(3)	138.3	166.6	-28.3
Net cash (HK$ million)(4)	539.6	312.0	+227.6
Current ratio(5)	3.0	2.8	+0.2
Debt to equity ratio (%)(6)	5.6	10.7	-5.1

Notes:

(1) Net asset value per share as at the year end date.

(2) 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.

(3) Additions of furniture and equipment and intangible assets including additions resulting from acquisitions through business combination.

(4) Cash and cash equivalents and pledged bank deposits less bank borrowings.

(5) Current assets divided by current liabilities.

(6) Bank borrowings divided by shareholders' equity at the end of the year.

I.T IS FASHION

shaping the fashion scene in Greater China

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

(a) Group

The global financial crisis hit the retail market during the first half of the financial year, consumer sentiment revived in the second half of the financial year. Hong Kong continues to be the key revenue contributor, the total turnover from Hong Kong operations increased moderately by 5.0% to HK$2,127.4 million (2009: HK$2,026.2 million). The Mainland China was less hit by the financial crisis and we managed to increase the total turnover in this market by 19.9% to HK$763.6 million (2009: HK$636.8 million). The proportion of turnover contributed by the Mainland China market also increased from 23.3% to 25.5%.

Breakdown of turnover by region of operation:

	2010 HK$' million	2009 HK$' million	**Change**	**2010**	2009
Hong Kong	**2,127.4**	2,026.2	+5.0%	**71.0%**	74.1%
Mainland China	**763.6**	636.8	+19.9%	**25.5%**	23.3%
Others	**105.0**	70.3	+49.3%	**3.5%**	2.6%
	2,996.0	2,733.3	+9.6%	**100.0%**	100.0%

Overall, total turnover of the Group increased by 9.6% to HK$2,996.0 million (2009: HK$2,733.3 million).

Hong Kong continues to be the key retail sales contributor, accounting for 72.2% of the total retail sales of the Group. With our expansion in Mainland China during the year, the proportion of retail sales from this region increased by 2.4 percentage points to about 24.2% of the total retail sales of the Group.

Breakdown of retail sales by region:

	2010	2009
Hong Kong	**72.2%**	75.6%
Mainland China	**24.2%**	21.8%
Others	**3.6%**	2.6%
	100.0%	100.0%

For the Group as a whole, retail sales from in-house brands increased faster than the international brands and became the largest contributor to the retail sales of the Group notwithstanding international brands continue to be a major revenue contributor.

Breakdown of retail sales by brand category:

	2010	2009
In-house brands	**49.6%**	47.7%
International brands	**47.0%**	47.7%
Licensed brands	**3.4%**	4.6%
	100.0%	100.0%

Given that the retail market has revived in the second half of the financial year, less discount was offered during this period for our in-house brands and international brands. As a result, gross profit increased by 12.9% to HK$1,819.2 million for the year ended 28 February 2010 (2009: HK$1,611.7 million). The gross profit margin also increased by 1.7 percentage points to 60.7% (2009: 59.0%).

Due to the stringent costs control measures, total operating expenses only increased by 3.8% to HK$1,524.8 million (2009: HK$1,468.9 million). As a percentage to total turnover, we managed to decrease the operating expenses by 2.8 percentage points from 53.7% for the year ended 28 February 2009 to 50.9% for the year ended 28 February 2010. Total rental expenses (including rental charges, management fee, rates and government rent) as a percentage to total turnover decreased slightly from 23.6% for the year ended 28 February 2009 to 23.1% for the year ended 28 February 2010. Total staff cost as a percentage of total turnover decreased from 18.3% for the year ended 28 February 2009 to 16.8% for the year ended 28 February 2010. Advertising and promotion expenses reduced by 35.0% to HK$34.2 million (2009: HK$52.6 million). As a percentage of total turnover, the advertising and promotion expenses decreased to 1.1% for the year ended 28 February 2010 (2009: 1.9%).

Increase in total revenue, together with our tight control on the operating costs, operating profit increased by 326.1% to HK$307.3 million (2009: HK$72.1 million) and EBITDA (operating profit before impairment of goodwill and furniture and equipment, depreciation of furniture and equipment, amortisation and write-off of intangible assets) increased by 78.1% to HK$444.9 million (2009: HK$249.8 million). If the one off incentive income from a business partner of HK$13.2 million, and impairment of goodwill of HK$4.2 million (2009: HK$59.6 million) were excluded, the adjusted net profit of the Group would have been HK$253.7 million representing an increase of 148.3% as compared on the same basis for the year ended 28 February 2009.

(b) Hong Kong

Sales from retail operation increased moderately by 5.1% to HK$2,109.0 million (2009: HK$2,005.9 million) at an overall comparable store sales growth rate of 5.5%. Given that less discount was offered in the second half of the financial year, gross profit margin from retail operation increased slightly from 60.5% for the year ended 28 February 2009 to 61.8% for the year ended 28 February 2010.

Retail sales from in-house brands increased by 6.5% whereas retail sales from international brands increased by 5.0%. With a higher annual growth rate, in-house brands accounted for 47.8% (2009: 47.3%) of the total retail sales. Retail sales of international brands accounted for 47.8% (2009: 47.7%) of the total retail sales while licensed brands accounted for 4.4% of total retail sales (2009: 5.0%).

Rental expenses (including rental charges, management fee, rates and government rent) as a percentage of total turnover was maintained at 22.0% (2009: 22.3%). Due to the tight control on the increment of headquarter staff, staff cost as a percentage of total turnover decreased slightly from 19.8% for the year ended 28 February 2009 to 18.5% for the year ended 28 February 2010. On a higher revenue and gross profit base, together with an effective control on the operating costs, the operating margin (operating profit excluding other income as a percentage to total turnover) increased from 7.1% for the year ended 28 February 2009 to 11.7% for the year ended 28 February 2010.

(c) Mainland China

Mainland China was less affected by the financial crisis and retail sales in this area recorded an increment even in the first half of the financial year. Sales from retail operations increased by 22.2% to HK$706.4 million (2009: HK$578.1 million) at an overall comparable store growth rate of 10.3%. Similar to Hong Kong, less discount was offered in the second half of the financial year and gross profit margin of retail operation increased by 3.4 percentage points from 55.3% for the year ended 28 February 2009 to 58.7% for the year ended 28 February 2010.

International brands accounted for 49.7% of the total retail sales for the year ended 28 February 2010 (2009: 52.5%). More in-house brands shops were opened and total retail sales of in-house brands increased faster than international brands. Therefore, the importance of in-house brands is increasing and accounted for 49.7% of the total retail sales (2009: 44.0%), while licensed brands accounted for 0.6% (2009: 3.5%) of total retail sales. The increasing proportion of in-house brands to the total retail sales also explained the increase of gross profit margin of our Mainland China operation.

Rental expenses (including rental charge and management fee) as a percentage to total turnover increased from 25.3% for the year ended 28 February 2009 to 26.4% for the year ended 28 February 2010, which was mainly due to the amortisation of rental incentives. Similar to our Hong Kong operation, we have tight controls on the increment of back office and supporting staff. This, together with a higher revenue base, decreased the staff cost as a percentage of total turnover from 13.6% for the year ended 28 February 2009 to 12.2% for the year ended 28 February 2010. We revisited the depreciation policy on leasehold improvements of the stores and revised its estimates on the remaining useful life of leasehold improvements and this increased the depreciation charges of about HK$14.4 million. Notwithstanding the increase in costs as explained above, we managed to turn around the Mainland China operation to be profitable with an operating margin (operating profit excluding impairment of goodwill as a percentage to total turnover) of 3.9% (2009: a slight operating loss with negative operating margin of 0.5%).

(d) Others

Total net sales from Taiwan retail operation increased by 6.7% for the year ended 28 February 2010 with a comparable store growth rate of 6.0%. Macau operation reported a remarkable comparable store growth rate of 29.5% due to the surge of tourists particularly in the second half of the financial year which increased the sales of our stores in The Venetian.

Outside Greater China, four franchised stores of our in-house brand http://www.izzue.com were opened in France by Galeries Lafayette and two franchised stores of our in-house brand 5cm were opened in the Philippines during the year. In total, we had twenty-one franchised stores in Saudi Arabia, Thailand, Australia, the Philippines and France. Two more franchised stores of http://www.izzue.com were opened in Berlin in March 2010 by Galeries Lafayette and we are planning to expand into the European market.

Share of Results of Jointly Controlled Entities

Results of jointly controlled entities included the joint ventures with French Connection Group plc and Zadig & Voltarie Holding. The share of profit increased by 37.6% to HK$5.4 million for the year ended 28 February 2010 (2009: HK$3.9 million).

Cash Flows

Net cash inflow from operating activities increased from HK$135.6 million for the year ended 28 February 2009 to HK$366.0 million for the year ended 28 February 2010 due to the increase in sales revenue and effective control of operating expenses. Net cash used for investing activities for the year ended 28 February 2010 was HK$137.0 million (2009: HK$154.0 million) which mainly represented the acquisition of furniture and equipment for retail operations. During the year ended 28 February 2010, net cash used for financing activities was HK$47.4 million (2009: net cash inflow of HK$22.7 million), which was mainly due to the repayment of bank loans.

Inventory

Inventory turnover days for the year ended 28 February 2010 were 125.0 days (2009: 119.6 days).

Liquidity and Capital Resources

As at 28 February 2010, total cash and bank balances amounted to HK$622.2 million (2009: HK$442.0 million) and total liabilities of HK$494.5 million (2009: HK$492.7 million). As at 28 February 2010, shareholders' equity was HK$1,477.7 million (2009: HK$1,211.7 million).

As at 28 February 2010, the Group had aggregate banking facilities of approximately HK$496.4 million (2009: HK$525.0 million) for overdrafts, bank loans and trade financing, of which approximately HK$310.1 million (2009: HK$270.7 million) was unutilised. These facilities are secured by corporate guarantees provided by the Company and certain subsidiaries as at 28 February 2010 and also by Group's bank deposits of HK$750,000 as at 28 February 2009. The Group had HK$82.6 million bank borrowings as at 28 February 2010 (2009: HK$130.0 million). The current ratio as at 28 February 2010 was 3.0 (2009: 2.8) and the gearing was 5.6% (2009: 10.7%) based on shareholders' equity.

Contingent Liabilities

As at 28 February 2010, the Group did not have significant contingent liabilities (2009: Nil).

Foreign Exchange

To manage our foreign exchange exposure on sourcing for merchandise from Europe and Japan, the Group entered into forward exchange contracts with major and reputable financial institutions to hedge foreign exchange risk. As at 28 February 2010, the notional amounts of outstanding forward foreign exchange contracts to buy Japanese Yen, Euros and Sterling Pounds 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$60.1 million (2009: HK$66.9 million).

Employment, Training and Development

The Group had a total of 3,693 employees as at 28 February 2010 (2009: 3,286). Training and development courses were regularly organised for employees to enhance their technical and product knowledge as well as sales and marketing and business management skills. The Group 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

We saw an improvement of the business environment, particularly the consumer markets, in the fourth quarter of 2009 and the first quarter of 2010. Looking ahead, 2010 will still be a challenging year in Mainland China and Hong Kong. Being a fashion trend setter in the retail industry, we are optimistic about the prospects of these markets.

With continuous economic growth, rising disposable income and increasingly affluent urban consumers in Mainland China, we believe there will be great opportunities for us to further expand into this market. To drive faster growth in our China operations, more resources will be invested and we plan for expanding our retail network by around 30% new sales area in the year ending 28 February 2011. We will continue to open more shops in the cities where we have our direct sales points, i.e. Beijing, Shanghai, Hangzhou and Nanjing, to strengthen our network and to increase our market penetration. We will also expand our retail network in other large cities where we have not yet entered. Opening more shops is an effective strategy to promote our brands in Mainland China. In addition, we shall also actively seek new business partners to further extend our retail network and increase our brands awareness.

The retail market in Hong Kong was tough in the first half of 2009 but gradually recovered in the second half. Hong Kong is our core market, providing stable source of revenue and cash flow. To maintain profitable growth in this area, we will continue to seek for opportunities of opening stores in prime locations or shopping malls with a view to increase new sales area by around 10% in 2010. With better design and layout in our shops, we can further strengthen our prestigious fashion icon image and attract more tourists, particularly from Mainland China, to capture more market share in the industry.

To further strengthen our brand image and competitiveness, more marketing resources will be allocated to promote our in-house labels with more cross-branded and "special edition" fashioned products to be introduced to the market. While focusing on developing our in-house brands with higher gross profit margin, it is envisaged that the in-house brand segment will grow faster than the international brands segment in Hong Kong and Mainland China in the coming future.

For Taiwan and Macau, we will focus on the organic growth of same store sales and profits. Currently, only one in-house brand, http://www.izzue.com, has been launched in Taiwan and we will seek opportunities to replicate the success of our other brands in Hong Kong to this market. We will also continue to look for opportunities, to engage franchisees to further develop our wholesale business for our in-house brands in regions outside Greater China.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT TEAM

Executive Directors

Mr. SHAM Kar Wai
Aged 43, 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 over 20 years of experience in the fashion retail industry and has established an extensive network of contacts with international design houses.

Mr. SHAM Kin Wai
Aged 40, 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 over 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 52, was appointed an Independent Non-executive Director in October 2004. He also serves as the Chairman of the Company's Audit Committee and Nomination Committee and a member of Remuneration Committee. Mr. Wong is currently the chief financial officer of Lenovo Group Limited ("Lenovo"), a company listed on The Stock Exchange of Hong Kong Limited. 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. Mr. Wong is currently a non-executive director of Linmark Group Limited and an independent non-executive director of China Unicom (Hong Kong) Limited, both companies are listed on The Stock Exchange of Hong Kong Limited. 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 69, was appointed an Independent Non-executive Director in August 2006. He also serves as the Chairman of the Company's Remuneration Committee and a member of Audit Committee. Mr. Goutenmacher is an independent non-executive director of Natural Beauty Bio-Technology Limited, a company listed on The Stock EXchange of Hong Kong Limited. 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 49, 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, chairman of the corporate governance committee and member of the executive committee of COSCO Pacific Limited, a company listed on The Stock Exchange of Hong Kong Limited. Dr. Wong is the Council Chairman of The Hong Kong Institute of Directors, Council Advisor and past Chairman of the Hong Kong Chinese Orchestra Limited, a member of the OECD/World Bank Asian Corporate Governance Roundtable, a member of the Main Board and GEM Listing Committee of The Stock Exchange of Hong Kong Limited, a member of the SFC (HKEC Listing) Committee of the Securities and Futures Commission, a member of the Appeal Board Panel (Town Planning), a member of the Standing Committee on Company Law Reform, a member of The Board of Review (Inland Revenue Ordinance) and a Board Director of Business Environment Council. He obtained his Master of Business Administration degree from Andrews University in Michigan, the USA in 1992 and his Doctor of Business Administration degree from The Hong Kong Polytechnic University in 2007. He was a member of the National Investor Relations Institute in the USA. Dr. Wong is currently an independent non-executive director and chairman of the audit committee of China Metal International Holdings Inc., an independent non-executive director of CIG Yangtze Ports PLC and was an independent non-executive director and chairman of the audit committee of Tradelink Electronic Commerce Limited. All the aforementioned companies are listed on The Stock Exchange of Hong Kong Limited.

Senior Management Team

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

Miss SHAM Sau Han
Aged 41, is director of all subsidiaries of the Group. She joined the Group in November 1988 and is responsible for general management. She is a sibling of Mr. Sham Kar Wai and Mr. Sham Kin Wai, Executive Directors of the Company.

Miss NG Yuk Chau
Aged 42, is the Finance Director. Miss Ng holds a bachelor of Social Sciences degree from the University of Hong Kong and has nearly 20 years of experience in accounting. She joined the Group in January 1994. She is the spouse of Mr. Kwong Kwok Yu, Financial Controller of the Group.

Mr. KWONG Kwok Yu
Aged 46, is the Financial Controller of the Group. 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. He is the spouse of Miss Ng Yuk Chau, Finance Director.

Miss YU, Michaeline
Aged 43, 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 41, 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 15 years of experience in retail administration.

Miss LEE Shuk Kuen, Joe
Aged 39, is the Merchandising Director. She joined the Group in June 1998, and is responsible for the buying strategy and the procurement of designer brands. Miss Lee has over 15 years of buying experience in the fashion retailing industry.

Miss LEE Yuen Pik
Aged 40, is the Brand Director. She joined the Group in May 1996 and is responsible for the design, manufacturing and brand management of the in-house label, b+ab. Miss Lee holds a Higher Diploma in Fashion and Clothing Technology from the Hong Kong Polytechnic University. Miss Lee has over 15 years of buying and manufacturing experience in the fashion retailing industry.

Miss CHENG, Deborah
Aged 39, 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 15 years of marketing and public relations experience.

Miss YU Lai Hung
Aged 44, is the MIS Director. She joined the Group in August 1997 and is responsible for the design, implementation, support and strategic development of the Group's information technology network. Miss Yu holds a Master's degree in Business Administration from the Open University of Hong Kong and has over 20 years of experience working in information technology and workflow re-engineering.

Miss TAM Shuk Yi
Aged 43, 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 15 years of experience in human resources management.

Miss HO Suk Han, Sophia
Aged 41, 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.

Mr. CHAN Wai Kwan, Kenny
Aged 39, is the General Manager of I.T China. 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 15 years of experience in the PRC.

Miss LEUNG Fung Ming
Aged 46, is the Brand Director. She joined the Group in May 2001 and is responsible for the design, manufacturing and brand management of the in-house label, http://www.izzue.com. Miss Leung has over 15 years of buying and manufacturing experience in fashion retailing industry.

I.T HAS A UNIQUE BRAND PORTFOLIO

CORPORATE GOVERNANCE REPORT

The Company is committed to implementing good corporate governance practices and emphasising on transparency and accountability to its shareholders and stakeholders. In the opinion of the Board, the Company has applied the principles and complied throughout the year ended 28 February 2010 the Code on Corporate Governance Practices (the "CG Code") 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 hereinafter.

Board of Directors

The Board currently comprises five members, two of them being Executive Directors and three Independent Non-executive Directors. Biographical details of the Directors are set out in "*Biographies of Directors and Senior Management Team*" on pages 29 to 31.

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

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

Code provision A.2.1 of the 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.

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 or resolutions in writing signed by all Directors in lieu of a meeting are arranged as and when required to discuss significant issues. If a substantial shareholder or a Director has a conflict of interest in a transaction which the Board has determined to be material, it 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 met four times in the year ended 28 February 2010.

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 CG Code 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. The Audit Committee comprised three members, all Independent Non-executive Directors, throughout the year ended 28 February 2010. 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 possess appropriate professional qualifications, accounting or related financial management expertise as required under the Listing Rules.

The Audit Committee met four times in the year ended 28 February 2010. 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, financial reporting matters and adequacy of resources, qualification and experience of accounting and financial reporting staff 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 and appointment 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. The Remuneration Committee comprised three members, majority of which are Independent Non-executive Directors. Currently, Mr. Francis Goutenmacher acts as the Chairman, and Mr. Wong Wai Ming and Mr. Sham Kar Wai are the Committee members.

The Remuneration Committee met five times in the year ended 28 February 2010.

The 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 which are all covered by a service contract. 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 by taking into consideration criteria like expertise, experience and commitment and makes 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 twice in the year ended 28 February 2010. There are three members in the Nomination Committee. Currently, Mr. Wong Wai Ming, being an Independent Non-executive Director, acts as Chairman, and Mr. Sham Kar Wai and Mr. Sham Kin Wai 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 comprised the Chief Executive Officer and one Executive Director from time to time. The Committee met thirteen times in the year ended 28 February 2010.

Details of Directors' attendance of the Board and Committee meetings held during the year ended 28 February 2010 are set out as follows:

	Meetings Attended				
	Board (Note 5)	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors					
Mr. Sham Kar Wai (Note 1)	4/4	13/13	–	5/5	2/2
Dr. Lo Wing Yan, William, J.P. (Note 2)	1/1	4/8	–	–	–
Mr. Sham Kin Wai (Note 1)	4/4	13/13	–	–	2/2
Independent Non-executive Directors					
Mr. Wong Wai Ming (Note 3)	3/4	–	4/4	5/5	2/2
Mr. Francis Goutenmacher (Note 4)	4/4	–	3/4	5/5	–
Dr. Wong Tin Yau, Kelvin	4/4	–	4/4	–	–

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

Note 2: Dr. Lo Wing Yan, William, J.P. resigned as an Executive Director and a Committee member of Nomination Committee with effect from 12 June 2009.

Note 3: Chairman of Audit Committee and Nomination Committee.

Note 4: Chairman of Remuneration Committee.

Note 5: This column only records the attendance of Board meetings duly convened and held. In addition to this, eight resolution-in-writing were signed by all Directors during the year ended 28 February 2010.

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 Board is not aware of any material uncertainties relating to the events or condition that may cast doubt upon the Company's ability to continue as a going concern.

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 28 February 2010, the fees paid or payable to PricewaterhouseCoopers were approximately HK$2,450,000 for audit services and a total of HK$400,000 for non-audit services (review of the interim results of the Company for the period ended 31 August 2009) 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 28 February 2010, 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 a sound and effective internal controls system 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 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 to allow major business units to identify and analyse the risks underlying the achievement of business objectives and to determine a basis for how such identified risks to be managed and mitigated.

By adopting a risk-based approach, the Internal Audit Department derives a yearly audit plan, which is approved by the Audit Committee on annual basis to assess the adequacy, effectiveness, efficiency and reliability of internal control procedures regarding different financial and operational activities of the Group. The results of independent audit reviews together with the recommended remedial actions, in the form of an internal audit report, are submitted to the Audit Committee and the management on a regular basis. Follow up reviews will be performed to ensure all identified issues have been satisfactorily resolved.

During the year ended 28 February 2010, the Board, (i) through the Audit Committee 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; and (ii) has reviewed resources the Group assigned to the staff with accounting and financial reporting function and the qualifications and experience of the said staff. There were no irregularities or material deficiencies found.

Directors' Securities Transactions

The Company has adopted 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 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 communication with research analysts and institutional investors. It would 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 present the Company's performance. Press releases are published for timely and non-selective dissemination of corporate news.

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.

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 are available to answer questions at the shareholders' meetings. External auditor also attends Annual General Meetings to address shareholders' enquiries.

Under the Listing Rules, all votes of the shareholders at general meetings would be taken by poll.

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 28 February 2010.

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

Maison Martin Margiela AIDS T-shirt Archive Exhibition
I.T and AIDS CONCERN came together out of a common concern for the well being of people living with HIV, the MMM AIDS T-shirt Archive Exhibition was held at Maison Martin Margiela Tsimshatsui store on 4 August 2009 to raise public awareness on HIV/AIDS. During the event, I.T made a corporate donation to AIDS CONCERN in order to help the most vulnerable groups avoid the threat of being infected by the disease.

"Just Love Students" Charity Ball for UNICEF
The "Just Love Students" charity ball was organised by a group of students studying in various different countries, and their multi-cultural experience has made them more aware of the needs of those less fortunate. They are united by a common passion to contribute more to the Chinese society by raising fund to support UNICEF's charitable endeavors in helping underprivileged children in China. To support such fund-raising event, I.T donated http://www.izzue.com cash coupons to UNICEF.

:CHOCOOLATE x ChiLam Limited Box Set – Donation to WWF
:CHOCOOLATE joined hands with Cheung Chi Lam ("ChiLam"), the Cantonese pop-singer to create a limited box set that contains a Tee designed by: CHOCOOLATE and ChiLam, together with ChiLam's music album. The entire concept of this joined effort was to advocate the importance of having the universe comes together to make a better place for living and expressively to advocate the true essence of "simplicity is beauty".

The programme kicked-off by ChiLam's enthusiasm acting as a salesman at one of the :CHOCOOLATE shops located in Causeway Bay, together with ChiLam's donation, sales that had generated on the day of the event was donated to WWF.

Sammi Cheng "Faith+Hope+Love" Limited Edition Box Set Charity Event
The Cantonese pop-singer Sammi Cheng showed up at I.T ICE HOUSE STREET on 8 February 2010 to officially kick off the charity sale of her "Faith+Hope+Love" box set, a collection of souvenirs for music lovers which proceeds went to the Hong Kong Red Cross, AIDS Concern and Evangel Children's Home. Showing support for the initiative and encouraging fans to open up their hearts to do a good deed, I.T took the first step and donated HK$300,000 to the Hong Kong Red Cross, benefiting earthquake relief programmes in Haiti.

b+ab x STYLE Charity Tee for UNICEF
In line with one of UNICEF's aims to promote the equal rights of women and girls and to support their full participation in the political, social, and economic development of their communities, b+ab cooperated with STYLE Management in February 2010 produced two styles of limited edition charity tees designed by Lynn Hung and Angelababy in order to raise fund for UNICEF's to advocate its programs. The net sale proceeds was donated to UNICEF.

:CHOCOOLATE x Kay & Richie – Donation to LLCS

The Lotus Light Charity Society known as LLCS has been spending all its efforts in advocating the importance of lives through water saving education. By lending the helping hands, :CHOCOOLATE and the Cantonese pop-singer, Kay Tse, as well as the Taiwanese pop-song singer, Richie Yam, had designed a tee to advocate the significance of "treasuring every drop of water".

The programme kicked-off by Kay Tse's autograph signing activity at one of the :CHOCOOLATE shops located in Causeway Bay, and more than HK$200,000 were donated by :CHOCOOLATE to save the people in need.

REPORT OF THE DIRECTORS

The Directors of I.T Limited (the "Company") have pleasure in submitting their annual report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 28 February 2010.

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 to the consolidated financial statements.

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 28 February 2010 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 statement of comprehensive income on page 53.

The Board has resolved to recommend the payment of a final dividend of HK10.5 cents per share (2009: Nil) for the year ended 28 February 2010.

In order to maintain a strong balance sheet for future growth, the Board has recommended providing the shareholders with an option to receive the final dividend in the form of new fully paid shares in lieu of cash. Subject to the approval of shareholders at the forthcoming annual general meeting to be held on 30 July 2010, the final dividend will be payable to those shareholders whose names appear on the register of members on 30 July 2010.

The scrip dividend scheme is conditional upon the passing of the relevant resolution at the forthcoming annual general meeting and the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued under the scrip dividend scheme. Further details of the scrip dividend scheme will be set out in a circular to the shareholders to be dispatched on or around 28 June 2010. Dividend warrants and share certificates for new shares to be issued under the scrip dividend scheme will be dispatched by ordinary mail on or around 27 August 2010.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$602,000 (2009: HK$1,429,125).

FURNITURE AND EQUIPMENT

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

SHARE CAPITAL

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

RESERVES

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

DISTRIBUTABLE RESERVES

As at 28 February 2010, the Company's reserve available for cash distribution, as computed in accordance with The Companies Act 1981 of Bermuda (as amended), amounted to HK$435,891,000, of which HK$121,279,000 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 95 and 96.

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
Mr. Sham Kin Wai
Dr. Lo Wing Yan, William (resigned on 12 June 2009)

Independent Non-executive
Mr. Wong Wai Ming
Mr. Francis Goutenmacher
Dr. Wong Tin Yau, Kelvin

In accordance with Clause 87 of the Company's Bye-laws, Mr. Francis Goutenmacher will retire by rotation at the forthcoming annual general meeting of the Company, 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 2010 while Mr. Wong Wai Ming's on 18 October 2010. The Company has received from each of its Independent Non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Rules of Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and considers the Independent Non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

The Director who is proposed for re-election at the forthcoming annual general meeting of the Company does not have 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 subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' EMOLUMENTS

Details of the remuneration of the Directors on a named basis during the year are set out in Note 9 to the 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 36.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management as at the date of this report are set out on pages 29 to 31.

DISCLOSURE OF DIRECTORS' INFORMATIONS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

The changes in the information of the Directors of the Company since the publication of the interim report of the Company for the six months ended 31 August 2009 required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Name of Director	Details of changes
Executive Director	
Mr. Sham Kar Wai	The Group's annual remuneration review was conducted in March 2010. – the monthly salary and housing allowance was revised to HK$560,000 commenced from 1 April 2010.
Mr. Sham Kin Wai	– the monthly salary and housing allowance was revised to HK$405,000 commenced from 1 April 2010.
Independent Non-executive Director	
Mr. Wong Wai Ming	– Resigned as a non-executive director of Kingsoft Corporation Limited, a company listed on The Stock Exchange of Hong Kong Limited with effect from 25 March 2010. – the director's fee was revised to HK$210,000 per annum commenced from 1 April 2010.
Mr. Francis Goutenmacher	– Appointed as an independent non-executive director of Natural Beauty Bio-Technology Limited, a company listed on The Stock Exchange of Hong Kong Limited with effect from 1 February 2010. – the director's fee was revised to HK$210,000 per annum commenced from 1 April 2010.
Dr. Wong Tin Yau, Kelvin	– Appointed as a member of the Appeal Board Panel (Town Planning) with effect from 19 December 2009. – Appointed as a member of the Standing Committee on Company Law Reform with effect from 1 February 2010. – the director's fee was revised to HK$210,000 per annum commenced from 1 April 2010.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

As at 28 February 2010, 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 Listing Rules were as follows:

(a) Long positions in the shares of the Company

	No. of shares held			
Director	**Interest in controlled company and beneficiary of trust** (Note 1)	**Interest in underlying shares/equity derivatives** (Note 2)	**Total**	**Percentage of issued share capital**
Sham Kar Wai (Note 3)	672,075,000	21,000,000	693,075,000	60.00%
Sham Kin Wai (Note 3)	672,075,000	21,000,000	693,075,000	60.00%

Notes:

(1) Mr. Sham Kar Wai and Mr. Sham Kin Wai are both beneficiaries of The ABS 2000 Trust, which is an irrevocable discretionary trust. Fine Honour Limited, Fortune Symbol Limited, Fresh Start Holdings Limited and Sure Elite Limited are wholly-owned subsidiaries of Effective Convey Limited (collectively the "Immediate Holding Companies"). 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 the Immediate Holding Companies in the Company.

(2) Detailed in the section headed "Share Options" Below.

(3) Ms. 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. Ms. 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 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 the section headed "*Share Options*" below.

(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%
	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%
	Sure Elite Limited	Beneficiary of trust	100%
	Fresh Start Holdings Limited	Beneficiary of trust	100%
	Fortune Symbol Limited	Beneficiary of trust	100%
	Fine Honour Limited	Beneficiary of trust	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%
	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%
	Sure Elite Limited	Beneficiary of trust	100%
	Fresh Start Holdings Limited	Beneficiary of trust	100%
	Fortune Symbol Limited	Beneficiary of trust	100%
	Fine Honour Limited	Beneficiary of trust	100%
	Effective Convey Limited	Beneficiary of trust	100%
	Dynamic Vitality Limited	Beneficiary of trust	100%

Note:

(1) Mr. Sham Kar Wai and Ms. 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 the 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 28 February 2010.

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) The First Share Option Scheme

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 hereafter, 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.

The New 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.

On 28 December 2009, the Company granted options under the New Share Option Scheme to certain employees of the Group to subscribe for an aggregate of 33,000,000 shares in the Company at a price of HK$1.26 per share. The Options shall be vested on the second anniversary date of the date of grant and exercisable from 28 December 2011 to 27 December 2019. The closing price of the Company's shares immediately before the date on which the options were granted was HK$1.25.

On 12 February 2010, the Company granted options under the New Share Option Scheme to two Directors to subscribe for an aggregate of 22,000,000 shares in the Company at a price of HK$1.46 per share. The Options shall be vested on the second anniversary date of the date of grant and exercisable from 12 February 2012 to 11 February 2020. The closing price of the Company's shares immediately before the date on which the options were granted was HK$1.45.

No participant with options granted is in excess of the individual limit as stipulated in 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.

Details of the movements in share options to subscribe for shares in the Company during the year ended 28 February 2010 are set out below:

				Number of Share Options				
	Date of grant	**Exercise period**	**Exercise price per share** HK$	**As at 1 March 2009**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**As at 28 February 2010**
Director								
Sham Kar Wai	14 April 2008 (Note 1)	14 April 2008 to 13 April 2013	2.47	10,000,000	–	–	–	10,000,000
	12 February 2010	12 February 2012 to 11 February 2020	1.46	–	11,000,000	–	–	11,000,000
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
	12 February 2010	12 February 2012 to 11 February 2020	1.46	–	11,000,000	–	–	11,000,000
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
	28 December 2009	28 December 2011 to 27 December 2019	1.26	–	33,000,000	–	–	33,000,000
				63,800,000	55,000,000	–	(14,400,000)	104,400,000

Notes:

(1) The vesting dates and exercisable periods of the options are as follows:

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
		10,000,000

(2) The vesting dates and exercisable periods of the options are as follows:

Vesting date	Exercise period	Number of share options
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
		4,000,000

(3) The vesting dates and exercisable periods of the options are as follows:

Vesting date	Exercise period	Number of share options granted	Number of share options lapsed during the year	Total number of share options lapsed up to 28 February 2010
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
		30,300,000	400,000	900,000

(b) For the determination of the fair value of the share options granted under the First Share Option Scheme and the New 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 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 determining the fair value of the share options granted during the year were as follows:

	Options granted on 28 December 2009	Options granted on 12 February 2010
Share price at the grant date	HK$1.25	HK$1.45
Exercise price per share	HK$1.26	HK$1.46
Expected volatility (Note)	56.80%	57.00%
Expected life of options	3.1 years	6.3 years
Expected dividend yield	4.00%	4.00%
Annual risk free rate	2.59%	2.87%

Note:

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of weekly share prices over three years preceding the grant date.

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

As at 28 February 2010, 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
Effective Convey Limited (Note 1)	Beneficial owner and Interest in corporation	672,075,000	58.19%
Dynamic Vitality Limited (Note 2)	Interest in corporation	672,075,000	58.19%
The ABS 2000 Trust (Notes 1, 2 and 3)	Interest in corporation	672,075,000	58.19%
HSBC International Trustee Limited (Note 3)	Interest in corporation	672,075,000	58.19%
Fine Honour Limited	Beneficial owner	162,781,878	14.09%
Glorious Sun Trading (HK) Limited	Beneficial owner	102,827,473	8.90%
Glorious Sun Enterprises (BVI) Limited (Note 4)	Interest in corporation	102,827,473	8.90%
Glorious Sun Enterprises Limited (Note 4)	Interest in corporation	102,827,473	8.90%
Glorious Sun Holdings (BVI) Limited (Note 5)	Interest in corporation	102,827,473	8.90%
Yeung Chun Kam (Note 5)	Interest in controlled company	102,827,473	8.90%
Yeung Chun Fan (Note 5)	Interest in controlled company	102,827,473	8.90%
Cheung Wai Yee (Note 6)	Interest in controlled company	102,827,473	8.90%
Fortune Symbol Limited	Beneficial owner	57,751,874	5.00%
Fresh Start Holdings Limited	Beneficial owner	57,751,874	5.00%
Sure Elite Limited	Beneficial owner	57,751,874	5.00%

Notes:

1. Fine Honour Limited, Fortune Symbol Limited, Fresh Start Holdings Limited and Sure Elite Limited (collectively the "Companies") are wholly-owned subsidiaries of Effective Convey Limited. Effective Convey Limited is therefore deemed interested in the Shares held by the Companies.

2. 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.

3. 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.

4. 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.

5. 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.

6. Spouse of Mr. Yeung Chun Fan.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group during the year ended 28 February 2010, which did not constitute connected transactions under the Listing Rules, are disclosed in Note 33 to the consolidated financial statements.

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 34 to 38.

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

Sham Kar Wai
Chairman

Hong Kong, 2 June 2010

I.T IS

a fashion icon

TREND SETTING

inspiration

a lifestyle

MOVING FORWARD

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 94, which comprise the consolidated and company balance sheets as at 28 February 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 28 February 2010 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, 2 June 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 28 February 2010

	Note	**2010 HK$'000**	2009 HK$'000
Turnover	5	**2,995,952**	2,733,256
Cost of sales	7	**(1,176,707)**	(1,121,570)
Gross profit		**1,819,245**	1,611,686
Other income – incentive income		**13,200**	–
Other gains/(losses)	6	**3,791**	(11,123)
Impairment of goodwill	16	**(4,217)**	(59,569)
Operating expenses	7	**(1,524,760)**	(1,468,877)
Operating profit		**307,259**	72,117
Finance income	10	**5,250**	6,205
Finance costs	10	**(2,567)**	(3,419)
Share of profit of jointly controlled entities	18	**5,432**	3,948
Profit before income tax		**315,374**	78,851
Income tax expense	11	**(52,686)**	(36,296)
Profit for the year	12	**262,688**	42,555
Other comprehensive (loss)/income:			
Currency translation differences		**(4,077)**	23,188
Total comprehensive income for the year		**258,611**	65,743
Earnings per share for profit for the year (expressed in HK$ per share)			
– basic	13	**HK$0.23**	HK$0.04
– diluted	13	**HK$0.23**	HK$0.04

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

	Note	**2010 HK$'000**	2009 HK$'000
Dividend	14	**121,279**	–

BALANCE SHEETS

As at 28 February 2010

		Consolidated		Company	
		2010	2009	**2010**	2009
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS					
Non-current assets					
Furniture and equipment	15	**233,395**	229,124	**–**	–
Intangible assets	16	**259,823**	267,633	**–**	–
Investments in and amounts due from subsidiaries	17	**–**	–	**1,277,498**	1,025,589
Investments in and amounts due from jointly controlled entities	18	**39,338**	32,564	**–**	–
Rental deposits	21	**121,711**	91,065	**–**	–
Deferred income tax assets	27	**31,282**	32,211	**–**	–
		685,549	652,597	**1,277,498**	1,025,589
Current assets					
Inventories	19	**394,520**	411,145	**–**	–
Trade and other receivables	20	**120,080**	67,289	**–**	13
Amounts due from jointly controlled entities	18	**27,045**	27,323	**–**	–
Prepayments and other deposits	21	**122,747**	104,011	**–**	–
Pledged bank deposits	22 & 31	**–**	750	**–**	–
Cash and cash equivalents	22	**622,238**	441,264	**1,362**	1,364
		1,286,630	1,051,782	**1,362**	1,377
LIABILITIES					
Current liabilities					
Bank borrowings	23	**(47,400)**	(47,400)	**–**	–
Trade and bill payables	24	**(149,488)**	(155,993)	**–**	–
Accruals and other payables	25	**(178,245)**	(135,677)	**(24)**	(25)
Amounts due to jointly controlled entities	18	**(22,699)**	(9,206)	**–**	–
Derivative financial instruments	26	**(1,001)**	(3,452)	**–**	–
Current income tax liabilities		**(29,811)**	(24,261)	**–**	–
		(428,644)	(375,989)	**(24)**	(25)
Net current assets		**857,986**	675,793	**1,338**	1,352
Total assets less current liabilities		**1,543,535**	1,328,390	**1,278,836**	1,026,941
Non-current liabilities					
Bank borrowings	23	**(35,200)**	(82,600)	**–**	–
Accruals	25	**(26,030)**	(30,136)	**–**	–
Deferred income tax liabilities	27	**(4,582)**	(3,945)	**–**	–
		(65,812)	(116,681)	**–**	–
Net assets		**1,477,723**	1,211,709	**1,278,836**	1,026,941
EQUITY					
Capital and reserves					
Share capital	28	**115,504**	115,504	**115,504**	115,504
Reserves	29	**1,362,219**	1,096,205	**1,163,332**	911,437
Total equity		**1,477,723**	1,211,709	**1,278,836**	1,026,941

SHAM KAR WAI
Chairman

SHAM KIN WAI
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 28 February 2010

	Note	Share capital HK$'000	Reserves HK$'000	Total HK$'000
Balance at 1 March 2009		115,504	1,096,205	1,211,709
Comprehensive income:				
– Profit for the year		–	262,688	262,688
Other comprehensive loss:				
– Currency translation differences		–	(4,077)	(4,077)
Total comprehensive income		–	258,611	258,611
Transaction with owners:				
Share option scheme				
– value of employment services	29	–	7,403	7,403
		–	7,403	7,403
Balance at 28 February 2010		115,504	1,362,219	1,477,723
Balance at 1 March 2008		115,468	1,105,369	1,220,837
Comprehensive income:				
– Profit for the year		–	42,555	42,555
Other comprehensive income:				
– Currency translation differences		–	23,188	23,188
Total comprehensive income		–	65,743	65,743
Transaction with owners:				
Proceeds from issue of shares under a share option scheme	28 & 29	36	810	846
Share option scheme				
– value of employment services	29	–	22,461	22,461
Dividend	29	–	(98,178)	(98,178)
		36	(74,907)	(74,871)
Balance at 28 February 2009		115,504	1,096,205	1,211,709

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 28 February 2010

	Note	2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
Cash generated from operations	30(a)	**414,060**	188,578
Interest paid		**(2,567)**	(2,433)
Hong Kong profits tax paid		**(34,296)**	(32,829)
Overseas tax paid		**(11,252)**	(17,808)
Hong Kong profits tax refunded		**80**	81
Net cash generated from operating activities		**366,025**	135,589
Cash flows from investing activities			
Acquisition of a subsidiary net of cash acquired		**–**	1,296
Purchase of furniture and equipment		**(136,048)**	(155,689)
Purchase of intangible assets		**(2,237)**	(5,535)
Proceeds from disposal of furniture and equipment	30(b)	**–**	1,962
Capital injections in jointly controlled entities		**–**	(2,750)
Capital reduction from a jointly controlled entity		**–**	5,000
Interest received		**1,274**	1,724
Net cash used in investing activities		**(137,011)**	(153,992)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**–**	846
Repayment of bank borrowings		**(47,400)**	(10,000)
Proceeds from bank borrowings		**–**	130,000
Dividends paid		**–**	(98,178)
Net cash (used in)/generated from financing activities		**(47,400)**	22,668
Net increase in cash and cash equivalents		**181,614**	4,265
Cash and cash equivalents, beginning of the year		**441,264**	424,173
Currency translation differences		**(640)**	12,826
Cash and cash equivalents, end of the year	30(c)	**622,238**	441,264

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 Dollar ("HK$"), unless otherwise stated.

These consolidated financial statements have been approved for issue by the board of directors on 2 June 2010.

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 of I.T Limited 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 at fair value through profit or loss (including derivative instruments).

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 to the consolidated financial statements.

(a) The following new standards, amendments and interpretations to existing standards are mandatory for the accounting periods beginning on or after 1 March 2009:

HKAS 1 (Revised), 'Presentation of Financial Statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

HKAS 23 (Revised), 'Borrowing Costs'. The revised standard 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 has been removed. This amendment has no material impact on the Group's financial statements as the Group's accounting policy on borrowing costs has complied with the revised requirements.

HKFRS 2 (Amendment), 'Share-based Payment'. The amendment deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment to HKFRS 2 has no impact on the Group's consolidated financial statements.

HKFRS 7 (Amendment), 'Financial Instruments – Disclosures'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

HKFRS 8, 'Operating Segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The Group has applied HKFRS 8 from 1 March 2009 with no impact on the number of reportable segments and the manner in which the segments are reported.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

(a) The following new standards, amendments and interpretations to existing standards are mandatory for the accounting periods beginning on or after 1 March 2009: (Continued)

HK(IFRIC) – Int 13, 'Customer Loyalty Programmes'. HK(IFRIC) – Int 13 addresses accounting by entities that grant loyalty award credits (such as 'points' or travel miles) to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem award credits. The Group has applied HK(IFRIC) – Int 13 from 1 March 2009.

(b) The following new standards, amendments and interpretations to existing standards are mandatory for the annual period beginning on or after 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
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers

(c) The following new standards, amendments and interpretations to existing standards have been issued, but are not effective and have not been early adopted:

HKAS 24 (Amendment)	Related Party Disclosures (effective for annual period beginning on or after 1 January 2011)
HKAS 27 (Revised)	Consolidated and Separate Financial Statements (effective for annual period beginning on or after 1 July 2009)
HKAS 32 (Amendment)	Classification of Right Issues (effective for annual period beginning on or after 1 February 2010)
HKAS 39 (Amendment)	Eligible Hedged Items (effective for annual period beginning on or after 1 July 2009)
HKFRS 3 (Revised)	Business Combinations (effective for annual period beginning on or after 1 July 2009)
HKFRS 9	Financial Instruments (effective for annual period beginning on or after 1 January 2013)
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement (effective for annual period beginning on or after 1 January 2011)
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners (effective for annual period beginning on or after 1 July 2009)
HK(IFRIC) – Int 19	Extinguish Financial Liabilities with Equity Instruments (effective for annual period beginning on or after 1 July 2010)

HKFRS 9, 'Financial Instruments', (effective for annual period beginning on or after 1 January 2013). It improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of HKAS 39 by applying a consistent approach to classify financial assets and replace the numerous categories of financial assets in HKAS 39, each of which had its own classification criteria. It also results in one impairment method, replacing the numerous impairment methods in HKAS 39 that arises from the different classification categories.

The Group has not early adopted these new standards, amendments and interpretations to existing standards in the financial statements for the year ended 28 February 2010. The adoption of the above new standards, amendments and interpretations to existing standards in future periods is not expected to result in substantial changes to the Group's accounting policies.

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.

The Group will adopt the above new standards, amendments and interpretations when they become effective.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 CONSOLIDATION

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

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at 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 consolidated statement of comprehensive income (Note 2.6).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements 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 (Note 2.7). 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 all 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 consolidated statement of comprehensive income, 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 loss 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 in the consolidated statement of comprehensive income to ensure consistency with the policies adopted by the Group.

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

2.3 SEGMENT REPORTING

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Dollar ("HK$"), which is the Company's functional and the Group's 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 statement of comprehensive income.

(c) Group companies

The results and financial position of all the Group's 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 statement of comprehensive income 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 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 consolidated statement of comprehensive income 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.

2.5 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 statement of comprehensive income during the period in which they are incurred.

Depreciation of furniture and equipment is calculated using the straight-line method to allocate their costs 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 and yacht	5 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 (Note 2.7).

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 at 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).

(e) Club debentures

Acquired club debentures are stated at historical cost less accumulated impairment losses, if any. They are measured at the fair value of the consideration given to acquire the club debenture at the time of the acquisition. The club debenture is tested annually for impairment.

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.

Impairment testing of the investments in subsidiaries or jointly controlled entities is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or jointly controlled entities in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

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 end of the reporting period 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. The Group's loans and receivables comprise "trade and other receivables", "cash and cash equivalents" and "amounts due from jointly controlled entities" in the balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. 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 the derivatives at fair value through profit or loss and accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments are recognised immediately in the statement of comprehensive income.

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. 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 receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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 obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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 in the statement of comprehensive income. 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 statement of comprehensive income 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 end of the reporting period.

2.16 CURRENT AND DEFERRED INCOME TAX

The tax expense for the year comprises current and deferred income tax. This is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 CURRENT AND DEFERRED INCOME TAX (Continued)

Deferred income tax is recognised 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, the 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 only 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.

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 assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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, Taiwan and Macau, the Group participates in defined contribution retirement benefit plans administrated by the relevant municipal and provincial governments in Mainland China, Taiwan and Macau respectively. 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 an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. 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 is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 EMPLOYEE BENEFITS (Continued)

(d) Share-based compensation (Continued)

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

2.18 SHARE CAPITAL

Ordinary shares are classified as equity.

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

2.19 REVENUE RECOGNITION

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

(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) Interest income

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

(c) Sales of coupons

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

2.20 BORROWING COSTS

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

2.21 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 statement of comprehensive income on a straight-line basis over the period of the lease.

2.22 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 consolidated 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 consolidated 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)

2.23 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, Euro, United States Dollar, New Taiwanese Dollar and Chinese Renminbi against Hong Kong Dollar. 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 28 February 2010, if Chinese Renminbi had strengthened/weakened by 5% against the United States Dollar with all other variables held constant, profit for the year and equity holders' equity would have been approximately HK$46,000 (2009: HK$2,250,000) lower/higher mainly as a result of foreign exchange losses/gains on translation of United States Dollar-denominated bank balances of certain subsidiaries which functional currency is Chinese Renminbi.

At 28 February 2010, if Hong Kong Dollar had strengthened/weakened by 5% against the Euro with all other variables held constant, profit for the year and equity holders' equity would have been approximately HK$1,634,000 (2009: HK$2,461,000) lower/higher mainly as a result of foreign exchange losses/gains on translation of Euro-denominated bank balances, trade payables and derivative financial instruments.

At 28 February 2010, foreign exchange risks on financial assets and liabilities denominated in Japanese Yen, Macau Pataca, New Taiwanese Dollar 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 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 28 February 2010, all the bank deposits are deposited in the high quality financial institutions without significant credit risk. Management does not expect any losses from non-performance by these institutions.

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.

Disclosure on credit risk for trade and other receivables is on Note 20 to the consolidated financial statements.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(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 into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 28 February 2010				
Borrowings and interest payment	48,225	35,349	–	83,574
Trade and bill payables	149,488	–	–	149,488
Accruals and other payables	174,075	–	–	174,075
Due to jointly controlled entities	22,699	–	–	22,699
	394,487	35,349	–	429,836
As at 28 February 2009				
Borrowings and interest payment	49,541	48,637	35,534	133,712
Trade and bill payables	155,993	–	–	155,993
Accruals and other payables	130,840	–	–	130,840
Due to a jointly controlled entity	9,206	–	–	9,206
	345,580	48,637	35,534	429,751

The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year
	HK$'000
As at 28 February 2010	
Derivative financial instruments:	
Outflow	60,109
Inflow	59,108
As at 28 February 2009	
Derivative financial instruments:	
Outflow	66,892
Inflow	63,440

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 as at 28 February 2010 of HK$10,086,000 (2009: short-term bank deposits of HK$20,480,000 and pledged bank deposits of HK$750,000), held at effective interest rate of 0.4% per annum (2009: 3% per annum and 3% per annum, respectively), and the bank borrowings as at 28 February 2010 of HK$82,600,000 (2009: HK$130,000,000) held at effective interest rate of 2% (2009: 4%) per annum, the Group has no significant interest-bearing assets and liabilities. The 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.

At 28 February 2010, if interest rates on cash and cash equivalents and bank borrowings had been 100 basis points higher/lower with all other variables held constant, the Group's net interest income would have been approximately HK$5,396,000 (2009: HK$3,120,000) higher/lower. The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet date. The 100 basis point increase or decrease represents management's assessment of a reasonable possible change in those interest rates which have the most impact on the Group over the period until the next annual balance sheet date.

3.2 FAIR VALUE ESTIMATION

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value; this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

At 28 February 2010, the Group has several foreign exchange forward contracts of carrying amounts HK$1,001,000, which were measured by level 2 of the fair value measurement hierarchy.

The carrying amounts of the Group's current financial assets, including cash and cash equivalents, trade and other receivables, and current financial liabilities, including amount due to jointly controlled entities, trade and bill payables, other payables and short-term bank borrowings, approximate their fair values due to their short maturities.

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 cash equivalents and pledged bank deposits and current ratio as shown in and derived from the consolidated balance sheet. The table below analyses the Group's capital structure:

	2010	2009
Cash and cash equivalents and pledged bank deposits (HK$'000)	**622,238**	442,014
Current ratio (Current assets divided by current liabilities)	**3.00**	2.80

The Group's strategy is to maintain the current ratio above 1.00 and sufficient cash and cash equivalents and pledged bank deposits to support the operations and development of its business in the long term.

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 jointly controlled entities, furniture and equipment, licence rights, franchise contracts and distribution agreements and club debentures

Investments in jointly controlled entities, furniture and equipment, licence rights, franchise contracts and distribution agreements and club debentures 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 statement of comprehensive income.

As at 28 February 2010, the carrying amounts of investments in jointly controlled entities, furniture and equipment, licence rights, franchise contracts and distribution agreements and club debentures disclosed in Notes 18. 15 and 16 to the consolidated financial statements respectively are subject to the impairment review.

(b) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7 to the consolidated financial statements. 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.

As at 28 February 2010, the carrying amount of goodwill disclosed in Note 16 to the consolidated financial statements is subject to the impairment review.

Management believes that the recoverable amounts of CGUs will exceed the carrying amounts of CGUs even if there is a 1% decrease in forecast growth rate or 1% increase in discount rate.

(c) Net realisable value of inventories

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

As at 28 February 2010, the carrying amounts of merchandise stock for resale disclosed in Note 19 to the consolidated financial statements are subject to the review of net realisable value.

(d) Provision for impairment of deposits, other receivables and amounts due from jointly controlled entities

The Group's management determines the provision for impairment of deposits, other receivables and amounts due from jointly controlled entities based on the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the deposits and other receivables are impaired. Management reassesses the provision at each balance sheet date.

As at 28 February 2010, the carrying amounts of deposits, other receivables and amounts due from jointly controlled entities disclosed in Notes 21, 20 and 18 to the consolidated financial statements respectively are subject to the impairment review.

(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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(f) Deferred income tax

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.

(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 statement of comprehensive income in the subsequent remaining vesting period of the relevant share options.

5 TURNOVER AND SEGMENT INFORMATION

(a) Analysis of revenue by category

	2010 HK$'000	2009 HK$'000
Turnover		
– Sales of fashion wears and accessories	**2,995,952**	2,733,256

(b) Segment information

The chief operating decision maker has been identified as the board of directors that makes strategic decisions. The board of directors 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 board of directors considers the business from geographic perspective and assesses the performance of the geographical segment based on a measure of operating profit before impairment of goodwill and furniture and equipment, depreciation of furniture and equipment, amortisation and write-off of intangible assets ("EBITDA"). The information provided to the board of directors is measured in a manner consistent with that in the financial statements.

Segment assets/liabilities exclude deferred income tax assets/liabilities and investments in and amounts due from/to jointly controlled entities which are managed on a central basis.

The segment information provided to the board of directors for the reportable segments for the year ended 28 February 2010 and 2009 is as follows:

	Hong Kong		Mainland China		Others		Total	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Turnover	**2,127,385**	2,026,155	**763,610**	636,805	**104,957**	70,296	**2,995,952**	2,733,256
EBITDA	**334,413**	226,090	**82,081**	28,155	**28,435**	(4,453)	**444,929**	249,792
Depreciation and amortisation	**(71,163)**	(74,775)	**(48,354)**	(31,220)	**(7,647)**	(4,633)	**(127,164)**	(110,628)
Impairment of furniture and equipment	**(2,053)**	–	**(4,236)**	–	**–**	–	**(6,289)**	–
Goodwill impairment	**–**	–	**–**	(59,569)	**(4,217)**	–	**(4,217)**	(59,569)
Write off of licence rights	**–**	(7,478)	**–**	–	**–**	–	**–**	(7,478)
Share of profit/(loss) from jointly controlled entities	**5,721**	5,171	**(967)**	(498)	**678**	(725)	**5,432**	3,948
Finance income	**2,807**	3,949	**2,343**	282	**100**	1,974	**5,250**	6,205
Finance cost	**(2,531)**	(2,953)	**(36)**	(466)	**–**	–	**(2,567)**	(3,419)
Profit/(loss) before income tax	**267,194**	150,004	**30,831**	(63,316)	**17,349**	(7,837)	**315,374**	78,851
Income tax (expense)/credit	**(45,650)**	(28,517)	**(4,388)**	(11,983)	**(2,648)**	4,204	**(52,686)**	(36,296)

5 TURNOVER AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

The segment information provided to the board of directors for the reportable segments for the year ended 28 February 2010 and 2009 is as follows: (Continued)

	Hong Kong		Mainland China		Others		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Total segment assets	**1,031,497**	804,921	**749,840**	722,653	**93,177**	84,707	**1,874,514**	1,612,281
Total segment liabilities	**331,862**	338,983	**97,622**	84,816	**37,691**	55,720	**467,175**	479,519

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

	2010	2009
	HK$'000	HK$'000
Segment assets for reportable segments	**1,781,337**	1,527,574
Other segments assets	**93,177**	84,707
	1,874,514	1,612,281
Unallocated:		
Deferred income tax assets	**31,282**	32,211
Investments in and amounts due from jointly controlled entities	**66,383**	59,887
	1,972,179	1,704,379

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

	2010	2009
	HK$'000	HK$'000
Segment liabilities for reportable segments	**429,484**	423,799
Other segments liabilities	**37,691**	55,720
	467,175	479,519
Unallocated:		
Deferred income tax liabilities	**4,582**	3,945
Amounts due to jointly controlled entities	**22,699**	9,206
	494,456	492,670

6 OTHER GAINS/(LOSSES)

	2010	2009
	HK$'000	HK$'000
Derivative financial instruments, at market value – forward foreign exchange contracts	**3,791**	(11,123)

7 EXPENSES BY NATURE

	2010 HK$'000	2009 HK$'000
Cost of inventories sold	**1,147,839**	1,108,831
Write-downs of inventories to net realisable value	**15,206**	25,258
Employment costs (including directors' emoluments) (Note 8)	**502,053**	499,765
Operating lease rentals of premises		
– minimum lease payments	**502,814**	484,426
– contingent rents	**98,523**	78,447
Advertising and promotion costs	**34,208**	52,566
Depreciation of furniture and equipment	**122,341**	102,135
Impairment of furniture and equipment	**6,289**	–
Loss on disposals of furniture and equipment	**1,988**	6,016
Licence fees (included in operating expenses)		
– amortisation of licence rights	**3,095**	6,849
– write off of licence rights	**–**	7,478
– contingent licence fees	**5,107**	4,226
Amortisation of trademark, franchise contracts and distribution agreements (included in operating expenses)	**1,728**	1,644
Provision for impairment of receivables	**73**	1,022
Provision for impairment of amount due from a jointly controlled entity	**1,206**	1,353
Auditor's remuneration	**2,450**	2,810
Net exchange gains	**(3,953)**	(38,555)
Other expenses	**260,500**	246,176
Total	**2,701,467**	2,590,447
Representing:		
Cost of sales	**1,176,707**	1,121,570
Operating expenses	**1,524,760**	1,468,877
	2,701,467	2,590,447

8 EMPLOYMENT COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	2010 HK$'000	2009 HK$'000
Salaries, commission and allowances	**421,828**	441,606
Bonus	**39,516**	5,400
Pension costs – employer's contributions to defined contribution plans and provision for long service payment	**32,347**	29,324
Share options granted	**7,403**	22,461
Welfare and other benefits	**959**	974
	502,053	499,765

(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.

8 EMPLOYMENT COSTS, INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(a) Pension – defined contribution plans (Continued)

As stipulated by rules and regulations in Mainland China, Taiwan and Macau, the Group contributes to state-sponsored retirement plans for employees of its subsidiaries established in Mainland China, Taiwan and Macau. For Mainland China, the employees contribute up to 8% of their basic salaries, while the Group contributes approximately 17% to 22% of such salaries. For Taiwan, employees are not liable to make contribution to the plan, while the Group contributes up to 6% of the employees' salary. For Macau, the employees contribute up to HK$15 per month, while the Group contributes up to HK$30 per month to the plan, and the actual payment of which depends on the number of days that the employees work in the Group. The Group 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 28 February 2010, the amount of the Group's employer contributions to defined contribution plans is approximately HK$32,089,000 (2009: HK$29,324,000).

9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of each director of the Company for the year ended 28 February 2010 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	–	4,800	13,000	2,824	12	20,636
Mr Sham Kin Wai	–	3,650	11,000	2,284	12	16,946
Dr Lo Wing Yan, William (ii)	–	1,452	–	–	4	1,456
Independent non-executive directors						
Mr Wong Wai Ming	180	–	–	–	–	180
Mr Francis Goutenmacher	180	–	–	–	–	180
Dr Wong Tin Yau, Kelvin	180	–	–	–	–	180
	540	9,902	24,000	5,108	28	39,578

The remuneration of each director of the Company for the year ended 28 February 2009 is set out below:

Name of directors	Fees	Salaries	Other benefits (i)	Employer's contributions to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Mr Sham Kar Wai	–	4,815	5,723	12	10,550
Mr Sham Kin Wai	–	3,634	5,219	12	8,865
Dr Lo Wing Yan, William (ii)	–	4,210	1,913	12	6,135
Independent non-executive directors					
Mr Wong Wai Ming	180	–	–	–	180
Mr Francis Goutenmacher	180	–	–	–	180
Dr Wong Tin Yau, Kelvin	180	–	–	–	180
	540	12,659	12,855	36	26,090

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

(a) Directors' emoluments (Continued)

Notes:

(i) Other benefits include housing allowance and the amortisation to the statement of comprehensive income 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 resigned as executive director on 12 June 2009.

No directors waived any emoluments during the year ended 28 February 2010 (2009: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two (2009: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2009: two) individuals are as follows:

	2010 **HK$'000**	2009 HK$'000
Salaries	**5,555**	3,210
Bonus	**6,700**	400
Other benefits (i)	**4,439**	7,167
Employer's contributions to pension scheme	**217**	149
	16,911	10,926

Note:

(i) Other benefits include housing allowance and the amortisation to the statement of comprehensive income 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.

The emoluments of the remaining three (2009: two) individuals fell within the following bands:

	2010	2009
HK$1,500,001 – HK$2,000,000	**1**	–
HK$5,000,001 – HK$5,500,000	**–**	1
HK$5,500,001 – HK$6,000,000	**–**	1
HK$6,500,001 – HK$7,000,000	**1**	–
HK$8,500,001 – HK$9,000,000	**1**	–
	3	2

(c) During the year ended 28 February 2010, 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 (2009: Nil).

10 FINANCE INCOME AND COSTS

	2010 **HK$'000**	2009 HK$'000
Interest income from		
– bank deposits	**1,274**	1,724
– amounts due from jointly controlled entities (i)	**569**	391
– others (i)	**3,407**	4,090
Finance income	**5,250**	6,205
Interest expense on		
– bank borrowings wholly repayable within five years	**(2,567)**	(2,694)
– licence fees payable (i)	**–**	(725)
Finance costs	**(2,567)**	(3,419)
Net finance income	**2,683**	2,786

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 income taxes 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 16.5% (2009: 16.5%) on the estimated assessable profits of the Group's operations in Hong Kong.

According to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), the income tax rates for both domestic and foreign investment enterprises are unified at 25% effective from 1 January 2008. However, for enterprises which are established before the publication of the CIT Law and are entitled to preferential treatments of reduced income tax rate granted by relevant tax authorities, the income tax rate is gradually increased to 25% within 5 years after the effective date of the CIT Law. For the region that enjoys a reduced income tax rate at 15%, the income tax rate is gradually increased to 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% for 2012 according to grandfathering rules stipulated in the Detailed Implementation Regulations ("DIR") and related circular. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term continue to enjoy such treatment until the fixed term expires.

Mainland China enterprise income tax has been provided at the applicable rates ranging from 20% to 25% (2009: ranging from 18% to 25%) on the profits of the Group's operations in Mainland China.

Taiwan profits tax has been provided at the rate of 20% (2009: 25%) on the estimated assessable profits of the Group's operations in Taiwan.

Macau Complementary (Corporate) Tax has been provided at the applicable rates ranging from 9% to 12% (2009: 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 income tax charged to the consolidated statement of comprehensive income represent:

	2010 HK$'000	2009 HK$'000
Current income tax		
– Hong Kong profits tax	**41,424**	32,050
– Mainland China enterprise income tax	**7,916**	12,496
– Overseas income tax	**1,600**	–
– Under/(over)-provision in prior year	**78**	(239)
Deferred income tax (Note 27)	**1,668**	(8,011)
	52,686	36,296

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:

	2010 HK$'000	2009 HK$'000
Profit before income tax	**315,374**	78,851
Adjustment: share of profit of jointly controlled entities, net of tax	**(5,432)**	(3,948)
Adjusted profit before income tax	**309,942**	74,903
Tax calculated at applicable tax rates	**51,600**	14,541
Income not subject to tax	**(1,158)**	(2,718)
Expenses not deductible for tax purposes	**3,486**	19,350
Effect on change of Hong Kong profits tax rate	**–**	539
Effect on change of overseas income tax rate	**603**	–
Tax loss not recognised	**1,701**	8,986
Recognition of previously unrecognised tax losses	**–**	(4,163)
Utilisation of previously unrecognised tax losses	**(3,624)**	–
Under/(over)-provision in prior year	**78**	(239)
Income tax expense	**52,686**	36,296

The weighted average applicable tax rate was 16.6% (2009: 19.4%). The decrease is caused by a change of the distribution of profits of the Group's entities operating in different locations.

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$244,492,000 (2009: loss of HK$640,000).

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.

	2010	2009
Profit attributable to equity holders of the Company (HK$'000)	**262,688**	42,555
Weighted average number of ordinary shares in issue ('000)	**1,155,037**	1,154,963
Basic earnings per share (HK$)	**0.23**	0.04

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.

	2010	2009
Profit attributable to equity holders of the Company (HK$'000)	**262,688**	42,555
Weighted average number of ordinary shares in issue ('000)	**1,155,037**	1,154,963
Adjustments for share options ('000)	**–***	–*
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,155,037**	1,154,963
Diluted earnings per share (HK$)	**0.23**	0.04

* No dilutive effect for the year ended 28 February 2010 and 2009 since all the other options are anti-dilutive.

14 DIVIDEND

	2010 **HK$'000**	2009 HK$'000
Final, proposed, of HK10.5 cents (2009: Nil) per ordinary share	**121,279**	–

The dividends paid in the year ended 28 February 2009 were HK$98,178,000 (HK8.5 cents per share for final dividend in 2008). The Directors recommend the payment of a final dividend of HK$121,279,000 for the year ended 28 February 2010 (2009: Nil). The final dividend in respect of the year ended 28 February 2010 of HK10.5 cents per ordinary share, which will be satisfied by cash, with an alternative to shareholders to elect to receive such final dividend (or part thereof) by way of scrip dividend, amounting to a total dividend of HK$121,279,000, is proposed for approval at the upcoming annual general meeting. The proposed dividend has not been dealt with as a dividend payable as at 28 February 2010 but has been dealt with as an appropriation of retained earnings for the year ended 28 February 2010.

15 FURNITURE AND EQUIPMENT – CONSOLIDATED

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles and yacht HK$'000	Total HK$'000
At 1 March 2008				
Cost	319,328	60,673	1,672	381,673
Accumulated depreciation and impairment	(170,468)	(31,214)	(141)	(201,823)
Net book amount	148,860	29,459	1,531	179,850
Year ended 28 February 2009				
Opening net book amount	148,860	29,459	1,531	179,850
Additions	144,198	9,848	1,643	155,689
Acquisition of a subsidiary	702	327	–	1,029
Disposals	(7,763)	(142)	(73)	(7,978)
Depreciation	(90,882)	(10,705)	(548)	(102,135)
Exchange differences	2,311	282	76	2,669
Closing net book amount	197,426	29,069	2,629	229,124
At 28 February 2009				
Cost	427,797	70,254	3,035	501,086
Accumulated depreciation and impairment	(230,371)	(41,185)	(406)	(271,962)
Net book amount	197,426	29,069	2,629	229,124
Year ended 28 February 2010				
Opening net book amount	197,426	29,069	2,629	229,124
Additions	89,204	11,744	35,100	136,048
Disposals	(1,947)	(41)	–	(1,988)
Depreciation	(107,374)	(12,696)	(2,271)	(122,341)
Impairment	(6,289)	–	–	(6,289)
Exchange differences	(1,075)	(72)	(12)	(1,159)
Closing net book amount	169,945	28,004	35,446	233,395
At 28 February 2010				
Cost	485,857	80,344	38,120	604,321
Accumulated depreciation and impairment	(315,912)	(52,340)	(2,674)	(370,926)
Net book amount	169,945	28,004	35,446	233,395

Depreciation and impairment expenses have been included in operating expenses.

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 practical experience of the Group in the recent years, the Group revisited the performance and lease term for each retail store upon the expiry of the leases and in some circumstances, the leases were not renewed. 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.

If the old depreciation policy was used for the current year, amount of depreciation would be reduced by approximately HK$14,394,000 and the net profit for the year ended 28 February 2010 would be increased by approximately HK$10,796,000.

16 INTANGIBLE ASSETS – CONSOLIDATED

	Goodwill HK$'000	Licence rights HK$'000	Franchise contracts and distribution agreements HK$'000	Trademark HK$'000	Club debentures HK$'000	Total HK$'000
At 1 March 2008						
Cost	282,953	40,291	15,952	532	6,030	345,758
Accumulated amortisation	–	(27,369)	(443)	(18)	–	(27,830)
Net book amount	282,953	12,922	15,509	514	6,030	317,928
Year ended 28 February 2009						
Opening net book amount	282,953	12,922	15,509	514	6,030	317,928
Additions	–	5,535	–	–	–	5,535
Acquisition of a subsidiary	4,324	–	–	–	–	4,324
Amortisation	–	(6,849)	(1,591)	(53)	–	(8,493)
Impairment	(59,569)	–	–	–	–	(59,569)
Write off	–	(7,478)	–	–	–	(7,478)
Exchange differences	14,557	–	829	–	–	15,386
Closing net book amount	242,265	4,130	14,747	461	6,030	267,633
At 28 February 2009						
Cost	302,578	6,792	16,827	532	6,030	332,759
Accumulated amortisation and impairment	(60,313)	(2,662)	(2,080)	(71)	–	(65,126)
Net book amount	242,265	4,130	14,747	461	6,030	267,633
Year ended 28 February 2010						
Opening net book amount	242,265	4,130	14,747	461	6,030	267,633
Additions	–	2,169	–	–	68	2,237
Amortisation	–	(3,095)	(1,675)	(53)	–	(4,823)
Impairment	(4,217)	–	–	–	–	(4,217)
Exchange differences	(941)	–	(66)	–	–	(1,007)
Closing net book amount	237,107	3,204	13,006	408	6,098	259,823
At 28 February 2010						
Cost	302,578	6,045	16,753	532	6,098	332,006
Accumulated amortisation and impairment	(65,471)	(2,841)	(3,747)	(124)	–	(72,183)
Net book amount	237,107	3,204	13,006	408	6,098	259,823

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 majority of the goodwill is allocated to the in-house brands operated by the Group.

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 years. 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.

16 INTANGIBLE ASSETS – CONSOLIDATED (Continued)

Key assumptions used for fair value less costs to sell estimations

	2010	2009
Long-term growth rate	**2% to 5%**	2% to 5%
Gross margin	**42% to 78%**	45% to 79%
Discount rate	**14% to 16%**	14% to 16%

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

	2010 HK$'000	2009 HK$'000
Unlisted investments, at cost	**185,048**	136,880
Amounts due from subsidiaries	**1,092,450**	888,709
	1,277,498	1,025,589

(a) Details of the principal subsidiaries as at 28 February 2010:

Name	Place of incorporation/ establishment and operations	Issued and fully paid/ registered 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	Hong Kong	HK$60,000,000	100%	Investment holding
I.T Distribution Limited	Hong Kong	HK$2	100%	Trading of fashion wear and accessories
I.T (Macau) Limited	Macau	MOP9,270,000	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 28 February 2010: (Continued)

Name	Place of incorporation/ establishment and operations	Issued and fully paid/ registered capital	Percentage of equity interest attributable to the Group (i)	Principal activities
I.T Taiwan Limited	Hong Kong and Taiwan	HK$10,000	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
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
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 quasi-equity funding by the Company to the respective subsidiaries and are measured in accordance with the Company's accounting policy for investments in subsidiaries.

Amounts due from subsidiaries are unsecured , non-interest bearing and have no fixed term of repayment.

18 INVESTMENTS IN AND BALANCES WITH JOINTLY CONTROLLED ENTITIES – CONSOLIDATED

	2010 HK$'000	2009 HK$'000
Share of net assets	**29,863**	24,385
Amounts due from jointly controlled entities	**39,079**	36,855
Less: provision for impairment of amount due from a jointly controlled entity	**(2,559)**	(1,353)
	36,520	35,502
	66,383	59,887
Less: current portion of amounts due from jointly controlled entities	**(27,045)**	(27,323)
	39,338	32,564
Amounts due to jointly controlled entities	**(22,699)**	(9,206)

(a) Share of net assets of jointly controlled entities

	2010 HK$'000	2009 HK$'000
Beginning of the year	**24,385**	5,518
Share of results of jointly controlled entities		
– profit before income tax	**6,471**	5,774
– income tax expense	**(1,039)**	(1,826)
– currency translation differences	**46**	1,091
Capital injections in jointly controlled entities	**–**	2,750
Capital reduction from a jointly controlled entity	**–**	(5,000)
Business combinations		
– disposal of a jointly controlled entity	**–**	16,078
End of the year	**29,863**	24,385

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

	2010 HK$'000	2009 HK$'000
Revenues	**78,749**	79,322
Profit	**5,432**	3,948
Non-current assets	**13,491**	9,787
Current assets	**52,201**	44,818
Non-current liabilities	**(14,060)**	(12,827)
Current liabilities	**(21,769)**	(17,393)
Commitments	**–**	–

The Group has not recognised losses for the year ended 28 February 2010 amounting to approximately HK$1,206,000 (2009: HK$1,353,000). The accumulated losses not recognised as at 28 February 2010 were approximately HK$2,559,000 (2009: HK$1,353,000).

18 INVESTMENTS IN AND BALANCES WITH JOINTLY CONTROLLED ENTITIES – CONSOLIDATED (Continued)

(a) Share of net assets of jointly controlled entities (Continued)

Details of the principal jointly controlled entities as at 28 February 2010:

Name	Place of incorporation/ establishment 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
Kenchart Apparels (Shanghai) Limited (i)	Mainland China	HK$28,827,070	50%	Retail of fashion wears and accessories
FCIT (Macau), Limited	Macau	HK$1,679,492	50%	Retail of fashion wears and accessories

Note:

(i) Kenchart Apparels (Shanghai) Limited is a jointly controlled entity, which is a wholly foreign enterprise of FCIT China Limited, established in Shanghai, Mainland China to be operated for 30 years up to 2035.

(b) Balances with jointly controlled entities

Name	2010 HK$'000	2009 HK$'000
Due from jointly controlled entities		
ZIT H.K. Limited (i)	**4,004**	2,923
FCIT China Limited (ii)	**31,150**	31,747
Glory Premium Limited (iii)	**1,366**	830
FCUK IT Company (iii)	**–**	2
	36,520	35,502
Due to jointly controlled entities		
Kenchart Apparels (Shanghai) Limited (iii)	**(18,972)**	(9,206)
FCUK IT Company (iii)	**(3,727)**	–
	(22,699)	(9,206)

Notes:

(i) As at 28 February 2010, amount due from ZIT H.K. Limited of approximately HK$3,930,000 (2009: HK$2,923,000) is unsecured, interest bearing at 5% and fully repayable at the termination of the joint venture.

(ii) As at 28 February 2010, amount due from FCIT China Limited of approximately HK$5,545,000 (2009: HK$5,256,000) is unsecured, non-interest bearing and fully repayable in 2016. This amount is carried at amortised costs using the effective interest rate of 5% (2009: 5%) per annum. The remaining balance is unsecured, non-interest bearing and repayable on demand.

(iii) The remaining balances with jointly controlled entities are unsecured, non-interest bearing and repayable on demand.

18 INVESTMENTS IN AND BALANCES WITH JOINTLY CONTROLLED ENTITIES – CONSOLIDATED (Continued)

(b) Balances with jointly controlled entities (Continued)

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

	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due from jointly controlled entities	**36,520**	35,502	**38,587**	37,447

The fair values of amounts due from jointly controlled entities are based on cash flows discounted using the rate of 0.7% (2009: 1.4%) per annum.

The carrying amounts of amounts due to jointly controlled entities approximate their fair values.

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

	2010	2009
	HK$'000	HK$'000
Hong Kong Dollar	**29,504**	27,491
Pound Sterling	**5,460**	6,588
Euro	**997**	1,065
Others	**559**	358
	36,520	35,502

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

	2010	2009
	HK$'000	HK$'000
Hong Kong Dollar	**2,883**	–
Chinese Renminbi	**18,972**	9,206
Macau Pataca	**844**	–
	22,699	9,206

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

19 INVENTORIES – CONSOLIDATED

	2010	2009
	HK$'000	HK$'000
Merchandise stock for resale	**379,263**	396,247
Consumables	**15,257**	14,898
	394,520	411,145

The cost of inventories recognised as expense and included in cost of sales amounted to approximately HK$1,147,839,000 (2009: HK$1,108,831,000).

20 TRADE AND OTHER RECEIVABLES

	Consolidated		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**77,611**	59,448	**–**	–
Less: provision for impairment of receivables	**–**	(361)	**–**	–
Trade receivables, net	**77,611**	59,087	**–**	–
Other receivables	**42,469**	27,316	**–**	13
Less: provision for impairment of receivables	**–**	(19,114)	**–**	–
Other receivables, net	**42,469**	8,202	**–**	13
Trade and other receivables	**120,080**	67,289	**–**	13

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

	Consolidated	
	2010	2009
	HK$'000	HK$'000
Beginning of the year	**361**	343
Written off against trade receivables	**(360)**	–
Exchange differences	**(1)**	18
End of the year	**–**	361

As at 28 February 2010, none of trade receivables (2009: HK$361,000) were impaired. As at 28 February 2009, 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 1 year as of 28 February 2009.

The ageing analysis of trade receivables past due but not impaired as at 28 February is as follows:

	Consolidated	
	2010	2009
	HK$'000	HK$'000
0 to 30 days	**198**	14
31 to 60 days	**366**	8
61 to 90 days	**1**	1
Over 90 days	**46**	7
	611	30

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

	Consolidated	
	2010	2009
	HK$'000	HK$'000
Beginning of the year	**19,114**	16,834
Provision for impairment of other receivables	**73**	1,022
Written off against other receivables	**(19,100)**	–
Exchange differences	**(87)**	1,258
End of the year	**–**	19,114

20 TRADE AND OTHER RECEIVABLES (Continued)

As at 28 February 2010, none of other receivables (2009: HK$19,114,000) were impaired. As at 28 February 2009, 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 1 year as of 28 February 2009.

There were no other receivables past due but not impaired as at 28 February 2010 and 2009.

The trade and other receivables are denominated in the following currencies:

	Consolidated		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Chinese Renminbi	**91,946**	42,715	**–**	–
Hong Kong Dollar	**22,201**	19,739	**–**	13
Others	**5,933**	4,835	**–**	–
	120,080	67,289	**–**	13

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.

As at 28 February 2010 and 2009, the maximum exposure to credit risk is the carrying values of trade and other receivables. The Group does not hold any collateral.

The ageing analysis of trade receivables is as follows:

	Consolidated	
	2010	2009
	HK$'000	HK$'000
0 to 30 days	**74,769**	56,223
31 to 60 days	**2,758**	2,749
61 to 90 days	**38**	4
Over 90 days	**46**	111
	77,611	59,087

21 PREPAYMENTS AND OTHER DEPOSITS – CONSOLIDATED

	2010	2009
	HK$'000	HK$'000
Rental deposits	**173,034**	131,786
Prepayments	**58,383**	48,888
Utility and other deposits	**13,041**	14,402
	244,458	195,076
Less non-current portion:		
Rental deposits	**(121,711)**	(91,065)
	122,747	104,011

Rental deposits are carried at amortised costs using the effective interest rates ranging from 2% to 5% (2009: ranging from 2% to 5%) per annum determined at the inception date.

21 PREPAYMENTS AND OTHER DEPOSITS – CONSOLIDATED (Continued)

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

	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Rental deposits	**173,034**	131,786	**174,814**	134,238

The fair values of rental deposits are based on cash flows discounted using the rate of 0.7% (2009: 1.4%) 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.

As at 28 February 2010 and 2009, the maximum exposure to credit risk is the carrying values of rental deposits. The Group does not hold any collateral.

22 PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	Consolidated		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Pledged bank deposits	**–**	750	**–**	–
Cash at bank and in hand	**612,152**	420,784	**1,362**	1,364
Short-term bank deposits	**10,086**	20,480	**–**	–
	622,238	442,014	**1,362**	1,364

The Group's pledged bank deposits, cash at bank and short-term bank deposits are deposited with banks in Hong Kong, Mainland China, Taiwan and Macau. Cash at bank earned interest at floating rates based on daily bank deposit rates.

As at 28 February 2010 and 2009, the maximum exposure to credit risk approximates the carrying values of the pledged bank deposits, cash at bank and short-term bank deposits.

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

	Consolidated		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong Dollar	**398,659**	203,701	**1,362**	1,364
Euro	**37,034**	31,468	**–**	–
Japanese Yen	**1,073**	43,612	**–**	–
United States Dollar	**4,916**	6,440	**–**	–
Pound Sterling	**2,468**	633	**–**	–
Chinese Renminbi	**158,949**	145,456	**–**	–
Others	**19,139**	10,704	**–**	–
	622,238	442,014	**1,362**	1,364

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 Mainland China are subject to the rules and regulations of the foreign exchange control promulgated by the Mainland China government.

23 BORROWINGS – CONSOLIDATED

	2010 HK$'000	2009 HK$'000
Non-current bank borrowings	**35,200**	82,600
Current bank borrowings	**47,400**	47,400
	82,600	130,000

The maturity of bank borrowings is as follows:

	2010 HK$'000	2009 HK$'000
Within 1 year	**47,400**	47,400
Between 1 and 2 years	**35,200**	47,400
Between 2 and 5 years	**–**	35,200
	82,600	130,000

As at 28 February 2010, bank borrowings are unsecured and bear interest ranging from 3-month Hong Kong Interbank Offered Rate ("HIBOR") plus 1.3% per annum to 1-month HIBOR plus 1.6% per annum (2009: HIBOR plus 1.3 to 1.9% per annum).

The carrying amounts of bank borrowings approximate their fair values.

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

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

24 TRADE AND BILL PAYABLES – CONSOLIDATED

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

	2010 HK$'000	2009 HK$'000
0 to 30 days	**112,683**	113,722
31 to 60 days	**18,766**	23,287
61 to 90 days	**7,292**	7,648
91 to 180 days	**6,499**	8,590
181 to 365 days	**3,771**	1,666
Over 365 days	**477**	1,080
	149,488	155,993

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

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

	2010 HK$'000	2009 HK$'000
Hong Kong Dollar	**60,792**	64,795
Euro	**32,993**	43,153
Japanese Yen	**28,821**	15,342
United States Dollar	**2,887**	5,013
Pound Sterling	**2,960**	3,737
Chinese Renminbi	**21,035**	23,953
	149,488	155,993

25 ACCRUALS AND OTHER PAYABLES

	Consolidated		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unutilised coupon	**763**	954	**–**	–
Accruals				
– Rented premises	**86,729**	94,765	**–**	–
– Employment costs	**58,700**	28,475	**–**	–
– Others	**16,454**	16,632	**24**	25
Other payables	**41,629**	24,987	**–**	–
	204,275	165,813	**24**	25
Less non-current portion:				
Rented premises	**(26,030)**	(30,136)	**–**	–
	178,245	135,677	**24**	25

Other payables are denominated in the following currencies:

	Consolidated		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong Dollar	**9,162**	7,058	**–**	–
Chinese Renminbi	**31,046**	15,617	**–**	–
Others	**1,421**	2,312	**–**	–
	41,629	24,987	**–**	–

The carrying amounts of other payables approximate their fair values.

26 DERIVATIVE FINANCIAL INSTRUMENTS – CONSOLIDATED

	2010		2009	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Foreign exchange forward contracts, at market value	**–**	**1,001**	–	3,452

Derivative financial instruments represent forward foreign exchange contracts designated as derivative at fair value through profit or loss. As at 28 February 2010, the notional amounts of the outstanding forward foreign exchange contracts to buy Pound Sterling, Japanese Yen and Euro for economic 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$60,109,000 (2009: HK$66,892,000). The remaining maturities of these contracts are within 2 months.

27 DEFERRED INCOME TAX – CONSOLIDATED

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

	2010	2009
	HK$'000	HK$'000
Deferred income tax assets	**31,282**	32,211
Deferred income tax liabilities	**(4,582)**	(3,945)
	26,700	28,266

Management expects the deferred income tax will be recovered after 12 months of the balance sheet date.

27 DEFERRED INCOME TAX – CONSOLIDATED (Continued)

The movements on the net deferred income tax assets account is as follows:

	2010 HK$'000	2009 HK$'000
Beginning of the year	**28,266**	19,888
Recognised in the consolidated statement of comprehensive income (Note 11)	**(1,668)**	8,011
Exchange differences	**102**	367
End of the year	**26,700**	28,266

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	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Beginning of the year	**9,935**	5,468	**9,785**	5,357	**13,258**	15,216	**32,978**	26,041
Recognised in the consolidated statement of comprehensive income	**3,727**	4,463	**2,545**	4,100	**(8,070)**	(1,993)	**(1,798)**	6,570
Exchange differences	**(5)**	4	**(25)**	328	**132**	35	**102**	367
End of the year	**13,657**	9,935	**12,305**	9,785	**5,320**	13,258	**31,282**	32,978

Deferred tax liabilities

	Accelerated tax depreciation	
	2010 HK$'000	2009 HK$'000
Beginning of the year	**(4,712)**	(6,153)
Recognised in the consolidated statement of comprehensive income	**130**	1,441
End of the year	**(4,582)**	(4,712)

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 28 February 2010, the Group has unrecognised tax losses of HK$31,994,000 (2009: HK$51,385,000).

The unrecognised tax losses will expire in the following years:

	2010 HK$'000	2009 HK$'000
2009	**–**	1,684
2010	**–**	5,032
2011	**–**	1,581
2012	**226**	1,507
2013	**5,371**	20,940
2014	**5,455**	7,811
2015	**6,195**	–
2017	**9,449**	8,979
2018	**3,066**	2,914
With no expiry date	**2,232**	937
	31,994	51,385

As at 28 February 2010, deferred income tax liabilities of HK$2,994,000 (2009: HK$1,806,000) have not been established for the withholding tax that would be payable on the undistributed earnings of certain subsidiaries in certain tax jurisdictions totalling HK$59,872,000 (2009: HK$36,120,000) as the directors considered that the timing of the reversal of the related temporary differences can be controlled and accordingly the temporary difference will not be reversed in the foreseeable future.

28 SHARE CAPITAL

Movements were:

	Note	Number of ordinary shares	Nominal value
		'000	HK$'000
Authorised:			
At 1 March 2008, 28 February 2009 and 28 February 2010			
Ordinary shares of HK$0.1 each		**3,000,000**	**300,000**
Issued and fully paid:			
At 1 March 2008		**1,154,677**	**115,468**
Issue of shares under share option schemes	(i)	**360**	**36**
At 28 February 2009 and 28 February 2010		**1,155,037**	**115,504**

Note:

(i) On 14 May 2008, the Company issued 120,000 ordinary shares 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$282,000.

On 15 May 2008, the Company issued 240,000 ordinary shares 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$564,000.

Share options

The Company currently has two share option schemes, namely the First Share Option Scheme and the New Share Option Scheme, detailed as hereinafter. Under both share option schemes, options may be granted to eligible participants (including directors and employees) as defined in the respective 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.

In February 2005, the Company has adopted a share option scheme (the "First Share Option Scheme"), which ought to remain in force for 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"), which will remain in force for 10 years up to June 2018, 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.

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 and the New 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.

The details of the share options granted are as follows:

Grant date	**14 April 2008**	**14 April 2008**	**28 December 2009**	**12 February 2010**
Number of share options granted	20,000,000	34,300,000	33,000,000	22,000,000
Exercise price per share (HK$)	2.47	2.25	1.26	1.46
Exercise period	14 April 2008 to 13 April 2013[1]	14 April 2008 to 13 April 2013[2]	28 December 2011 to 27 December 2019	12 February 2012 to 11 February 2020
Fair value at grant date (HK$)	11,406,000	17,326,000	14,634,390	14,220,491

28 SHARE CAPITAL (Continued)

Share options (Continued)

Note:

(1) The share options are divided into 3 tranches as follows:

	Number of options	Exercise period
Tranche 1	6,680,000	From 14 April 2008 to 13 April 2011
Tranche 2	6,660,000	From 14 April 2009 to 13 April 2012
Tranche 3	6,660,000	From 14 April 2010 to 13 April 2013

(2) The share options are divided into 3 tranches as follows:

	Number of options	Exercise period
Tranche 1	11,980,000	From 14 April 2008 to 13 April 2011
Tranche 2	11,160,000	From 14 April 2009 to 13 April 2012
Tranche 3	11,160,000	From 14 April 2010 to 13 April 2013

The fair values of the share options are determined using the Binomial Option Pricing Model.

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

Grant date	14 April 2008	14 April 2008	28 December 2009	12 February 2010
Share price at the grant date	HK$2.24	HK$2.24	HK$1.25	HK$1.45
Exercise price per share	HK$2.47	HK$2.25	HK$1.26	HK$1.46
Expected volatility (Note)	43.00%	43.00%	56.80%	57.00%
Expected life of options	3.0 years	1.0 year	3.1 years	6.3 years
Expected dividend yield	4.00%	4.00%	4.00%	4.00%
Annual risk free rate	1.99%	1.99%	2.59%	2.87%

Note:

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of weekly share prices over three years preceding the grant date.

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

	2010		2009	
	Exercise price per share HK$	Options '000	Exercise price per share HK$	Options '000
Beginning of the year	2.21	63,800	1.74	13,450
Granted	1.34	55,000	2.33	54,300
Exercised	–	–	2.35	(360)
Forfeited	1.75	(14,400)	2.34	(3,590)
End of the year	1.82	104,400	2.21	63,800

Options exercised during the year ended 28 February 2009 resulted in 360,000 shares being issued at a weighted average exercise price of HK$2.35 each. The related weighted average share price at the time of exercise was HK$2.62 per share.

28 SHARE CAPITAL (Continued)

Share options (Continued)

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

Expiry date	Exercise price per share	Share options 2010	2009
	HK$	'000	'000
15 February 2010	1.56	–	6,000
31 May 2010	1.47	–	4,000
13 April 2011	2.33	**16,960**	18,460
13 April 2012	2.33	**16,220**	17,670
13 April 2013	2.33	**16,220**	17,670
27 December 2019	1.26	**33,000**	–
11 February 2020	1.46	**22,000**	–
		104,400	63,800

29 RESERVES

(a) Consolidated

	Share premium	Share-based payment reserve	Capital reserve	Translation reserve	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 March 2009	700,699	24,618	32,337	45,722	292,829	1,096,205
Profit for the year	–	–	–	–	262,688	262,688
Share option scheme						
– value of employment services	–	7,403	–	–	–	7,403
Forfeiture of share options	–	(5,279)	–	–	5,279	–
Currency translation differences						
– Group	–	–	–	(4,123)	–	(4,123)
– Jointly controlled entities	–	–	–	46	–	46
Balance at 28 February 2010	700,699	26,742	32,337	41,645	560,796	1,362,219
Analysed by –						
Company and subsidiaries	700,699	26,742	32,337	39,588	544,481	1,343,847
Jointly controlled entities	–	–	–	2,057	16,315	18,372
Balance at 28 February 2010	700,699	26,742	32,337	41,645	560,796	1,362,219
Representing –						
2010 Final dividend proposed					121,279	
Others					439,517	
					560,796	

29 RESERVES (Continued)

(a) Consolidated (Continued)

	Share premium HK$'000	Share-based payment reserve HK$'000	Capital reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 March 2008	699,809	3,897	32,337	22,534	346,792	1,105,369
Profit for the year	–	–	–	–	42,555	42,555
Share option scheme						
– value of employment services	–	22,461	–	–	–	22,461
Exercise of share options	890	(80)	–	–	–	810
Forfeiture of share options	–	(1,660)	–	–	1,660	–
Currency translation differences						
– Group	–	–	–	22,097	–	22,097
– Jointly controlled entities	–	–	–	1,091	–	1,091
Dividend relating to year ended 29 February 2008	–	–	–	–	(98,178)	(98,178)
Balance at 28 February 2009	700,699	24,618	32,337	45,722	292,829	1,096,205
Analysed by –						
Company and subsidiaries	700,699	24,618	32,337	43,711	281,946	1,083,311
Jointly controlled entities	–	–	–	2,011	10,883	12,894
Balance at 28 February 2009	700,699	24,618	32,337	45,722	292,829	1,096,205

(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 2009	700,699	24,618	136,680	49,440	911,437
Profit for the year	–	–	–	244,492	244,492
Share option scheme					
– value of employment services	–	7,403	–	–	7,403
Forfeiture of share options	–	(5,279)	–	5,279	–
Balance at 28 February 2010	700,699	26,742	136,680	299,211	1,163,332
Representing –					
2010 Final dividend proposed				121,279	
Others				177,932	
				299,211	
Balance at 1 March 2008	699,809	3,897	136,680	146,598	986,984
Loss for the year	–	–	–	(640)	(640)
Share option scheme					
– value of employment services	–	22,461	–	–	22,461
Exercise of share options	890	(80)	–	–	810
Forfeiture of share options	–	(1,660)	–	1,660	–
Dividend relating to year ended 29 February 2008	–	–	–	(98,178)	(98,178)
Balance at 28 February 2009	700,699	24,618	136,680	49,440	911,437

30 CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	2010 HK$'000	2009 HK$'000
Profit for the year	**262,688**	42,555
Adjustments for:		
– Income tax expense	**52,686**	36,296
– Interest expense	**2,567**	3,419
– Interest income	**(5,250)**	(6,205)
– Share of profit of jointly controlled entities	**(5,432)**	(3,948)
– Depreciation of furniture and equipment	**122,341**	102,135
– Impairment of furniture and equipment	**6,289**	–
– Amortisation of licence rights	**3,095**	6,849
– Write off of licence rights	**–**	7,478
– Amortisation of trademark, franchise contracts and distribution agreements	**1,728**	1,644
– Fair value (gain)/loss on derivative financial instruments	**(3,791)**	11,123
– Loss on disposal of furniture and equipment	**1,988**	6,016
– Share option costs	**7,403**	22,461
– Impairment of goodwill	**4,217**	59,569
– Provision for impairment of amount due from a jointly controlled entity	**1,206**	1,353
	451,735	290,745
Changes in working capital:		
– Increase in rental deposits	**(27,391)**	(10,722)
– Decrease/(increase) in inventories	**16,203**	(88,771)
– Increase in trade and other receivables	**(53,010)**	(27,726)
– Increase in prepayments and other deposits	**(18,993)**	(1,344)
– Decrease in pledged bank deposits	**750**	–
– (Decrease)/increase in trade and bill payables	**(5,298)**	35,245
– Increase in accruals and other payables	**38,226**	6,954
– Increase in amounts due from jointly controlled entities	**(1,655)**	(9,426)
– Increase/(decrease) in amounts due to jointly controlled entities	**13,493**	(6,377)
Cash generated from operations	**414,060**	188,578

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

	2010 HK$'000	2009 HK$'000
Net book amount (Note 15)	**1,988**	7,978
Loss on disposal of furniture and equipment	**(1,988)**	(6,016)
Proceeds from disposal of furniture and equipment	**–**	1,962

(c) Analysis of cash and cash equivalents:

	2010 HK$'000	2009 HK$'000
Cash and bank deposits	**622,238**	441,264

31 BANKING FACILITIES AND PLEDGE OF ASSETS

As at 28 February 2010, the Group had aggregate banking facilities of approximately HK$496,350,000 (2009: HK$525,000,000) for overdrafts, bank loans and trade financing, of which approximately HK$310,075,000 (2009: HK$270,769,000) was unutilised as at the same date. These facilities are secured by:

(i) the Group's bank deposits of Nil (2009: HK$750,000); and

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

As at 28 February 2010, the Company provided financial guarantees of HK$82,600,000 for the bank borrowings drawn by its subsidiaries.

32 OPERATING LEASE COMMITMENTS – CONSOLIDATED

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 minimum lease payments are as follows:

	Consolidated	
	2010	2009
	HK$'000	HK$'000
Not later than one year	**507,772**	468,738
Later than one year and not later than five years	**713,117**	667,266
Later than five years	**8,381**	134,038
	1,229,270	1,270,042

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.

There are no operating lease commitments relating to the Company as at 28 February 2010 (2009: Nil).

33 RELATED PARTY TRANSACTIONS – CONSOLIDATED

As at 28 February 2010, the Group was controlled by Effective Convey Limited (incorporated in the British Virgin Islands), which directly and indirectly owns a total of 58.19% 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.

(a) Details of significant transactions with related parties:

	2010	2009
	HK$'000	HK$'000
Sales of fashion wears and accessories to[2]		
– FCUK IT Company[1]	**93**	–
– FCIT (Macau), Limited[1]	**343**	–
Interest income from[3]		
– FCIT China Limited[1]	**289**	274
– ZIT H.K. Limited[1]	**280**	117
Reimbursement of operating expenses by[4]		
– FCUK IT Company[1]	**5,323**	6,341
– FCIT China Limited[1]	**4,766**	2,906
– ZIT H.K. Limited[1]	**879**	516
– FCIT (Macau), Limited[1]	**205**	–

Note:

(1) FCUK IT Company, FCIT China Limited, ZIT H.K. Limited and FCIT (Macau), Limited are jointly controlled entities of the Group.

(2) Sales of fashion wears and accessories were made at cost.

(3) Interest income on amount due from FCIT China Limited is arisen from the amortisation of amount due from FCIT China Limited recognised at amortised cost at an effective interest rate of 5% (2009: 5%) per annum.

Interest income on amount due from ZIT H.K. Limited is charged at 5% (2009: 5%) per annum.

(4) Reimbursement of operating expenses is recharged at terms agreed by the parties.

(b) Key management compensation

	2010	2009
	HK$'000	HK$'000
Directors' fees	**540**	540
Salaries and allowances	**31,454**	35,111
Bonuses	**36,458**	4,674
Pension costs – employer's contributions	**684**	615
Share options granted	**5,943**	18,842
	75,079	59,782

FIVE YEAR FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	Year ended 28 February 2010 HK$'000	Year ended 28 February 2009 HK$'000	Year ended 29 February 2008 HK$'000	Year ended 28 February 2007 HK$'000	Year ended 28 February 2006 HK$'000
Turnover	**2,995,952**	2,733,256	2,021,283	1,530,763	1,314,443
Cost of sales	**(1,176,707)**	(1,121,570)	(819,423)	(640,442)	(540,243)
Gross profit	**1,819,245**	1,611,686	1,201,860	890,321	774,200
Other income-incentive income	**13,200**	–	–	–	–
Other gains/(losses)	**3,791**	(11,123)	1,900	(4,395)	(273)
Impairment of goodwill	**(4,217)**	(59,569)	–	–	–
Operating expenses	**(1,524,760)**	(1,468,877)	(1,002,046)	(749,898)	(642,553)
Operating profit	**307,259**	72,117	201,714	136,028	131,374
Finance income	**5,250**	6,205	14,417	16,630	16,657
Finance costs	**(2,567)**	(3,419)	(827)	(620)	(1,665)
Share of profit/(loss) of jointly controlled entities	**5,432**	3,948	(4,828)	(3,912)	4,237
Profit before income tax	**315,374**	78,851	210,476	148,126	150,603
Income tax expense	**(52,686)**	(36,296)	(39,505)	(25,723)	(28,289)
Profit for the year	**262,688**	42,555	170,971	122,403	122,314
Dividend	**121,279**	–	119,982	51,985	49,867

CONSOLIDATED BALANCE SHEETS

	As at 28 February 2010 HK$'000	As at 28 February 2009 HK$'000	As at 29 February 2008 HK$'000	As at 28 February 2007 HK$'000	As at 28 February 2006 HK$'000
ASSETS					
Non-current assets					
Furniture and equipment	**233,395**	229,124	179,850	93,191	97,237
Intangible assets	**259,823**	267,633	317,928	17,149	20,249
Investments in and amounts due from jointly controlled entities	**39,338**	32,564	21,974	83,233	51,699
Rental deposits	**121,711**	91,065	77,424	56,352	43,418
Deferred income tax assets	**31,282**	32,211	24,412	5,761	576
	685,549	652,597	621,588	255,686	213,179
Current assets					
Inventories	**394,520**	411,145	323,724	196,299	147,398
Trade and other receivables	**120,080**	67,289	39,645	9,902	7,018
Amounts due from jointly controlled entities	**27,045**	27,323	41,080	82,437	44,557
Prepayments and other deposits	**122,747**	104,011	98,920	81,360	45,322
Derivative financial instruments	**–**	–	2,539	1,883	–
Pledged bank deposits	**–**	750	750	750	750
Cash and cash equivalents	**622,238**	441,264	424,173	364,820	424,881
	1,286,630	1,051,782	930,831	737,451	669,926
LIABILITIES					
Current liabilities					
Bank borrowings	**(47,400)**	(47,400)	(10,000)	–	–
Trade and bill payables	**(149,488)**	(155,993)	(121,840)	(66,805)	(48,151)
Accruals and other payables	**(178,245)**	(135,677)	(140,200)	(71,648)	(62,739)
Amounts due to jointly controlled entities	**(22,699)**	(9,206)	(15,583)	–	–
Derivative financial instruments	**(1,001)**	(3,452)	–	(424)	(2,430)
Current income tax liabilities	**(29,811)**	(24,261)	(30,510)	(19,423)	(9,900)
	(428,644)	(375,989)	(318,133)	(158,300)	(123,220)
Net current assets	**857,986**	675,793	612,698	579,151	546,706
Total assets less current liabilities	**1,543,535**	1,328,390	1,234,286	834,837	759,885
Non-current liabilities					
Bank borrowings	**(35,200)**	(82,600)	–	–	–
Accruals	**(26,030)**	(30,136)	(8,925)	(7,585)	(10,388)
Deferred income tax liabilities	**(4,582)**	(3,945)	(4,524)	(499)	(2,231)
	(65,812)	(116,681)	(13,449)	(8,084)	(12,619)
Net assets	**1,477,723**	1,211,709	1,220,837	826,753	747,266
EQUITY					
Capital and reserves					
Share capital	**115,504**	115,504	115,468	103,950	103,890
Reserves	**1,362,219**	1,096,205	1,105,369	722,803	643,376
Total equity	**1,477,723**	1,211,709	1,220,837	826,753	747,266